

Modernising Indian Agriculture: Priority Tasks and Critical Policies

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The Development Research Group (DRG) in the Reserve Bank of India has brought out a study entitled "Modernising Indian Agriculture: Priority Tasks and Critical Policies". This is the twenty-first in the DRG Study Series. The study is authored by Prof. V. M. Rao and Dr P. D. Jeromi.

The DRG Studies series have an accent on policy-oriented research. They are released for wide circulation with a view to generating constructive discussion among professional economists and policy makers on subjects of current interest. The views expressed in these studies are those of the authors and do not reflect the views of the Reserve Bank.

In the post-Independence period, Indian agriculture has made significant progress in terms of augmenting production to achieve self-sufficiency; however, concerns have been expressed about the long-term sustainability of agricultural performance on account of the constraints posed by the 'limits' to availability of scarce resources, such as, land and water resources. While the policy framework for the agricultural sector has been pervasive and interventionist, issues relating to sustainability and modernisation of agriculture have not been adequately addressed. Moreover, human skill formation, which is critical to a modern agricultural sector, has suffered relative neglect. Against this background, the study identifies the following long-term priority objectives: i) creating a self-regulatory system in the agricultural sector; ii) meeting the challenges of limits to growth imposed by scarcity of land and water resources; and iii) promoting human development. In pursuit of each objective, the study offers specific proposals to guide the design of the policy regime for agriculture in the twenty-first century. They include evolving a national prospective for agriculture compatible with market-led-growth, creating an environment which strengthens the self-regulatory mechanisms for the sector, conservation and judicious use of critical endowments from the grassroot upward; level and diffusion of new skills and occupation for more balanced spread of economic and social activities.

The study also selects specific areas relating to agriculture in India for focused analysis- capital formation, credit, insurance, globalisation, research and development, watershed development and the non-farm sector. The study recommends, *inter alia*, capital formation out of re-direction of fiscal subsidies; extending the outreach of formal financial institutions to small and marginal farmers for the provision of credit; enhancing the coverage of agricultural insurance schemes to cover the entire production process, including post-harvest, storage and processing, and private participation in agricultural insurance; synchronising agricultural export and import policies, tariffication of quantitative restrictions and building safety-nets to absorb external shocks.

The study is available on Reserve Bank of India website <http://www.rbi.org.in>

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