Agrarian Crisis

Agrarian Crisis:
Farmers’ Suicides in Warangal District

By

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Dedicated to my Brother
Emmadi Pavan Kumar

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CHAPTER ONE

INTRODUCTION

1.1 Agriculture in India

India is primarily an agrarian country, and its economy is agrarian. Even now, 60% of India's population is dependent on agriculture for their livelihood. Since the time of the British Raj, in most parts of India, agriculture was an occupation of the small and middle farmers. But today the status of agriculture in India is dismal. Lack of funds to invest in the irrigation sector, mismanagement of land and constant droughts have brought about this dismal condition. Since the early nineties, the glory days of India's green revolution have diminished. Profits from the green revolution areas have reached a point of saturation, and this was mainly triggered by the decline in land and factor productivity from the late eighties. The production rate or yield rate of crops has been reported to be stagnant in recent years with no hope of increasing the land area under cultivation.

Liberalization and globalization have had a complex effect on the Indian agricultural sector and this is quite different from other nations who carried out radical land reforms before embarking upon macro economic reforms. The main causes for such a negative effect can be attributed to India's failure to make better policies, investment measures and domestic preparations before liberalizing the economy. Various planning policies have helped the nation achieve the stage that it has now reached, but the time has come for the role of the state to be redefined. The state should be given the role of a promoter cum facilitator of development. The so called market friendly policies that were designed to facilitate and diversify more private investment to make farming more viable and to compact land holdings will have to be revised.

Today, statistics show that the contribution made by the agricultural sector to the overall GDP has declined and the service sector has emerged as the primary contributor to GDP growth. This clearly indicates that income generation is not occurring in the agriculture sector or is taking place at a dismal rate. Growth in the agriculture sector is the only route to reducing poverty and to fulfilling the various social objectives plaguing India. The question that now lies before India is how best to frame and exercise the right policies and programmes to achieve the set goals.

1.2 The Role of Agriculture in Development

The role of agriculture in India's as well as Andhra Pradesh's economy is vital. The role that agriculture plays in the development of any economy will be clarified further in the discussion that follows. The contribution of agriculture to economic growth can be classified under the four following sections –

- Product Contribution
- Factor Contribution
- Market Contribution
- Foreign Exchange Contribution

For the development of other sectors of the economy, surplus agricultural production is extremely important. It has to be able to feed laborers working in alternative occupations. An excessive dependence on imports will only take a toll on the economy. Therefore, food production above subsistence level becomes extremely crucial as this alone will help enhance export activities and pay for foreign exchange. Marketable surplus is the main factor for economic growth as only this will trigger labour productivity. In case the agriculture sector fails to enhance production, compulsory taxation could be an option to support the economy. Lesser rate of production means a greater reduction in income generation and an increase in industrial wages. However, the most obvious result will be the increase of market prices which will directly affect the industry. The role played by agriculture in an economy's development can be seen in the case of England where the agricultural revolution helped develop the country's economy during the initial stages.

There are three aspects of factor contribution – labour and capital contribution. Here, labour contribution has been explained in terms of the Lewis model of development. The agricultural sector has to support labour for the industrial and its allied sectors. But for this, agricultural production should increase. Industrial expansion and development can take place with the cheap labour provided by the agricultural sector. It is also a good source of savings and capital accumulation for industrial development. The pattern of investments differs from one agriculturalist to another. The more prosperous agriculturalists invest in the industrial sector but the smaller peasants make deposits in rural banks. Government taxations on the agricultural sector can act as involuntary savings which can be used for developments in the industrial and agricultural sector. Earlier, due to the backward bending supply curve of effort, the government-supported prices were fixed at the lower rate than the market price for agricultural commodities. However, the statistics now show that farmers are affected by the price incentives. They change crops and increase or decrease the supply depending on the relative changes in prices.

The contribution of the agricultural sector to the economy is through their demand for industrial goods. The growth of the agricultural and the industrial sector is thus complementary. In other words, one depends on the other. It is often said that to increase the rate of industrialization, the growth and development of agricultural sectors is essential. Moreover, price policy has a great role to play here. If the prices of farm products are low from the supply side, it naturally boosts industrial growth as it makes the raw materials and goods cheaper. However, if it is low from the demand side it will only help reduce the purchasing power, and thereby lower the demand for industrial goods. Therefore, it is extremely necessary to make both sides of the agricultural sectors achieve a well balanced growth and development.

