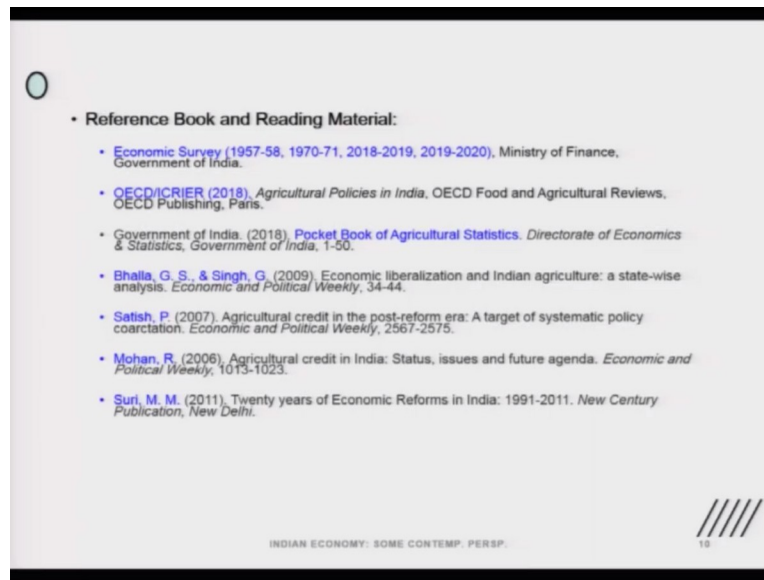



Indian Economy: Some Contemporary Perspectives
Professor Wasim Ahmad
Department of Economic Sciences
Indian Institute of Technology, Kanpur
Lecture-10
Indian Economy: Agriculture Policy 2

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So, let us analyze now the rest of the section that we saw. So, we were focusing the agriculture performance and the policies undertaken during 1980s, 1990s. So, we will continue with that. So, the reference articles remain the same, so I have just mentioned and this will continue from the previous lecture that we have. So, we are now continuing from the previous lecture.

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○ Indian Agriculture Policies Since Independence

- Agriculture policies during 1980s to 1990s
 - In 1985, India implemented a "*Comprehensive Crop Insurance Scheme (CCIS)*" to manage the risk in agriculture sector caused by the natural catastrophe and calamities.
 - The CCIS was also implemented to improve the production of desired commodities such as food grains, pulses and oil seeds.
 - The scheme covered: rice, wheat, millets, oilseeds and pulses.
 - The scheme was voluntary in nature and was left to the states to implement it.
 - The sum insured per farmer was 150% of loan disbursed for growing crops.

INDIAN ECONOMY: SOME CONTEMP. PERSP. 11

So, in 1980s, 1990s one more consideration was given was how we can tackle the risk and uncertainty and how we can minimize the risk and uncertainty in the agricultural sector. And because of that, there were certain measures where undertaken at that time and it was about crop insurance. And why it was required because at that point of time, most of the farming community had a tough time in terms of dealing with severe drought, then we had natural calamities, and in those cases most of the farmers had no avenues to at least have some economic relief.

And that is why at that time there was a Comprehensive Crop Insurance Scheme launched. It was some kind of pilot program just to see the response from the farming community to manage the risk in agriculture sector caused by the natural crash, earthquake or any kind of flood or in terms of calamities.

The CCIS was also implemented to improve the production of desired commodities, especially in the areas where you have the chances of having some kind of either that area experiencing the flood or there are some chances of having a severe drought. So, it was also meant to have some kind of focus on the food grains, pulses oil seed.

This scheme covered rice, wheat, millets, oilseed and pulses. And it was voluntary in nature, because it was not told to a state to implement these schemes and even the farmers had the option to opt or not to opt. And that is why it was also left to the states to implement it.

The sum insured per farmer was 150 percent of loan dispersed for growing crops. So, this particular scheme, one major or I would say clause was that only if you have taken the loan from the bank for agriculture purposes, then you can opt for this particular scheme, because this was a pilot program so it was only given to those farmers who were the loanee from the banks and the sum insured covered only the loan amount.

So, in the beginning, it was a good response and that is why continued again and then government had to formulate a proper regulatory body to deal with it. So Comprehensive Crop Scheme was one of the major successes at that point of time.

