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# STUDY ON EFFECT OF NEW ECONOMIC POLICIES ON TRADE AND AGRICULTURAL DEVELOPMENT AND MODERNIZATION

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## ABSTRACT

On 15 August 1947, India became independent when the country went through a food grains and consumer goods shortage. Due to the country's limited quantity of industrial units, industrial production has remained inadequate and social facilities were also the only nominal. Agriculture was the primary source of the country's economy. From April 1951, the Government of India gave Shri Ganesh the Five-Year Plans giving priority to economic planning. Through these schemes, the government developed the necessary infrastructure for the industrial establishment, keeping in mind the national interest. Loans and assistance were obtained from international institutions. Thus, public industries were developed in the country with the incoming of foreign capital. Production and distribution of consumer goods were restricted at that time. Economic policy means the policy of any government by which the economic activities of any country are regulated. Labor- market, national possession, and many other areas of government intervention come under the economic policy along with setting the level of taxes, the government's budget, money supply, interest rate. The objective of this research study is also to study the policy of economic liberalization in agricultural marketing.

**KEYWORDS:** Agriculture, Economic Policy, Government, Liberalization, Investment.

## INTRODUCTION

Keeping in mind the economic changes at the international level, India also resolved to change the economic development policy in 1991, called liberalization and openness. So that economic policy can be improved by making economic changes in the country. First, in 1991, The Central Government was formed in India under the leadership of PV Narasimha Rao. With the coming of this government, liberalization was spread in industrial, business, financial, and monetary sectors in the new economic policy. Many necessary steps were taken to increase competition in international markets, connect the Indian economy to the world economy, and give direction towards privatization to the country's economy. Economic reform programs were implemented in India in July 1991, and the strategy adopted by the Government of India for this is called the New Economic Policy.

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The primary objective of this policy was to encourage privatization by adopting liberalization and opening the path for the globalization of the country's economy by adopting various policy measures and changes under this policy aimed at making a competitive environment in the economy to upsurge productivity and competence.

Also, there is a significant effort to make the Indian economy more competitive by linking it to the world economy. The Indian government has primarily linked the Indian economy to the global system. For this reason, under economic reforms, an increase in exports include synergy in exchange rates, reduction in import duty, foreign high technology, and adoption of an open and liberal policy for foreign direct investment.

Relatively liberal economic relations are made to connect with world trade and to establish trade relations with most countries, thereby promoting high-efficiency productivity with competitive development, leveraging mutual support in technological transfer research and development programs, and promoting theme assure by which May the country be free from the evil so far closed economy.

For us, the agricultural surplus is also notable for the loss of natural resources and because of the large-scale ecological threat. This is also reflected in depriving small farmers of landless laborers and working-class people of balanced and safe food.

## LITERATURE REVIEW

### NEW ECONOMIC POLICY

In the 1990s, the Government of India definite to diverge from its earlier economic policies and learn in the direction of privatization to come out of the economic crisis and begin declaring its new economic policies one after the other. Later, these policies saw good results, and these policies proved to be milestones in India's economic history. At that time, PV Narasimha Rao was the Prime Minister of India, and Manmohan Singh was the finance minister. Earlier, the country was going through a severe economic crisis, and this crisis forced the policymakers of India to implement the new economic policy. The situation created by the crisis prompted the government to formulate policies to bring price stabilization and structural reforms. The purpose of stabilization policies was to correct weaknesses. So that fiscal deficit and reverse balance of payments can be corrected.

There were three main mechanisms or fundamentals of the new economic policy - Liberalization, privatization, and globalization.

## MAIN OBJECTIVES OF THE NEW ECONOMIC POLICY

The main objectives behind the introduction of new economic policy by Finance Minister Dr. Manmohan Singh were:

- Bringing the Indian economy into the fray of 'globalization and making it in line with market trends.
- Bringing down the inflation rate and removing the payment imbalance.
- Increase economic growth rate and create adequate serves of foreign exchange.
- Removal of all types of unnecessary economic sanctions while achieving economic stabilization.
- Bringing an economic paradigm for the economy to suit the market.
- To allow the international flow of goods, services, capital, human resources, and technology by removing restrictions.
- Increase participation of private companies in all sectors of the economy. For this reason, the number of areas reserved for the government was reduced to 3.