For any economy, agriculture is the primary source of foreign exchange. Earlier, the sources of foreign exchange were the primary products which helped us procure other commodities which we were unable to produce domestically. There is no doubt that a healthy inter-sector relationship is crucial for the development of an economy. For example, in order to divert the labour force from the agricultural sector to the non-agricultural sector, development levels of both sectors is extremely important. Only growth in the industrial sector can pull labour from the agricultural sector and for the industrial sector to grow, growth in the agricultural sector is necessary. Only growth in the agricultural sector can help in the creation and growth of the market. Therefore, a particular sector’s role in an economy can only be judged by looking at its contribution to the growth of this economy. Thus, the role of agriculture should be judged on the basis of its contribution to helping the non-farm sectors grow.

1.3. Agrarian Crisis in India

> "Indian agriculture is heading for a crisis as food output stagnates and millions of poor farmers struggle with high debt and crop failures, Economic growth averaging 9% a year, fuelled by manufacturing and services, has masked the crisis in the countryside, "Green Revolution" of the 1960s that made India self-sufficient in food. While the contribution of manufacturing and services is laudable, it is still the farm sector that provides the largest employment in the subcontinent." (M.S. Swaminathan)

About two thirds of India's 1.1 billion people still depend on agriculture for their livelihood and are being neglected in the euphoria of a surging economy. But Indian agriculture, hostage to the vagaries of the monsoon, has been in decline in recent years and is growing at less than a quarter of the pace of the overall economy. Annual per capita food grain production declined from 207 kilograms (455 pounds) in 1995 to 186 kilograms in 2006. The rate of agricultural growth fell from 5% in the mid-1980s to less than 2% in the past half-decade. At the same time, thousands of debt-ridden farmers have committed suicide after crop failures forced many to sell plots they held for generations.

The people's protest against Special Economic Zones in various parts of the country, including at Nandigram in West Bengal, stagnation in agriculture, import of food grains, widespread suicide of farmers—all these are systems of simmering discontent in the agricultural sector. What is highlighted today in the national scene is the image of "incredible India" and "shining India". We hear often about India as a country with a very high economic growth, a country with the highest numbers of billionaires in Asia, and a country of world renowned information technology. But we do not hear enough about the serious problems in agriculture. Those who govern us do not seem to be concerned with this problem or they probably do not want to be. But we cannot easily ignore this problem any longer.

It was with the Structural Adjustment Programme (SAP) in 1991 that the policy of globalization was concretely introduced in India. Based on this policy and the directives of the World Bank, International Monetary Fund and World Trade Organization, the Indian economy was substantially overhauled. The Export-Import policy was liberalised, the import and customs duties of many products were drastically lowered or totally dropped so that they could be imported without any restriction. The government started reducing its investment in agriculture and the industrial sector, thereby allowing the private sector to take over. The restructuring of the public distribution system really affected the availability of food grains to the poor at subsidized rates. All such measures had implications for the farm sector.

Problems of the Agrarian Sector and their Consequences

Fifteen years of economic liberalization has adversely affected Indian agriculture. The most prominent manifestation of this is in the drastic decline in the growth rate of food grains. The rate of growth of agricultural output was gradually increasing in 1950-1990, and it was greater than the rate of growth of the population. In the 1980s the agricultural output grew at about four per cent per annum. Thus, India became self-sufficient with respect to food and started exporting wheat and rice. But during the 10-year period after the start of liberalization, the rate of growth declined to two per cent. According to the Mid-term Appraisal of the Tenth Five Year Plan (2002-07), the rate of growth of the GDP in agriculture and allied sectors was just one per cent per annum during the year 2002-05. As a result, per capita availability of food grains decreased, the growth rate of the population became higher than that of food grains and India started to import food grains at a much higher price than that of the domestic market.

Secondly, unemployment in the agricultural sector increased during the reform period. This was because agriculture was not profitable during this period due to the fall in the price of farm products. As a result, the number of people who were employed in the primary sector and the area under cultivation decreased, which in turn caused a decline in rural employment. According to the National Sample Survey, the annual rate of growth of employment in the rural areas was 2.07 per cent in 1987-1984, while it declined to a mere 0.66 per cent in 1993-2000, which corresponds to the period of liberalization. Thus, not only farmers but also Dalits and Tribes who were heavily dependent on agriculture, became unemployed.

Farmer suicide is the third fall-out of stagnation in agriculture. When agriculture was not yielding remunerative income, the life of farmers became very desperate. Many of them committed suicide as a last resort. As revealed by the Union Agricultural Minister in the Lok Sabha in 2004, over one lakh farmers committed suicide in India after the economic reform started. According to the National Crime Records Bureau, 17,060 farmers committed suicide in the country in 2006 with Maharashtra having the highest number of (4453) suicide deaths. Punjab and Andhra Pradesh also find a place in the list of States showing the highest numbers of farmer suicides. This marks a record in the agricultural history of India. It points to the acute nature of the problem that has affected the vast majority of the population, and which has created a real crisis. But unfortunately, the government and our country’s people do not consider it a crisis. Their lack of seriousness and lukewarm response to the problem of farmer suicides is evidence of this reality.