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Indian Agriculture Policies Since Independence

- Agriculture policies 2000 to present
 - National Agriculture Policy (NAP) 2000
 - The target growth was 4% per annum based on the conservation of soil, water and biodiversity.
 - High agricultural growth equity
 - To utilize the barren and wastelands for cultivation and afforestation
 - To promote multi-cropping and inter-cropping to augment the cropping intensity
 - To encourage the rational use of ground and surface water.
 - To enhance the investment in agriculture
 - Promotion of modern practices through the application of new technologies.
 - To provide price protection under WTO regulations
 - NAP also mentioned the promotion of "National Agriculture Insurance Scheme (NAIS)".
 - NAP also focused on the "National Livestock Breeding Strategy"

INDIAN ECONOMY: SOME CONTEMP. PERSP. 12

Then we analyze the agriculture policies 2000 to present, and National Agriculture Policy, NAP, 2000 was announced. The target was that agriculture should have the growth rate of 4 percent. And at that time, since the economy was also doing good in terms of growth and development, and post 2000 it has been a good scenario for the economy, except 2007, 2008 and 2009 when we had to experience the global financial crisis and the adverse impact of global financial crisis. Otherwise, the business cycle in most of the periods it was above normal.

So, that is why it was also decided that there should be some kind of transfer of wealth from the booming economy to the agriculture sector. So, there was overall effort to revive the agriculture sector, and the target set was 4 percent per annum based on the conservation of soil, water and

biodiversity. So, there was a whole lot of effort to not just think about the food production, to also think in terms of agriculture sustainability, that how we can sustain our food chain, how agriculture growth equity to utilize the barren and wasteland for cultivation and afforestation.

And then the government had also promoted the multi-cropping pattern so that the intensity of agriculture farming should go up and this was all also designed. There were also intercropping pattern because conventionally in India, most of the farming community used to be active during Kharif season, starting mostly in the rainy period.

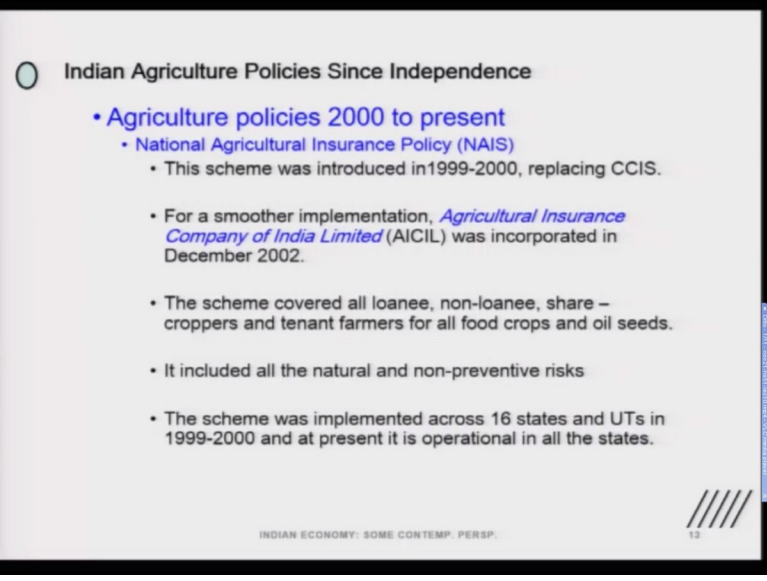
But during Rabi season, only some pockets of the country used to be active. So, there was a whole lot of plan to expand the irrigated areas, irrigation facilities. And as a result, it was decided that there should be promotion of multi-cropping or intercropping.

To enhance the investment in agriculture private sectors was also allowed and they were given incentives to participate. Promotion of modern practices through application of new technology, especially in terms of horticulture and there was a different set of technological enhancement in each and every field of the agriculture sector.

It was also at that point of time of time Hong Kong ministerial meeting of WTO had put some kind of restriction or some kind of quota restriction on the agricultural produce, especially agricultural trade. So, at that time, it was decided that there should be a domestic some kind of production or domestic support effort coming from the government, so that the farming community does not get affected from these regulations. So, at that time, this was the plan.

Then, National Agriculture Policy also launched something called National Agriculture Insurance Scheme. And this scheme helped a lot in terms of providing incentives to farmers, to minimize the uncertainties and the adversities in the agricultural sector. NAP also focused on the national livestock breeding just to have more focus on the domestic livestock, different breeds, so that it can help in terms of augmentation of different associated sectors, because livestock has both forward and backward linkages to the agriculture.

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Indian Agriculture Policies Since Independence

- Agriculture policies 2000 to present
 - National Agricultural Insurance Policy (NAIS)
 - This scheme was introduced in 1999-2000, replacing CCIS.
 - For a smoother implementation, *Agriculture Insurance Company of India Limited* (AICIL) was incorporated in December 2002.
 - The scheme covered all loanee, non-loanee, share – croppers and tenant farmers for all food crops and oil seeds.
 - It included all the natural and non-preventive risks
 - The scheme was implemented across 16 states and UTs in 1999-2000 and at present it is operational in all the states.