Economic liberalization is meant to make industry and trade more competitive by freeing them from unnecessary restrictions. "The Indian economy, which was plagued by the complexity of rules, restrictions, and license raj, is now talking openly to a great extent by adopting a policy of economic liberalization by the Government of India. This is why globalization and economic liberalization had a positive effect on some sectors of the country's economy. However, as far as agriculture is concerned, it can be clearly stated that the policies of the economic liberalization generally led to the expectation of the agricultural sector. Nevertheless, the government's immediate need was to adopt policies of economic liberalization.

The economic policy relates to the procedure adopted to achieve specific set results related to economic matters. Economic policy is abroad policy, and many policies are incorporated into it. According to the Encyclopedia of Social Sciences, the term "economic policy" can refer to all the actions of the government in the economic field related to intentional or more government intervention in production, distribution, and use. "Thus, economic policy is the economic philosophy and broad term of a government under which various policies, such as agricultural policy, industrial policy, commerce policy, fiscal policy, monetary policy, planning policy, income policy, employment policy, transport policy, and population policy. Etc., she coordinates and takes steps to fulfill the set goals and objectives.

The objective of the economic policies formulated by the colonial rulers was not the economic development of India but the preservation and promotion of the economic interests of their native country. These policies changed the core of India's economy. India became a country to supply raw materials to England and import finished goods made there.

The primary objective of this new economic policy of the Government of India is to encourage privatization by adopting a policy of liberalization and opening up the path of globalization for the country's economy, which was an attempt to make the Indian economy more competitive by connecting it to the world economy and world market. To globalize the Indian economy and sense the economic liberalization reforms to implement the programs have been used as an instrument with which, along with economic reforms in the country, stability and quality in people's lives can be improved.

In this way, under economic liberalization basically, every effort was made to develop the agricultural sector. Through liberalization, an attempt was made to increase agricultural productivity, but it also proposed benefiting the people of the agricultural sector. It is thus clear that economic liberalization can be called an entire economy in which the goal of developing liberal agriculture was set by ending many restrictions.

## "NEW ECONOMIC POLICY" AND ITS IMPACT ON INDIAN AGRICULTURE"

Our analysis should not be restricted to agriculture only to understand the current agricultural current and its current position in the entire Indian economy, especially under the 'New Economic Policy,' funded by the government in 1991. An accurate and comprehensive understanding can be made.

This 'new' change was not a new thing in the policy; instead, it was to implement the economic philosophy effectively, which was presented in the name of neo-liberalism and liberalization. These are imperialist projects that are 'safe for the interests of monopoly capital of developed countries and have strong linkages with the significant capital of developing countries (interdependence

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relationships between them are prominent, with occasional conflicts). This liberal era was marked by declining state expenditure, subsidies, and other developmental works in the infrastructure sector, large-scale public sector privatization, opening up the Indian market to foreign capital, free play of market forces, production for export. Emphasis can be recognized as a fierce attack on the rights of workers and other such policies land. All these affect Indian agriculture directly and indirectly. The systematic attack on direct subsidies, fertilizers, and power (which was already much lower than in developed countries), the attack on bank credit in line with farmers' power, attacks on public procurement and marketing bodies, irrigation and other infrastructure facilities, and profound neglect of basic botanical research - all of these have contributed to making the agricultural land more serious. In addition to this, the voluntary or indirect support of the government's land by the various domestic and foreign capitals to take up the industries or special economic zones (which in most cases represent nothing but the actual status of the real estate) is voluntary or forced acquisitions also one of the reasons for deepening agriculture.

| Period | Foodgrain production | Total production |
|---|---|---|
| **1950-1965** | 3.0 | 3.3 |
| **1965-1975** | 3.4 | 3.2 |
| **1975-1985** | 2.5 | 2.6 |
| **1985-1995** | 3.1 | 4.1 |
| **1995-2005** | 0.7 | 0.6 |

The indirect effects of 'neo-liberalization have also contributed significantly to this increase. Macro-economic policies implemented by the government rapidly shifted from the primary and secondary sector of the Indian economy to the tertiary sector resulting in a sharp decline in growth in rural revenue. All this contributed to the decline of purchasing power. The integration of Indian agriculture with the national and international market (including the entry of corporate farming in many states) made Indian agriculture more vulnerable to market fluctuations, which has led to the life so thousands of small and medium farmers in the backdrop of falling global prices of crops. Export of food grains has been continuously increased to a large extent despite suffering severe malnutrition in a large population. The public distribution system has been practically scrapped in a country where semi-famines various areas are permanently endangered.