In 2006, the government launched a multi-billion-dollar welfare drive promising 100 days of work for every rural family in the battle against rural poverty. But only about 3% of the households that signed up received employment for 100 days and many only received about two weeks of employment. This data comes from a six-month internal audit of the programme which cited widespread examples of corruption, inefficiency and misuse of funds for the programme’s poor performance. The government has repeatedly said that it wants to make India’s economic growth more inclusive. But the delivery system has collapsed because of “monstrous growth” in the bureaucracy. When the first Green Revolution was launched, it was carried out like a symphony in unison by scientists, policy makers, state agriculture departments, marketing agencies and farmers. While the government spearheads the establishment of Chinese-style special economic zones for industry, the time has come to set up special agricultural zones to boost farm production and reduce the widening income disparities between rural and urban India. The government should step in with administrative and infrastructural support and market access while scientists and agricultural think tanks contribute “technology and tools”. (M.S. Swaminathan).

The distress of farmers in India can be traced back to the introduction of technology-led, capital intensive farming in the heyday of the Green Revolution. With the advent of 'economic liberalization' and the globalization of trade, this distress has been aggravated. Unfair rules of the multilateral global trading regime have depressed global and domestic prices, and have denied Indian farmers adequate remunerative prices. The poor farmer is squeezed between high input costs and low returns. Credit obtained from formal or informal banking systems is unable to bail him out of this precarious situation. Caught in a vicious debt trap, many farmers have resorted to suicide.

1.4. Reasons for the Agrarian Crisis in India

1.4.1 Demographic Pressure on Agriculture

During 1991-2000, 72 % of the population and 76% of the workforce in India were rural, accounting for about one-fifth of the national income. Even during the 1990s, the period of economic reforms and the much-lauded high economic growth, there was no substantial increase in the share of the rural non-farm sector. The employment status of rural labor tends towards relatively more insecure casual labor, while self-employment and regular employment indicate a declining share (Reddy & Srijit).

Table No: 1. Sectoral Share and Employment Status of Rural Workforce (Percent)

Rural employment	1983	1987-88	1993-94	1999-2000	2004-05
Agriculture	81.49	77.46	78.39	76.16	70.08
Non-agriculture	18.51	22.54	21.61	23.84	29.92
Status of rural workforce					
Self employed	61.37	59.50	57.96	55.76	60.2
Hired-regular	7.15	7.79	6.45	6.83	7.1
Hired-casual	31.49	32.72	35.59	37.41	32.8

Source: Bhalla (2005); NSSO, employment and Unemployment situation In India.

Table No: 2. Share of Agriculture in GDP and Employment (Percent)

Year	Share of Agriculture in GDP at 1999-2000 prices	Share of Agriculture in Employment (UPSS)
1972-73	41.0	73.9
1993-94	30.0	63.9
1999-2000	25.0	60.2
2004-05	20.2	56.5

Source: Central statistical Organization (CSO); National Accounts Statistics, various years; and NSSO, Employment and Unemployment Situation in India, various rounds.

An important structural feature of the Indian economy has been a continuous decline in the share of agriculture in total gross domestic product (GDP), but very slow diversification of the workforce away from agriculture. Agriculture’s share in the GDP declined from 41% in 1972-73 to 20% in 2004-05.

1.4.2. Increasing Stress on Irrigation Resources

Unequal availability of irrigation across the country, and an increasing stress on available irrigation resources is one of the major reasons for the agrarian crisis in India. India is not very rich in irrigation resources. With 16% of the world's population, for instance, India is endowed with only 4% of the total available fresh water. Further more, the regional distribution of available water resources, including rainfall, is highly uneven. The recent trends in irrigation show the distortion present in the development and utilization of water resources for agricultural purposes. Dependence on groundwater has emerged as the single largest source of irrigation, with all its accompanying problems of serious risks to farmers' investments and degradation of the environment.

Table No: 3.