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So, now, we will be focusing on the insurance part, because this part is one area which we hardly have the understanding about. And in agriculture sector if you read textbook, then you find that they are more focused on the planning process and the developmental tasks that we had adopted at that time. But they hardly have any dedicated platform or dedicated chapter for the National Agriculture Insurance Policy.

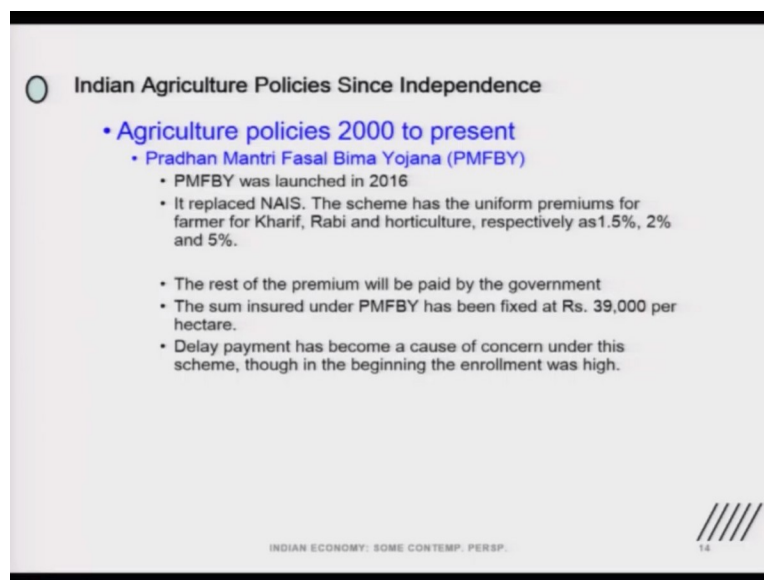
So, this National Agriculture Insurance Policy was launched in 1999-2000, replacing CCIS that we just discussed. And for a smoother implementation, there was a setting up of body, Agriculture Insurance Company of India Limited, AICIL. And it was incorporated in December 2002. Just to make sure that National Agriculture Insurance Policy gets implemented quite efficiently.

This scheme covered all loanees, non-loanees, sharecroppers, tenant farmers for all food crops and oilseeds. So, it included all the natural and non-preventive risk. So, there was a whole lot of effort, because CCIS response was really good. And that is why under NAIS government walked an extra mile just to give more confidence to the farming community, that their risk is somewhat minimized.

This scheme was implemented across 16 states and UTs in 1999-2000, and at present it is also operational. But now most of these schemes are merged with different schemes, so that we will be taking up.

So, overall what comes out that we had the beginning of agriculture insurance and this continued. And by 1999-2000, we had a proper regulatory body, Agriculture Insurance Company of India Limited to take care of this part. So, government also wanted that this particular scheme should be taking lead. Because in India, the farmers seem to be completely unprotected of their risk.

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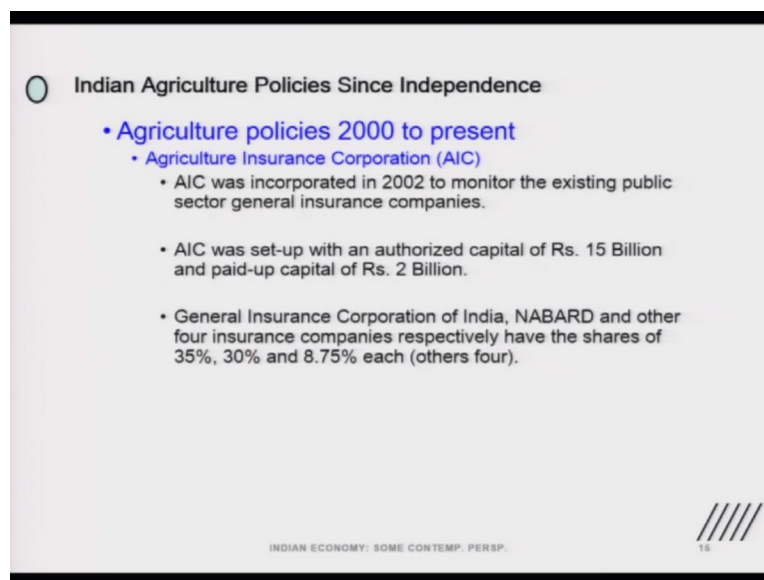
Then, in 2016, the launch Pradhan Mantri Fasal Bima Yojana, and this was launched in 2016. And this scheme replaced the previous scheme because the previous scheme was merged into this. So, it happens in most of the cases that whenever a new government comes then they always try to modify certain policies for the good of the people and they add value to that.

