



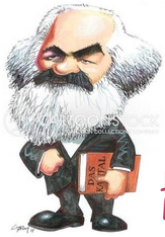
ECONOMICS

Join Us



Organising an Economy

How the production process in an economy should be organised?



German philosopher
Karl Marx (1818-1883)

Offers a profound critique of Capitalism and envisions a society free from class exploitation.

Centralised economy came up in erstwhile USSR after the Bolshevik Revolution (1917) and its ideal shape in China (1949).

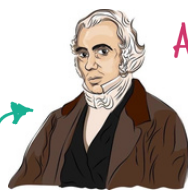
Oscar Lange → Market Socialism
1985: Open door policy (China)



Socialism appealed to Jawaharlal Nehru the most.

But not in favour of USSR type socialism.

Socialist society with a strong public sector but also with private property and democracy.



Adam Smith's
Wealth of Nations (1776)

- Stressing on division of labour
- Environment of 'laissez faire'
- Invisible hand of market force

Setback to the 'invisible hand' of Adam Smith in early 20th century

Great Depression (1929)



John Maynard Keynes (1883-1946)



before 1990s → after 1990s
BoP

License Raj → Deregulation Policy

ISI strategy → open economy

Planned Eco → Niti Anyog

State owned → privatization
Enterprises (SOEs)



The origin of Capitalism can be traced back to the philosophy of Adam Smith.

July 4, 1776 after The USA adopted Declaration of Independence. The idea of Adam Smith were become part of public policies.

questioned the concept of 'laissez-faire' and 'invisible-hand' and suggested strong govt. intervention.

Suggested the Capitalistic order to assimilate the goals of the Socialistic economy.

Mixed economy arrived

On July 23, 1991 India launched a process of economic reforms in response to BoP crises



under the Extended Fund Facility (EFF) program of IMF.

L - Liberalisation
P - Privatisation
G - Globalisation



Agriculture Sector

The most imp sector in Indian Economy

* Special features

Share in GDP 18.2%. (Economic Survey 2023-24)

Livelihood 42.3%. (Economic Survey 2023-24)

1% increase in agricultural growth lead to 0.5% increase in Industrial growth and 0.7% increase in NI.



India has around 146 million operational holdings.

Avg Size - 1.08 hectares

86% operational holdings are small and marginal (less than 2 Hectare)

have 47% total operated area



Productivity of major crops are lower in case of India comparison to the world's best practice.

Irrigation area coverage increased from 49.3% in 2015-16 to 55% 2020-21
Economic survey 2023-24



* Agricultural Census

Large holding (>10 Hec) make up around 1% of holding

have 80% of total operated area.



* Indian Food Philosophy

Phase I: First three decade after Independence the main aim and struggle was producing as much food grains as required by Indian population.

Phase II: by early 2000 there was paradoxical situation.

3x Buffer stock → in several states people were dying due to lack of food and hunger.

Eg: Saritau Deri, SB, from Mangrakhahi Village in Jh.

* India trying to solve the crisis Twin approach by creating max no. of gainful employment and cutting food cost.

Four physical access - India was heavily depend on PL480 program.

* Green Revolution



It revolutionised the very traditional idea of food production by giving a boost by more than 250% to productivity.

Subsidies started → Direct & Indirect Electricity, Urea, Farm loans waiver etc

But Socio-economically it increased the inter-personal as well as inter-regional disparity.

Malnutrition + Cropping pattern.

Ecological Crisis

- ✓ Soil fertility declined
- ✓ Ground water contamination
- ✓ Water table declined
- ✓ Ecological Crisis - Eutrophication.

Excessive use of fertilizers

Green Revolution Period

major shift in cropping pattern
HYV + fertilizer + MSP = shift in choice

Repetitive cropping → Wheat - Rice

sustainability

Pre-Green Revolution:

Based on Socio-cultural and economic factors

Judicious mixture of crop

Subsistence farming

Major problems



* Small and fragmented land holding



due to law of Inheritance.