Year	Canals	Tanks	Wells and Tube wells	Others	Total	NIA/NSA (%)
1950-51	8,300 (39.71)	3,600 (17.22)	6,000 (28.71)	3,000 (14.35)	20,900 (100)	17.56
1970-71	12,838 (41.28	4,112 (13.22)	11,887 (38.22)	2,266 (7.29)	31,103	22.17
1980-81	15,292 (39.94)	3,182 (8.22)	17,695 (45.70)	2,551 (6.59)	38.720 (100)	27.66
190-91	17,453 (36.34)	2,944 (6.13)	24,694 (51.42)	2,932 (6.11)	48,023 (100)	33.41
2003-04	15,145 (27.48)	1,943 (3.53	35,265 (64.00)	2,752 (4.99)	55,105 (100)	40.06

Growth Rate (% per Annum)

1970s	1.76	-2.53	4.25	1.19	2.21	
1980s	1.33	-0.77	3.00	1.40	2.18	
1990-01 to 2003-04	-1.09	-3.15	2.80	-0.49	1.06	

Note: Canals include both government and private, but the latter's share is negligible. NIA denotes Net Irrigated Area, NSA denotes Net Sown Area. (Source: Ministry of Agriculture, Government of India)

1.4.3. Liberal Import of Agricultural Products

The main reason for the crash in prices of agricultural products in India, especially of cash crops, was the removal of all restrictions to import these products. As, for example, when the Government of India reduced the import duty on tea and coffee from Sri Lanka and Malaysia, their prices in the domestic market fell drastically. Thus, the cultivation of such products became unprofitable and so their production was fully or partly stopped. Since the removal of quantitative restrictions and lowering of import duties were in accordance with the restrictions of the World Trade Organization (WTO), the crash in the prices of agricultural products is directly related to the liberalization policy of the government.

1.4.4. Cutback in Agricultural Subsidies

In the post-reform period, the government reduced different types of subsidies to agriculture, and this has increased the production cost of cultivation. According to Ramesh Chand, an economist, cutback in subsidy and control of fertilizers over the last few years has adversely affected the agricultural sector. It has increased the input cost and has made agriculture less profitable. Since the decrease in subsidy to agriculture is part of the regulations of the WTO, it is related to the policy of globalization.

1.4.5. Lack of Formal Credit to Agriculture

After 1991, the lending pattern of commercial banks, including nationalized banks, to agriculture drastically changed and resulted in difficulties in obtaining loans and unaffordable interest rates. This has forced farmers to rely on moneylenders and has thus pushed up the expenditure on agriculture. The National Commission for Agriculture, headed by Dr M.S. Swaminathan, also pointed out that removal of lending facilities and concessions offered by banks during the post-reform period have accelerated the crisis in agriculture. When the farmers were not able to pay back loans with high interests, they fell into the debt trap. Studies show that most farmer suicides were due to the debt trap. It is part of the policy of privatization that banks, even nationalized banks, look for profit over their social responsibilities to the people.

1.4.6. Decline in Government Investment in the Agricultural Sector

Studies show that after the economic reforms started, the government's expenditure and investment in the agricultural sector have been drastically reduced. This is based on the policy of minimum intervention by the government enunciated by the policy of globalization. The expenditure of the government in rural development, including agriculture, irrigation, flood control, village industry, energy and transport, declined from an average of 14.5 per cent in 1986-1990 to six per cent in 1995-2000. When the economic reforms started, the annual rate of growth of irrigated land was 2.62 per cent. It later reduced to 0.5 per cent in the post-reform period. The consequences were many. The rate of capital formation in agriculture came down, and the agricultural growth rate was also adversely affected. This has affected the purchasing power of rural people and subsequently, their standard of living.

1.4.7. Special Economic Zones

As part of economic reforms, the system of land being taken over by the government for commercial and industrial purposes was introduced in the country. As per the Special Economic Zones Act of 2005, the government has so far notified about 400 such zones in the country. Very often it is fertile land which has been acquired. According to Khasanoki, the government has acquired five million hectares of land for purposes other than agriculture between 1991 and 2003. This is almost half of what was acquired during the last 40 years. It was reported in the news that the government decided to acquire 10,120 hectares of land near Mumbai (almost one-third the total area of Mumbai) for the Reliance Company and subsequently reduced it to 5000 hectors due to public pressure. Since the SEZ deprives farmers of their land and livelihood, it is harmful to agriculture. In order to promote export and industrial growth in line with globalization the SEZ was introduced in many countries.

1.5. Research Problem

There are considerable regional disparities in the agrarian economy of Andhra Pradesh. The early phase of green revolution in the state was largely confined to resource – rich South Coastal Andhra, and bypassed the semi-armed and rain fed areas of Rayalaseema, North and South Telangana, and North Costal Andhra. In the recent phase of the spread of the green revolution, practices took the form of farmers in dry regions adopting high value crops that would integrate them with markets that fetch higher returns from agriculture. Those farmers with a low resource base were forced to embark on high-risk investments, including those on groundwater development. The disparities in agriculture also took the form of disparities in vulnerability; the suicides of farmers in the state reflect these regional dimensions as well.