This scheme has the uniform premium. So, unlike earlier where it was left to the farmer to participate, but under this scheme the farmers are supposed to pay 1 percent, 1.5 percent, 2 percent and 5 percent of for Kharif, Rabi and horticulture seasons. And once they pay 1.5 percent, 2 percent or 5 percent premiums, and it was decided that farmer has to pay only 1.5 percent, 2 percent or 5 percent, rest of the amount will be paid by the government.

The sum insured under this scheme was fixed to 39,000. And in the beginning, when this particular program was launched it was a great success, because the enrollment rate was really high. And it was also reported in media and all other places that this particular scheme is seeking the attention of people. But because of the late recovery or because of the bureaucratic hurdles, this particular scheme again has become one of the controversial subjects.

But the intention is that farmers will also be contributing a minimal amount in premium and rest of the amount will be paid by the government. And the benefit has also gone up to 39,000 per hectore.

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And then in 2002 again, I forgot to mention this, then there is a setting up of Agriculture Insurance Corporation. It was set up in 2002. And it has the major share coming from GIC, General Insurance Corporation, NABARD has the most important share, and rest of the four insurance companies have the limited share and it is completely owned by the government but the major share comes from the NABARD and GIC. So, AIC is completely owned by NABARD and the General Insurance Corporation of India.

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In Pradhan Mantri Fasal Bima Yojna, these schemes are also merged and that is why I thought I should be mentioning. So, this particular scheme is having importance in terms of not only understanding that how the coverage of the insurance schemes is now taking forward, it has gone to even the sub component level.

For example, you will find that Modified National Agricultural Insurance Program, then weather-based crop insurance program, where we have rainfall so there you have a rainfall and then there is also a scheme for coconut and palm insurance, it was implemented in certain parts of the southern states and it has been successful. But later it has been much to Pradhan Mantri Fasal Bima Yojna.

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Indian Agriculture Policies Since Independence

- Agriculture policies 2000 to present
 - National Seeds Policy (NSP), 2002
 - To promote the necessary infrastructural support to the seed sector and timely availability of quality seeds and planting materials.
 - Private players were also encouraged.
 - Private sector players have overtaken the public sector in seeds supply.
 - National Horticulture Mission (NHM)
 - The scheme was launched on April 1, 2005. The sector was given priority in outlays and the budget allocation increased from Rs. 1000 crore in Eight plans to Rs. 2,105 crores in Ninth Plan.
 - NHM has contributed to the production of Mango, banana, coconut, cashew, ginger, turmeric and black pepper.

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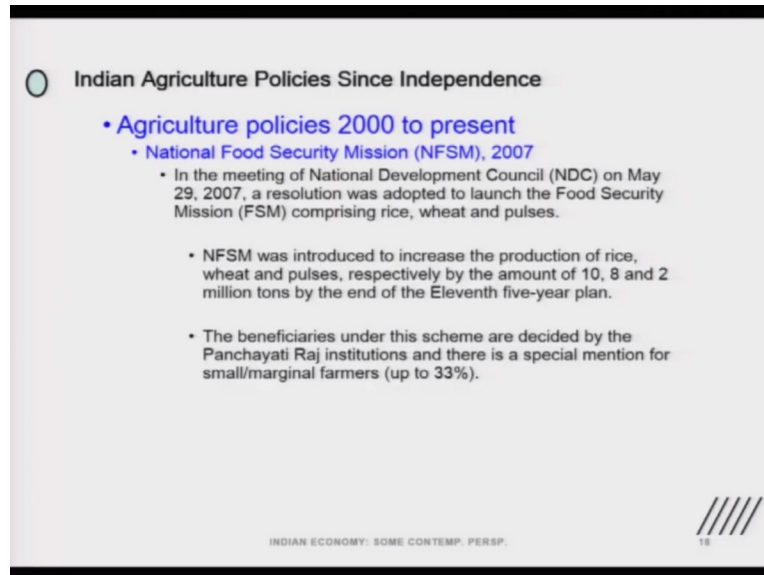
We will now examine certain. So, in insurance sector, we come to know that how government has taken care, now there is a whole lot of effort to revive this particular sector and find out how we can think about going ahead, and not just thinking about produce, but also taking care of the interest of the farming community and how they can minimize certain risk attached with agriculture.

National Seed Policy 2002 was launched and for the first time, unlike earlier schemes that we discussed, we encouraged the private sector participation. And as a result, what has happened that the share of private sector in seeds production has gone up, now it is more than 50 percent. And that is good because there is a widespread promotion of innovations and collaboration in private sector. Government institutions became rigid after some point of time and that is why it has not been a great success. And that is why private players have overtaken.

