


<p style="text-align: center;">संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001</p> <p style="text-align: center;">DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001 फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279</p>	<p style="text-align: center;">प्रेस प्रकाशनी PRESS RELEASE</p> <div style="text-align: center;">  <p>भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA</p> <p>वेबसाइट : www.rbi.org.in/hindi Website : www.rbi.org.in इ-मेल email: helpdoc@rbi.org.in</p> </div>
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RBI Releases DRG Study on “Agricultural Growth in India since 1991”

[Note: Development Research Group (DRG) is constituted in the Reserve Bank's Department of Economic Analysis and Policy for undertaking effective policy-oriented research backed by strong analytical and empirical basis on subjects of current interests. The views expressed in these studies are those of the authors and do not reflect the views of the Reserve Bank]

The Reserve Bank of India today published a Study entitled ‘Agricultural Growth in India since 1991’. The Study is co-authored by Prof. Pulapre Balakrishnan, Senior Fellow, Nehru Memorial Museum and Library, New Delhi, along with research staff members from the Reserve Bank (Shri Ramesh Golait and Shri Pankaj Kumar). The Study was undertaken under aegis of the Development Research Group.

Indian economy witnessed the slowing of agriculture at a time when the rest of the economy is growing at unprecedented rates. The slow growth of agriculture has been explicitly noted as a matter of concern in the ‘Approach Paper to the Eleventh Plan’. Further, accelerating the rate of growth of agricultural production is seen as central to a more inclusive growth.

The Study addresses slow growth of the agricultural sector since 1991. The Study documents the movement of the factors that have been recognised as determining agricultural growth during this period with a view to identifying the proximate causes of the slowdown. The focus in this Study is exclusively on crop agriculture. Factors, such as, relative price movement at the aggregate and at the disaggregated (crop-wise) level, import penetration, shrinking farm size, investment in agriculture, research and extension and agriculture credit have been investigated to ascertain their impact on agricultural growth in India since 1991.

The major findings of the Study are :

- The Study does not find evidence to the contention that relative price movement might have played a determining factor in explaining slow growth of agriculture since 1991. The profile of relative prices over the past 15 years indicates too mild a shift, if at all, to consider relative price movements as central to understanding the slowing of agricultural growth since 1991. The role of import liberalisation in determining this price movement appears to be marginal too, except perhaps for some crops in some periods.

- The Study finds that smaller farm holding-size, by making it more difficult for the majority of Indian farms to access new technology and adopt more efficient forms of farm production organisation, may have adversely affected agricultural growth.
- The Study reveals that among the factors likely to be responsible for slow growth is stagnation of public investment for almost a quarter of a century, along with a slowing of irrigation expansion since 1991.
- The Study observes that production is increasingly being carried out in a more open economy, even though import penetration is very low currently for most crops. The Study suggests the need for expansion of publicly-provided research and extension to support farming under a changed environment.
- The Study documents, public expenditure on research and extension, historically low as a share of agricultural output in India by international standards, has registered a slower growth in real terms since 1990.
- The Study cautions against the reading that greater spending alone is the solution to the current impasse in Indian agriculture. The Study provides evidence, intended as an illustrative case, that steady growth of real expenditure since 1991 has actually coincided with a slowing rate of expansion of the percentage area irrigated. This indicates a declining efficiency of public investment and suggests that governance is as much an issue as greater allocation of funds.

The full Study is available on the Reserve Bank's website (www.rbi.org.in) under Publications.

Alpana Killawala
Chief General Manager

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