The first spurt in farmers' suicides occurred in the mid-1980s (1986-87) and there were a few cases in the later years. It is the second spurt, beginning with 1997 that became a recurring phenomenon, between 1998 and 2006 there were 4403 farmers' suicides in the state. According to the estimates of May 2004 and 10th November 2005 alone there were 1068 farmer suicides, and in addition there were 277 weaver starvation deaths in the same period (Kumar 2005). The commission also brings out the fact that the state was rocked by the revelation that 26 debt-ridden farmers of Guntur district had sold their kidneys.

There have been a number of studies in the state based on a sample investigation of households of the victims to analyse the proximate causes for the suicides. A few of them are reviewed here to understand the nature of the stress factors behind the suicides. In 1998, a people's tribunal (RSC 1998) heard the depositions from 60 farming households of victims drawn from across five districts in the state. Of the 60, the majority (42) reported their dependence on wells or bore well for irrigation, on which they invested a substantial part of their resources. Thirty-three of them cited water shortage as the main reason for their crop failure and that this triggered the suicides. Of the 21, who reported heavy borrowing for investing on the wells or bore wells or deepening of bore wells, only one reported bank credit, while the rest had borrowed from private informal sources at very high interest rates.

Even lack of proper institutional credit and proper public investment in the agriculture sector, which is meant to be the backbone of the Indian economy, is leading the agriculture sector into an un-healable condition. The agrarian economy in Andhra Pradesh, as in the rest of India is diverse and is built on regional variations. In additional to this, the green revolution in the state was confined to resource rich areas, and bypassed vast dry land zones mostly located in Telangana and Rayalaseema regions, thus increasing regional and social disparities. Further, in Andhra Pradesh, the forerunner of neo-liberal reforms vigorously implemented by the earlier government, important changes took place in agriculture in terms of the shrinking role of the government and the increased exposure of the farmer community to the markets. It was argued that these reforms pushed the agricultural sector and especially the dry land regions into crisis. The crisis manifested itself in an extreme form in suicides by farmers (Reddy and Rao 1998; Revathi 1998; AWARE 1998, Choudary 2002; Vidyasagar and Chandra 2004).

Andhra Pradesh has been a leading state in the incidence of farmers' suicides. The first phase of suicides was committed by cotton farmers in the mid nineteen eighties (1986-87) in Prakasam district. The second phase started in the mid nineties (1997-98) beginning with Warangal district, but spread to some other districts of north Telangana with suicides by cotton farmers.

These farmer suicides in Warangal district still continue because of the prolonged drought prevailing in the district. Though there has been some good rainfall in recent years, the lack of proper irrigational projects has led to the inability to store rain water for the cultivation of crops. Though there has been a change in government and even after they have come up with new farmer friendly policies, there is still a prevalence of farmer suicides in the district. During the period of 1999 to 2007, a total number of 677 farmer suicides have been identified in the district so far, according to the District Revenue Office. This dismal condition in the district drew my attention to a study of the agrarian crisis in the district.

1.6. Objectives

The objectives of the study are-

- To study the reasons behind the continuing farmer suicides in Warangal district.
- To study the measures taken by the Government to overcome the reasons that contribute to the continuity of farmer suicides in Warangal district.
- To study the adequacy of the measures.

1.7 Methodology

The present study was conducted in the agrarian state of Andhra Pradesh. It will focus on the dismal state of agriculture in the Warangal district of Telangana region of Andhra Pradesh. The region was selected for study as $2/3^{rd}$ of the farmer suicides have been noticed in the Telangana region and among which Warangal district has seen the highest rate of famer suicides in the state. The district's agriculture sector has seen some bad times with drought, crop failures resulting from pests and attack from diseases and the non-availability of credits playing their part. By analyzing various aspects of the district data in the agricultural sector like yield, productivity, land utilization, irrigational facilities, agricultural credits etc. the study has been carried out to determine the reasons for the dismal state of agriculture in the district. The primary sources of the data have been gathered from the families of deceased farmers from three mandals of the district namely Ghanpur (stn.), Dharmasagar and Atmakur and the major observation focuses on the farmer suicides which took place during the period of 2000-01 to 2006-07.