Then there is a National Horticulture Mission. So, unlike the earlier schemes where we were simply focusing only on the coarse grains and pulses, there is a whole lot of effort made in 2005 to launch the National Horticulture Mission, it is called NHM. The sector was given priority and in the ninth plan it went up to 2,000 cores, though in the eight plan it was just 1,000 cores given.

And it has contributed a lot in terms of export of certain items, mostly mango, banana, coconut, cashew nut, then ginger, turmeric, black pepper, so all these items are being exported and in certain areas it has helped a lot this particular mission.

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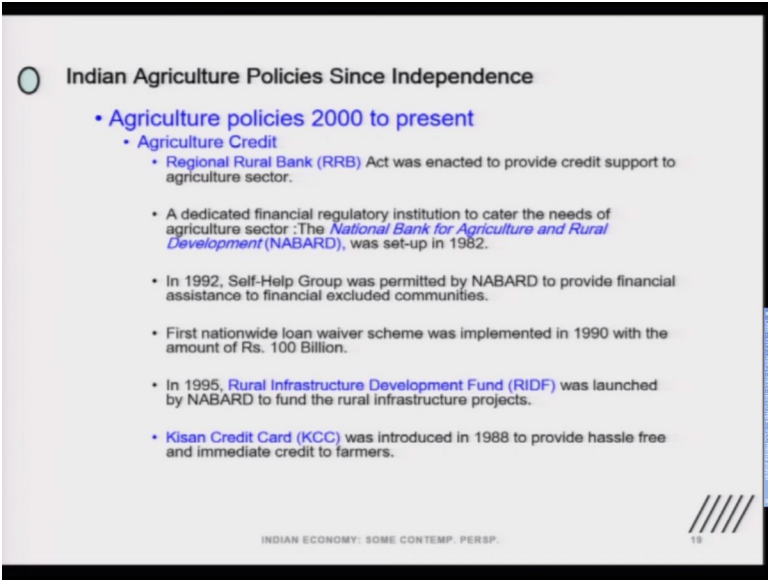


Then one important mission that led to the midday meal program and then we had the National Food Security Act, and this particular scheme gave rise to a certain level of development in the agriculture. So, we started focusing on redistribution, how to capture those who are hungry.

So, National Food Security Mission was launched on May 29, 2007. A resolution was adopted to launch the Food Security Mission comprising rice, wheat and pulses. And by the end of 11th Five Year Plan it was decided that rice, wheat and pulses production will increase by 10, 8 and 2 million tons respectively.

The plan was designed in such a manner that even marginally small farmers were given importance. And at the same time, the local governing bodies also had a role. So Panchayati Raj institutions played a role in implementation. And that is why this particular National Food Security Mission is considered important because it focused objectively on increasing the production of certain food items, and later the National Food Security Act 2013 had the effect of this particular policy, NFSM, and that is why it became one of the major contributors for the food sustainability and even the self-reliance in food production in the country.

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Indian Agriculture Policies Since Independence

- Agriculture policies 2000 to present
 - Agriculture Credit
 - Regional Rural Bank (RRB) Act was enacted to provide credit support to agriculture sector.
 - A dedicated financial regulatory institution to cater the needs of agriculture sector :The *National Bank for Agriculture and Rural Development (NABARD)*, was set-up in 1982.
 - In 1992, Self-Help Group was permitted by NABARD to provide financial assistance to financial excluded communities.
 - First nationwide loan waiver scheme was implemented in 1990 with the amount of Rs. 100 Billion.
 - In 1995, *Rural Infrastructure Development Fund (RIDF)* was launched by NABARD to fund the rural infrastructure projects.
 - Kisan Credit Card (KCC) was introduced in 1988 to provide hassle free and immediate credit to farmers.

INDIAN ECONOMY: SOME CONTEMP. PERSP.

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Now, we will move to agriculture credit. So, we have already discussed the role of regional rural banks, then we have the NABARD, it was set up in 1982. Then Self-Help Group, we have already discussed that in 1992 how it became one of the major drives for the rural employment and rural wellbeing.

And in certain part of Kerala and other states it became important, for instance Kudumbashree is one scheme, under that certain pockets in Kerala are getting benefited. And that is why the effort made in 1992 has started giving positive results in different forms. So, through micro financial institutions, through Self-Help Groups are one of the major drivers of self-employment in rural segments, even in agriculture it has contributed a lot.

If we trace the history, so there is always talk about loan waiver programs. So, whenever we have elections happening across the country in certain states, political parties always come up with certain kind of riders that once they come back in power they will be giving loan waivers to farmers.

For the first time, if you trace the history, first time the nationwide loan waiver scheme was implemented in 1990 with the amount of 100 billion. So, at that time, 1990, we already had economic crisis and at that time government had gone for such measures.