Eg: 10th Agricultural Census 2015-16

86% of total operational holding

marginal and small farmers (0-2 hac)

* Low level of farm mechanization practicing + monocropping

leads to deterioration of land quality

Eg: 40-45% (MoA & farm welfare) Mechanization

Eg: A study → inappropriate agricultural practices, excessive tillage, chemical fertilizer leads to land degradation.

* Soil fertility depletion

After GR 1960, the use of chemical fertilizer increase

It reduce organic matter & humus content - altering soil PH which ultimately lead to low productivity.

Eg: The Hindu Editorial: Poor soil management will erode food security.

* Poor irrigation facility (55%)

groundwater extraction → Salinity

* Agricultural Market

Agrimarket regulated by APMC Act

act notifies first sale of agricultural commodities only in market through licensed commission agent.

Economic survey 2014-15 : major issue

- market fee from buyers
 - licensing fee from commission agent.
 - statutory levies/ mandi tax
- major sources of market distortions.

+ market committee & market board are occupied by political influential person.



Storage facilities

Based on FAO Statistical Data 2021 total food grain production - 311 MMT and total storage capacity in India is only 145 MMT. Shortfall of 47%.

- No Cooperation.

India has around 39 MMT cold storage facilities - lacking 10-15%.

* Farm wastage and distress sale

TOI → Approx 14 MT of food lost annually in India

PIB → ₹ 92,000 Crore per year 1% of India's GDP

* Farm credit

As per NABARD All India Rural Financial Inclusion Survey :

Still 40% of the cultivator households are reported to have taken loan from informal sources.

and about 52% of the agricultural households in the country were estimated to be indebted.

* Adoption of Crop Insurance

Farmers' adoption of crop insurance is low -

4.80% Kharif Season

3.17% Rabi Season

mainly due to lack of awareness.

- ICAR

* climate change impact harsher on poorer (Farmer)

- Poor households globally lose 5% of their total income due to heat stress.

(FAO)

Solution



* Land Consolidation

Consolidating fragmented landholding into larger, contiguous parcels.

Eg: Digital India Land Records Modernization program (DILRMP)

Eg: Punjab Land Consolidation Act (1953)



Eg: Farmer Producer Organisation (FPO)

* Improve farm mechanization

Eg: Sub-Mission on Agricultural Mechanization (SMAM) to provide assistance to the state government.

Eg: Custom Hiring Centre (CHC)



* Improve soil fertility Irrigation facilities

Eg: Soil Health card scheme

- ✓ Zero Budget Natural Farming
- ✓ Crop diversification program (CDP) under Rashtriya Krishi Vikas Yojna
- ✓ MGNREGA → Irrigation project.
- ✓ Har Khet Ko Pani ✓ More crop per drop

* Marketing reform

Govt came up with Model APMC Act-2013 to liberalize the agriculture marketing sector.

- by passing intermediaries (F → C)
- Permitted Pvt players (competition)

e-NAM (National Agriculture Market) e-market platform of regulated wholesale market.

Kisan Mandi in Delhi - providing a platform for direct sale to the prospective buyers.

Contract farming etc. (Britania - Farm)

* Promote Food Processing sector



to reduce farm wastage and improve income govt came up with

Production Linked Incentive scheme for the food processing Industry (PLISFPI)

PM Formalization of Micro Food Processing Enterprises (PMFSE)

* Improving storage facilities

Pradhan Mantri Kisan SAMPAD Yojna to create Modern storage (PMKSY) infrastructure, cold chain, warehouse and FPU.

* Improve credit facilities

- To provide short term credit at low interest rate

PM Kisan Credit Card Scheme

- mandate financial institute to allocate a portion of their lending to agriculture.

Priority Sector Lending (PSL)
8% small & marginal.

* Increase insurance Penetration

PM Fasal Bima Yojna
crop insurance linked to institutional loan

* Digital Financial Inclusion

Eg: DBT for Subsidies & loan

* climate change

- climate resilient crop
- Vertical farming
- Hydroponics
- Agriculture Extension Services (AES) etc.

- Thank you -

@HeMantra.com