1.8 Sources of Data

For the purpose of this study both primary and secondary data were used. The general details of information regarding the agricultural scene in Andhra Pradesh has been sourced from secondary sources like Economic Reviews, Statistics for Planning published by Directorate of Economics and Statistics, Andhra Pradesh, Agricultural Statistics published by the Directorate of Economics and Statistics, A.P, Human Development Index Report, Andhra Pradesh, Statistics for Planning published by the Chief Planning Officer, Warangal, Agricultural Action Plan Reports of the Joint Director of Agriculture Office, Warangal and other relevant magazines and newsletters. Three Mandals of the district, namely Ghanpur (Stn.), Dharmasagar and Atmakur have been selected for gathering primary data from the families of deceased farmers. This primary data has been selected from the list of farmer suicides prepared by the District Revenue Department on the basis of the report filed by the three member committees of the Mandals, appointed by the District Collector. A questionnaire has been prepared for the purposes of study in such a way so as to gather information regarding the families of the deceased based on their socio-economic conditions. Apart from this, important personalities related to the issue, like authorities of both formal and informal institutions and leaders of the farming community have also been consulted to obtain relevant information for the study.

1.9 Organization

This thesis has been organized into five chapters. In the second chapter, an attempt has been made to provide a proper review of the available literature on agricultural problems in the country with an emphasis on studies related to states like Andhra Pradesh, Tamil Nadu, Kerala Karnataka and Maharashtra and literature related to the agricultural situation in Warangal district. The third chapter focuses on the particulars of the area that is the focus of the study. It gives an overview of Andhra Pradesh agriculture and the agricultural features of Warangal district. In the fourth chapter, I have made an attempt to compare the agricultural situation in the district of Warangal with the whole of the Andhra Pradesh economy, through an analysis of the field study information. The fifth chapter is a summary of the entire study, where I discuss the probable remedies and implications of policies.

1.10 Limitations

This thesis does not make any claims of being complete or comprehensive. There are certain limitations to this study related to the use of secondary sources of data which can creep into the framework of the study. But efforts have been made to collect data that is most recent in order to make the study more up-to-date and relevant.

CHAPTER TWO

AGRARIAN DISTRESS: A LITERATURE REVIEW

Agriculture forms a large part of India's economic base. It is treated as the primary sector of the Indian economy. In addition to being an occupation and a business proposition for several people in India, agriculture is also a tradition, a way of life, which for centuries has shaped people's thoughts, outlook and culture.

"Over the past few decades, the Indian agriculture has had remarkable technological changes and there is promise of arrival of even more sophisticated technologies in the years to come. The sector is also believed to have a wide range of commodities enjoying comparative advantage in international trade. Despite these favorable features, the sector is described by many as having become 'a parking lot of the poor' over the planning decades…[1]"

Up until Independence, the Indian government thoroughly neglected the agricultural sector and made no attempts to uplift the farmers from their deteriorating plight of impoverishment and debt. Before Independence, agriculture was practiced only as subsistence farming and it was more a way of life than a profession. Agricultural activities were segregated according to regional differences that arose out of varied physical resource endowments. These differences were also further accentuated by the varying levels of investment in rural infrastructure and in technological innovations that might improve conditions in agricultural areas. This controlled and regulated environment offered very little incentive for resource exploitation.

In June 1991, the Indian Government implemented a new set of economic reforms that were aimed at putting the economy on a high growth path, through improved efficiency in the industrial sector, by bringing in global competition. The continued presence of acute agricultural issues in many Indian states may be primarily due to the loopholes in formulated agricultural policies. A lack of clear understanding about the farmers' requirements may be an important factor that led to the failure of various policy initiatives. Times have changed though; planning has helped the Indian economy reach a stage of development, where further progress can be made through a basic change in the strategy and role of the individual states, in the national economy. The fundamental focus here is how best a state can help prompt growth and ensure that the benefits reach all sections of society.

The Government of India assembled a committee, under the chairmanship of M. Narsimhan in 1991, to review the current financial system of that time. The committee was successful in coming up with several recommendations, which were – a) Elimination of concessional lending rates even for the priority sectors and for government sponsored programmes like IRDP, b) On the structure of rural credit institutions, it suggested the setting up of rural banking subsidiaries, by public sector commercial banks. Apart from these two, there were also other recommendations made by the committee that effected numerous changes in the financial system, particularly in agricultural development.

"Inadequacy of public investment in agriculture is today a matter of general concern. This is an area, which is the responsibility of states, but many states have neglected investment in infrastructure for agriculture. There are many rural infrastructure projects, which have been started but are lying incomplete for want of resources."

Anil Sharma and Ashok Gulati (2004) have inferred that subsidies can serve only as short term measures and cannot be substitutes for long term measures in social and physical infrastructure. Long term measures ensure the viability of new technologies. Gulati and Sharma argue that subsidies trim down the resources available for productive investments that can be utilized in generating new productive potential, especially in a resource crunched country like India, where any particular achievement comes at the expense of other competing objectives. In their opinion, Indian agriculture isn't net subsidized, but net taxed. Subsidies have an adverse effect on fiscal position, cropping pattern, the environment, equity, new industries and technology. Their studies on subsidy arrives at a similar conclusion that for an accelerated and sustainable growth of agriculture, a reform policy package must include liberalisation and removal of agricultural input subsidies, accompanied by targeted safety net programmes and an increased investment in irrigation.