In 1995, Rural Infrastructure Development Fund was launched by NABARD to fund the rural infrastructure project, and this project was meant for the state local bodies to seek fund from NABARD and help create the rural development or undertake the rural development projects. And the rates were quite lower on this and this also helped a lot in terms of going for certain enhancement in agriculture, productivity.

There was one major development in 1988 which had a major contribution, though we are discussing 2000 to present, but I am just highlighting it. Here it is Kisan Credit Card, this is called KCC. This is also one of the major contributors going for or in expanding the agricultural credit scenarios, because this provides immediate help to farmer if they are seeking any kind of financial assistance during Kharif or Rabi season. They can simply go to the bank and then they can ask for, they can ask for some financial help. So, this was for the first time we had launched in 1988. It was some kind of giving financial security in a hassle-free manner to the farmer.

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Indian Agriculture Policies Since Independence

- **Agriculture policies 2000 to present**
 - **Agriculture Credit**
 - The ratio of agri-credit to agri-GDP jumped from 0.6% in 1950-51 to 9.81% in 1971-72.
 - The ratio reached to 21.76% in 1987-88. The participations of nationalized banks and RRBs increased the credit flows.
 - The sector observed a reverse trend in credit allocation from 1990-91 onward when it fell to 13.34% in 1998-99.
 - Post-1999, the credit figures took a northward trend and reached upto 39.55% in 2006-2007.
 - The introduction of KCC was credited for such a dramatic rise and some of the developments during 2004-05.
 - The credit scenario got better since then and in 2017-18, the ratio reached upto 56%.

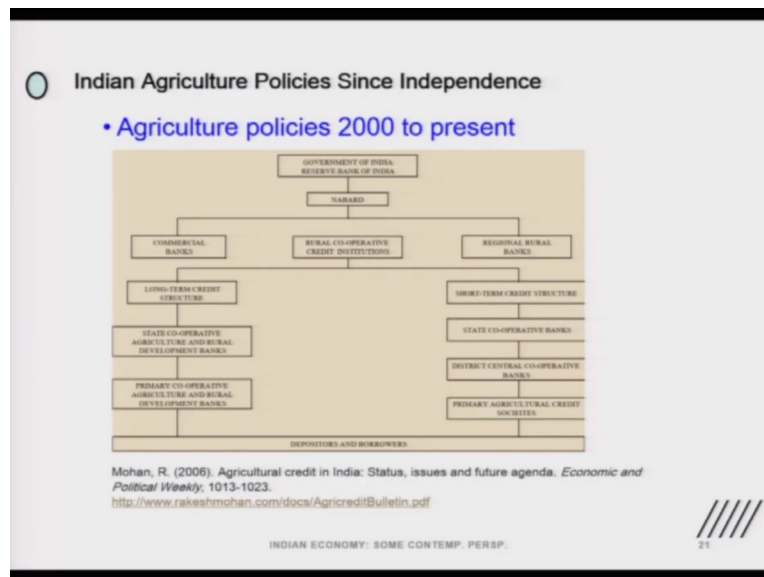
INDIAN ECONOMY: SOME CONTEMP. PERSP.

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So, agriculture credit, if you trace the history from 1950-1951, so agri credit to agri GDP jumped from 0.6 percent in 1950-1951 to 9.81 percent in 1971-1972. And at that time, certain non-institutional modes of credit financing were also operational. And that is why the ability of credit from the formal channel was much lower. The ratio reached to 21.76 percent in 1987-1988, when we had the launch of RRBs in terms of credit flows, once we had gone for setting up our RRBs. And we had also gone for nationalization of bank.

In 1990s it had gone back because we had the economic crisis at that time. Post 1999 we see a major upward movement, and the figure had reached up to about 40 percent in 2006-2007. The major reason for this jump 39.55 was the introduction of KCC, Kisan Credit Card, because this helped immediately getting money from the banks and also the farming community was quite happy with this. And then after that, we have a very smooth ride in terms of credit availability, because then we already had the institutions to take care.

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If we look back, I have taken it from the Rakesh Mohan article, and it is available online also, AgriCreditBulletin, it is on the RBI website also. So, you will find that the agricultural credit system works in this way.

So, here you have a NABARD, then here you have the commercial banks, then you have the rural cooperative banks, and then here you have the regional rural banks. Rural cooperative banks play a very important role. Here you have the long-term credit and here you have the short-term credit. Short term credit is for less than 15 months, long term Credits are for five years.

So, you will find that state cooperative agriculture and rural development banks play a role for long term credit. For primary cooperative agricultural and rural development banks play a role in

in this, so here it moves in this. So, if we go from here, so depositors and borrowers will have money, they will be approaching to these intuitions.