## NEGATIVE EFFECT OF POLICIES

1. **DISREGARD OF AGRICULTURE:** Increase in GDP is possible mainly due to adequate development of the industrial sector. Due to policies, the center of attention has shifted from agriculture to industry, which has given a push to the growth rate of agriculture. If the primary source of livelihood of the people of India is a big shock, then the truth Disregard for Agriculture means disregard of Poverty.

2. **ECONOMIC COLONIALISM:** India spent almost 200 years of political colonialism throughout British rule. Today, though the MNC is dominating the Indian economy, we have a way the MNC is manipulating the Indian markets to sell its products. In this process, domestic producers are getting marginal due to their weak competitive power are moving backward.

3. **SPREAD OF CONSUMERISM:** As a result of the policies, the decision of MNCs in the country, consumerism is spreading in a big way (i) With the arrival of many types of global commodities in the brand market, the people have become enthusiastic and wasteful, even out of their income, Indian society is adopting western civilization.

Which is being spent by taking loans (ii) by this, the market size can be expanded for traders and business people, but this makes a destructive impact upon the sentiments of households as consumers as they become the victims of the demonstration effect.

4. **UNILATERAL GROWTH PROCESS:** *LPG* has enhanced the growth process of the Indian economy; nonetheless, it is one-way, it is not a comprehensive growth process, it does not cover all sectors of the economy- while industrial growth is focused on the region. Yes, it is harmful in agriculture. This situation is worrying that Indian farmer is paying more attention to the production of cash crops because there is a demand in foreign countries. Consequently, there is a continuous decrease in the domestic supply of food grains. Despite the Green Revolution, we have to import food grains. This further highlights the fact that LPG policies are often oblivious to the development process in the agricultural sector.

5. **CULTURAL EXERCISE:** Due to globalization, the Indian society has become culturally rich, and economic prosperity has dominated all other aspects of life. Everybody wants to be financially independent and prosperous. That heal so has a responsibility to his family or society, loyalty to his family and society. Loyalty, which was once considered an unbreakable part of Indian culture, is now considered useless due to the arrival of materialism.

## EFFECTS OF CHANGES IN ECONOMIC POLICY ON TRADE

Common effects of such changes in business and industry are enlightened below:

### INCREASING COMPETITION

Following the new policy meant competition from the internal market of Indian companies, and competition from multinationals faced all-around competition. Companies were able to adopt the latest technology and do what many resources could survive and stand the competition. Many companies have to face competition and could not leave the market. For example, one of the leaders in the Weston Company in the TV market with a more significant market share also lost its control in the TV market because of all-around competition from multinationals. By 1995–96 the company became almost unknown in the TV market.

### MORE CUSTOMER DEMAND

Before the new economic policy, there were very few industries or units of production. As an outcome, there was a lack of products in every region. Because of this shortcoming, the market was producer-oriented, i.e., producers became dominant individuals. However, after the new economic policy, many more business people joined the production line, and various foreign companies also set up their production units in India. Consequently, there was a surplus of products in every region. This shift from scarcity to surplus brought another shift in the market, I.e., from the buyer market to the producer market. The market became customer-oriented, and companies made many new schemes to attract customers. Nowadays, products are manufactured keeping in mind the customer demand.

### RAPID TECHNOLOGICAL CHANGE

Beforehand or before the new economic policy, there was a small internal competition for new companies. However, after the new economic policy, world-class competition started, and companies need to adopt world-class technology to stand this global competition. To adopt and increase competition, many pharmaceutical companies have increased their investment in the research and development department from 12% to 2% and started spending a significant amount on training the companies' employees.

## THE NEED FOR HUMAN RESOURCE DEVELOPMENT

Before 1991 Indian enterprises were achieved by insufficiently trained personnel. Newmarket circumstances need people with high caliber skills and training. Henceforth Indian companies felt the need to develop their human skills.