V.M. Rao based his studies on analysing whether agricultural growth could help the poor break through the constraints and barriers that keep them below poverty line. To do this, Rao looked into the characteristics of agricultural growth in India during the planning era. Rao relied on the work of V.M Dandekar (1994), for assessing the type and level of growth.

He was able to infer that the actual performance of Indian agriculture always fell short of the modest targets throughout the decades, and an even more worrisome parameter was the increase in population growth rate. In the liberalised regime, the ability of agriculture to advance was largely dependent on the pace at which the rural population responded and adjusted to the growing integration of traditional village economy with the opened National economy. Over the planning decades, wheat and rice was observed to have benefited most farmers. There had been a substantial increase in irrigation and more over than it had been grown in highly assured rainfall areas. Irrigation methods and technologies improved manifold, especially in low-rainfall regions. The good growth recorded in few areas and of few crops may be the reason for the slight agricultural development, even though there is near stagnation over larger areas. Another decisive parameter was the disparity between agriculture-based and non-agriculture-based income that was reflected in the per capita GDP. Dandekar believed that the disparity arose from the flawed structural features of the Indian economy, and that despite this disparity, the population does not move from agriculture to non agriculture (there still aren't high levels of urbanization).

D.N Reddy and Srijit Mishra (2008) stated that the agricultural distress, as expected, had a greater impact on the small holders with limited resources and the farming community inhabiting the rain-fed regions and tribal areas. They have tried to evaluate whether small marginal farming is sustainable without public infrastructure support and comprehensive social security covering health, education, employment and old age support. According to their study, the public funding for research and education is low in dry land states with harsh environments. The increasing capital intensity of new technology and institutional bias in the delivery of technology restricts access to technology for small and marginal farmers (Suresh Pal). In the post-reform period, high gross domestic product (GDP) growth accompanied by low agricultural growth has brought about a rapid shift in the sectoral distribution of GDP which is skewed against agriculture. The declining share of agriculture is a tendency driven by forces inherent in the development process. However, the paradox is that there is no commensurate decline in the share of agriculture in the country's labour force. Reddy and Mishra have observed low growth of farm productivity, low agricultural prices, slowdown of demand for agricultural products due to the stagnation of per capita food consumption during 1993-2005, and inadequate employment opportunities outside agriculture are the proximate causes that underlie the current slow pace of agricultural transformation.

Non-agricultural liberalisation has been noted to be more beneficial by Narayan, Parikh and Srinivasan (1990), for agriculture, even in spite of agricultural liberalisation will also accelerate growth. In the short run, agricultural trade liberalisation itself disrupts agricultural production due to the prevailing capacity constraint, resulting in a spike in import. But over time, capacity will be increased and imports will stabilize. On the other hand, if protective tariffs are being imposed, it should be done after careful evaluation of benefits and costs. However, there are other studies that strongly recommend high tariff measures for the protection of the agricultural sector. As the comparative advantage in free trade is due to technological differences (Ricardian Theory of International Trade) and relative factor price differences (Hecksher-Ohlin model), the large scale subsidies provided by the government in developed countries makes their agricultural production highly profitable. This study emphasizes the fact that the governments of developing economies have to impose high tariffs on imports of agricultural products, not only to curtail unfair trade practices, but also to transfer a portion of the subsidies into the tariff revenue, which can then be utilized to increase investment in the agricultural sector and improve productivity.

V. Puhazendi and B Jayaraman (1999) say that political intervention, deficiencies in loaning procedures of credit institutions, especially those pertaining to appraisal, supervision and control have contributed to the malady of high overdues.

By studying the working of RRB’s in Karnataka, Jayaraman and Birdar’s study attempts to understand the problem of overdues and non-repayment of loans disbursed under different schemes from the RRB’s. Jayaraman and Birdar(2002) found that about 65% of the beneficiaries had deliberately postponed the repayment of their respective loans with the expectation that the government would waive off their loans in the future. The study also observed that the borrowers did not receive their credit in a timely manner, and that there was a misuse of credit. Owing to complicated procedures followed by the RRB’s in sanctioning loans, borrowers were compelled to approach private money lenders instead of availing the banks’ schemes.

Dutt and Sundaran (2004) found that one of the major problems faced by lending institutions, particularly the co-operatives, was the high number of overdues. Improper management and regional disparities were also contributory problems faced by the institutions. The health of agricultural credit institutions, both in the Co-operative and Regional Rural Banks, was in a sad state of affairs in several parts of the country. The Planning

Commission issued a statement which said, “Willful default and over dues are mounting in a number of states like Maharashtra and Gujarat.