These intuitions if they need, they will be operating, for example, primary agriculture credit society will be approaching to district central cooperative banks, then for anything this will be approaching to a state cooperative bank, and this goes on. So, this particular chain that you have, it works for the short term. For long term, again, it works in this way.

The idea behind this was that, so primary agriculture credit societies are available at the village level, village level, then district level and further it goes on, then at the state level. So, primary agriculture societies are important because they provide the short-term loan to the farming community. Under this, any borrower and depositor come and deposit from anyone can be accepted, there is no issue.

But it is managed by based on borrowing and deposits, if deposit is higher borrowing is less, most of these primary agriculture credit societies will be profitable. If the borrowing is more and if they are in shortage of funds, they will approach the district central cooperative bank. So, it works in this way.

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Indian Agriculture Policies Since Independence

- Agriculture policies 2000 to present
 - Agricultural credit

Institution-wise share in total agricultural credit outstanding as on March 31, 2017

Sources of Credit	1951	1961	1971	1981	1991
Non-institutional	92.7	81.3	68.3	36.8	30.6
Money Lenders	69.7	49.2	36.1	16.1	17.5
Institutional	7.3	18.7	31.7	63.2	66.3
Cooperative Societies/Banks	3.3	2.6	22.0	29.8	35.2
Commercial Banks	0.9	0.6	2.4	28.8	38.2

Source: Mohan, R. (2006). Agricultural credit in India: Status, issues and future agenda. *Economic and Political Weekly*, 1013-1023.
<http://www.rakeshmohan.com/docs/AgricreditBulletin.pdf> (accessed on January 15, 2021)

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So, here now, now I have also given you some kind of idea about what happened at that time. So, I have again taken it from the Rakesh Mohan paper. So here it comes out that in case of non-

institutional, in 1951 the moneylenders had the share of 69.7 percent, that got down by 1991 to 17.5 percent, because of the certain measures that we took, and because of nationalization of banks, setting up the rural development banks, then we had further allowed the Self-Help Groups. So, the role of moneylenders came down heavily and the institutional increased from 7.3 percent to 66.3 percent. So, this is one contribution.

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Indian Agriculture Policies Since Independence

- Agriculture policies 2000 to present
 - Agricultural credit

Institution-wise share in total agricultural credit outstanding as on March 31, 2017

Years	Co-operatives	SCBs	RRBs
2018-19	13.0	72.6	14.4
2017-18	14.4	72.2	13.4
2016-17	21.6	63.7	14.6
2009-10	14.2	74.8	11.0
1999-00	51.5	41.1	7.4
1989-90	38.2	55.2	6.6
1979-80	60.3	37.0	2.6

Source: Database on Indian Economy, RBI

INDIAN ECONOMY: SOME CONTEMP. PERSP.

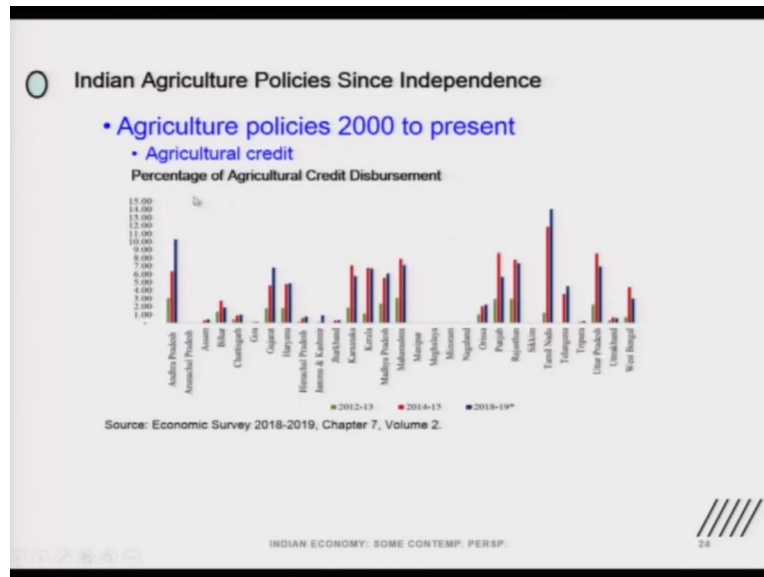
This, I have calculated it from the database on Indian Economy on Reserve Bank of India. You will find that there are three major contributors to the agricultural credit, one is cooperatives, then you have scheduled commercial banks, then you have regional rural banks. You will find that the cooperative share was higher in 1979-1980, 60.3 percent. In 2018-2019 it is just 13 percent.