## MARKET ORIENTATION

Previous, after the firms first, i.e., the concept to sell the products and then go to the market, but now companies, production planning based on market research, i.e., the marketing concept needs to follow and wants for the customer.

## LACK OF BUDGETARY SUPPORT FOR THE PUBLIC SECTOR

All of the public sector losses before 1991 were used to do well by the government by approving the particular fund from the budget. However, the public sectors are alive and have to use their resources competently today; then, these enterprises will face disinvestment. Overall, the policies of liberalization, globalization, and privatization have positively impacted Indian trade and industry. They have developed more customer-focused and have begun to value customer satisfaction.

## IMPACT ON MODERNIZATION OF AGRICULTURE

As a result of economic liberalization in India, particular emphasis was laid on the development of the manufacturing and service sector in the country, and its positive effects are also visible. However, in the agricultural sector and other sectors, particular emphasis was to be given to modernization in terms of increased production. Still, the reality is that agriculture has been completely neglected. This is the reason that the rate of capital formation in agriculture has come down. Due to this, there was an adverse effect on village development and irrigation, reducing the growth rate of agriculture, especially food production. This is a worrying situation in terms of agricultural development. Agriculture was to be developed by the public sector, but it declined and harmed village development and irrigation. However, a significant objective of the government is to increase trade in goods and services. However, liberalization in the Indian economy resulted in an improvement in the growth rate of agricultural exports. This growthratedecreasedfrom1970-71to 1980-81 during 1990-91 to 2.24 percent, but after the economic reforms, the growth rate of export during 1990-91 to 2008-09, the new policy has a profound effect on the export of agricultural commodities was lying. Due to this much improvement has been made in the agricultural sector, but after that, there has also been a considerable amount of import of agricultural commodities in the country.

Naturally, India's agricultural exports remained volatile. Still, the Government of India tried its best to protect the interests of farmers in such a situation, and in that case, they bought large quantities of wheat from the rural areas at support prices. At the same time, the government started an agricultural marketing system faster than before. To improve, large minds were established from cities to rural areas and provide more facilities to the farmers, even from the tehsil level to the villages, established temporary centers from April to June through government committees to purchase agricultural products. Moreover, agricultural products were purchased.

This marketing system was adopted because many farmers cannot reach their agricultural markets with their agricultural products and have to sell their agricultural produce to village money lenders, hoarders, and intermediaries, which farmers have to suffer. Therefore, the government expanded the minds to improve the agricultural marketing system. The objective of implementing this scheme was to liberate the real farmer from exploitation. All this was necessary to link the agricultural system with the development required after the liberalization policies adopted in India. So that farmers can be given the benefit of the agricultural marketing system in real terms. Their economic condition can improve to protect their economic interests and increase their real income by providing the farmers with their produce's honest and fair value. Moreover, by purchasing surplus production, food can be made available to the low-income families in the country at a cheaper rate both times.

## THE POLICY OF LIBERALIZATION IN INDIA HAS BROUGHT FUTURE PROSPECTS IN THE AGRICULTURAL SECTOR: -

The liberalization policy in India has created some possibilities in the agricultural sector that will prove to be potentially more deadly for the future. Because it has strengthened the following possibilities -

- Use of fertile land for industries
- Higher prices for agricultural products
- wasteland
- Increasing interference of multinational companies in agriculture
- Increased trend of new enforcement

After the proposed research study, it has been concluded that the policy of economic liberalization adopted in the country and a complete lack of cohesion in agricultural marketing has been found.

## OBJECTIVE OF THE STUDY

- To study the policy of economic liberalization in agricultural marketing.
- To study the new economic policy and its impact on Indian agriculture.

## RESEARCH METHODOLOGY

The present study has been conducted by referring to various reports. The data and information are primarily secondary collected through the websites and research articles available through the Internet sources.

## CONCLUSION

It is thus clear that in the liberalized world, India has sufficient capacity and possibilities to export agricultural commodities. However, a large amount of investment must be made in the construction of infrastructure in agriculture, and special attention should be given to efficiency and diversification in the production of agricultural commodities. Based on the above study, it is clear that while the policy of liberalization in India will have some adverse effects, there will also be some positive effects. Still, it is likely that in the new trend which has taken birth in the country, we have also moved towards development, In which to increase technical knowledge and experience, quality improvement in education is preferred.

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