D.K. Desai (1988) opines that in India, institutional credit for agriculture was provided with the intention of protecting farmers from the guile of moneylenders. His study revealed that the share of institutional credit to the outstanding debt of cultivator households increased from 12.3% in 1951-52 to 63.3% in 1981.

In his study on the alarming increase in farmer suicides in Andhra Pradesh, Chowdary (2004) analysed the reasons behind the suicides. According to him, the major factors leading to agricultural difficulties are, negligence of the agricultural sector by the state and central government, non-remunerative nature of farming, indebtedness of farmers, low quality seeds, overuse of fertilizers and pesticides, declining productivity, lack of efficient irrigation facilities, power supply shortage, inefficient agricultural extension services, diminishing public interest in the agricultural sector, absence of proper agricultural insurance, falling agricultural prices, problems related to tenant farming and extensive export orientation in agriculture.

Mohanty (2004) says that prevailing agro-climatic and socio-cultural features of Maharashtra are different from that of Andhra Pradesh and Karnataka. In Maharashtra, the focus is more on commercial cultivation, with the dominant produce being cotton. The available institutional facilities are however, not up to the mark, making farmers largely dependent on informal sources of credit. At times, decrease in production and sales occur, since new methods of farming render traditional knowledge and skills obsolete. There is a lack of adequate research and extension services are lacking. Marketing methods are also ineffective. Moreover, the dependence of agriculture on the vagaries of the monsoons and other climatic conditions has a detrimental effect on the crops. The study further says that it cannot be conclusively inferred that the existing agricultural situations are the sole reasons for farmer suicides, but they have contributed immensely to the continued occurrence of suicides.

V.S Vyas (1994) points out four major weaknesses that plague Indian agriculture – a) preponderance of low value agriculture, b) low cost-benefit ratio, c) inefficient use of natural resources, and d) deterioration of self-help institutions. These four are considered to be major factors that affect sustainable agricultural growth. Vyas also says that the income levels of Indian farmers are low, because the returns on their produced crops are low due to lack of proper pricing in the markets. The low cost-benefit ratio is mainly due to the inefficient use of resources such as fertilizers, irrigational facilities, etc. Hence, these factors make Indian agriculture, high-cost agriculture. Depletion of natural resources has also been given priority in his study. Though measures have been taken to stop deforestation, cited as an important cause for agricultural land degradation like soil erosion, fall in ground water levels etc., there are other factors that he identifies as contributing to the problems that plague Indian agriculture. One of them is the failure of credit in reaching the agricultural sector, due to delays introduced by the bureaucracy. This flaw causes the farmers to rely on informal financial institutions. Therefore, he suggests that an intensive institutional support with a proper policy backup, in an extensive way, can help overcome the various challenges.

The Green Revolution tremendously increased food production and accelerated the pace of modernization and urbanization in India. On the negative side, it also created serious regional imbalances and increased the gap between classes of farmers. Sutapa Lahiri (2000) argues that when Punjab attained growth in agricultural production, there was no corresponding industrial development. Agricultural development and the Green Revolution therefore reached their saturation point in Punjab. The share of agriculture in the Net State Domestic Product (NSDP) declined to 25.42% in 1997-98 from 34.69% in 1991. In 1951, 55.89% of the labour force in agriculture produced 48.62% of Punjab’s NSDP, whereas the same proportion of labour in 1991 produced only 34.69% of the NSDP. Share of cultivations to total workforce declined, displaying a significant increase in the proportion of landless agricultural labourers. Soil quality deteriorated, which led to the requirement of more fertilizers. Punjab’s agriculture then became a mono-crop agriculture one, rather than being diverse. The growing pressures of population on land, low productivity, diminishing economic returns, poorly organized marketing facilities, declining public investments, technological constraints, and indebtedness made agriculture no longer an attractive option in Punjab. The reduction in both export subsidies and direct subsidies as per the WTO agreements, given the downward trend of production and stagnating yield of agriculture in Punjab further hampered its agricultural competitiveness. Lahiri’s study suggested solutions like diversification of agriculture in high value crops and the development of a vibrant and dynamic rural non-farming sector.

The study conducted by Rao and Gopalappa (2004) mainly focuses on the inadequacies of the present policy regime in Karnataka. Despite the fact that large parts of the state are drought prone areas, there has been a substantial shift towards the commercialization of agriculture. The policy regime has been such a non-caring one and it has not given any importance to the goals of enabling growth and modernization of