Similarly, the share of scheduled commercial banks, it was earlier in 1979-1980 it was just 37 percent, it has gone up in 2018-2019 to 72.6 percent. In the same way, you will find also the share of RRB, which means that the role of commercial bank has gone up, means the government banks. The regional rural banks have also gone up.

There is a slight decline in the cooperatives, and cooperatives, because they are subject to state governments and sometimes it is inefficiently managed and sometimes the farmers also complain about. And these cooperatives are also having a lot of irregularities in terms of settlement and

even in terms of claim. So that is why the scheduled commercial banks have the better say and these banks were also allowed to participate in each and every activity at the later stage.

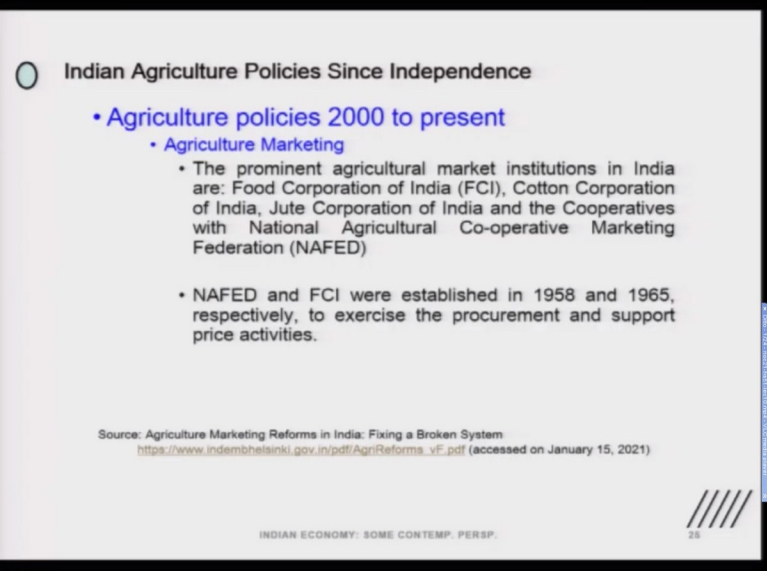
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This is the Agriculture Policy 2000 to present. So, if you see the pattern across the states you will find that Tamil Nadu, so this is the bars that you have is for 2012-2013, 2014-2015 and 2018-2019. So, you will find that the Andhra Pradesh, Tamil Nadu, then UP, Rajasthan and Maharashtra, Madhya Pradesh and Karnataka, to some extent Kerala and Gujarat are the states where you have the better credit validity for the farmers.

But rest of the states, for example, Assam, Jharkhand then here you have Orissa, then Tripura, then you have Uttarakhand, and all these states are not having that much agriculture credit disbursement. That might be because they do not have that much infrastructural support. The banking financial services have not reached to these places. And these places are also mostly from the low-income areas. So, these are the regions.

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Indian Agriculture Policies Since Independence

- Agriculture policies 2000 to present
 - Agriculture Marketing
 - The prominent agricultural market institutions in India are: Food Corporation of India (FCI), Cotton Corporation of India, Jute Corporation of India and the Cooperatives with National Agricultural Co-operative Marketing Federation (NAFED)
 - NAFED and FCI were established in 1958 and 1965, respectively, to exercise the procurement and support price activities.

Source: Agriculture Marketing Reforms in India: Fixing a Broken System
https://www.indembhetainki.gov.in/pdf/AgriReforms_vF.pdf (accessed on January 15, 2021)

INDIAN ECONOMY: SOME CONTEMP. PERSP. 25

So, to summarize, what I would like to focus on you that, now after this we will be focusing on the agriculture marketing. But we would like to summarize here, so the summary is that, if you trace the history of the credit or the agriculture sector development, then you will find that we have gone from the beginning just for the expansion of the food item, then we moved to horticulture, then we have also focused on the minimization of risk.

And that is why we had a different insurance scheme and now it has become one of the gigantic in terms of coverage, in terms of contributions. And then in agriculture credit, also in the beginning when farmers were dependent upon the moneylenders, the role of formal institutions became important, institutional importance was given to banks and other financial institutions. The necessary infrastructure helped the farmer to get out of those exploiting norms of moneylenders. And now the share of agriculture credit has gone up quite dramatically up and it is going upward.

And though the distribution is not very uniform, it is quite heterogeneous, and it reflects on the state of these states, state of the economies of these states. And that is why there is need to further focus on.

So, going ahead, we will now be focusing in to agriculture marketing. And in the next session we will have the special session on agriculture marketing, what all is required. And we will be also

covering up the recent law on the agriculture marketing, so farms legislation that we have. And then we will end this particular sector with those dimensions. Thank you. Thank you so much for your attention.