Jus Corpus Law Journal

Open Access Law Journal – Copyright © 2026 – ISSN 2582-7820

Editor-in-Chief – Prof. (Dr.) Rhishikesh Dave; Publisher – Ayush Pandey

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium provided the original work is properly cited.

Liberalisation that Skipped the Fields: A Study that Examines India's 1991 Economic Reforms and their Uneven Impact on Agriculture

Aayera Mohd Saleem Khan[a] Ali Raza Shaikh[b]

[a]Rizvi Law College, Mumbai, India [b]Medicaps University, Indore, India

Received 01 October 2026; *Accepted* 02 November 2026; *Published* 06 November 2026

This study provides an overview of how the Economic Reform 1991 transformed industry, trade, and finance while leaving agriculture outside the reform settlement. The farmer continued to sell under state-regulated APMC markets, face restrictions under the Essential Commodities Act, 1955, and depend for price assurance on an executive-administered Minimum Support Price that is neither a statute nor a fundamental right. When Parliament sought in 2020 to complete the liberalisation of agriculture through three farm laws, the statutes' design choices, silence on MSP, exclusion of ordinary courts in contract disputes, and override of state legislative competence under Entries 14 and 28 of the State List, converted a market reform into a constitutional confrontation, culminating in repeal within sixteen months. Analysing the executive and judicial position of MSP, the demand for a legally guaranteed price through deficiency payments, and the current financial reality of stagnant farm incomes, credit exclusion, and unenforceable crop insurance, the paper proposes a four-part reform sequence: codify the farmer's price security as a statutory entitlement before liberalising markets, prefer flexible deficiency-payment design, respect the federal division of powers, and restore ordinary judicial remedies. Liberalisation, the paper concludes, cannot be completed in agriculture by withdrawing the state; it requires codifying what farmers are owed.

Keywords: *LPG reforms, minimum support price, farm laws, federalism, price deficiency payment.*

INTRODUCTION

In 1991, India introduced a series of economic reforms based on Liberalisation, Privatisation and Globalisation (LPG). These reforms emerged in response to a severe economic crisis and marked a turning point in India's economic policies and its relationship with the global market. At the time, India's foreign exchange reserves had fallen to a level sufficient to cover barely a fortnight of imports. The country faced a serious balance of payments crisis, rising inflation and mounting financial pressure. In response, the government led by Prime Minister P.V. Narasimha Rao, with Dr Manmohan Singh as Finance Minister, initiated a series of policy changes that reshaped the Indian economy.

Liberalisation involved reducing government restrictions on economic activities, including easing industrial licensing and allowing businesses greater freedom to operate and expand. Privatisation encouraged greater private-sector participation through measures such as disinvestment, in which the government sells part of its ownership in public-sector enterprises. Globalisation involved integrating India's economy with international markets by reducing trade barriers and expanding opportunities for foreign investment, technology and international trade. Together, these reforms aimed to encourage competition, improve efficiency, attract investment and accelerate economic growth. Their implementation, however, was gradual and varied across sectors.

While industry, trade and finance experienced substantial policy changes, agriculture followed a different reform trajectory. Agricultural policies continued to be shaped by government intervention, including input subsidies, minimum support prices, public procurement and restrictions affecting agricultural trade. At the same time, farmers experienced the indirect effects of economic reforms through changing input costs, market opportunities, import competition and shifts in government investment and support. Agriculture, therefore, was not entirely excluded from liberalisation, but the scope and nature of its transformation differed from those of other major economic sectors.

This study examines how India's 1991 economic reforms transformed industry, trade and finance while agricultural liberalisation remained comparatively limited. It investigates the changes experienced by the agricultural sector in the post-reform period, focusing on agricultural trade, input costs, government support, market access and farmers' economic

conditions. By examining these developments, the study seeks to understand why agriculture followed a different reform trajectory and whether the benefits and challenges of economic liberalisation were distributed unevenly across India's economy.

RECENT FARMERS PROTESTS AND THE PERSISTENT CHALLENGES OF INDIAN AGRICULTURE

In 2020 and 2021, India witnessed one of the largest farmers' protests in recent decades. The protests erupted after Parliament passed three farm laws in September 2020, seeking to change the agricultural marketing system. Farmers feared that the new laws could weaken existing market arrangements that might undermine the system of Minimum Support Price (MSP) procurement. After nearly a year of protests, the government announced the repeal of the laws in November 2021. However, the dispute was not limited to three pieces of legislation, but it also brought wider questions about agricultural markets, government support and farmers' economic security into public debate[1].

The challenges facing Indian agriculture, however, long predate these protests. Agriculture remains a source of livelihood for a substantial section of India's population, yet farming is exposed to uncertainties that many other economic activities do not face in the same way. Dependence on rainfall, fluctuating crop prices, rising costs of seeds, fertilisers and other inputs, and limited access to storage and markets make farm incomes unpredictable. The outcome of a farming season depends not only on how much a farmer produces, but also on the price the crop eventually fetches and the costs incurred along the way.

Government intervention has therefore remained central to India's agricultural system. Minimum Support Prices, public procurement, subsidies, agricultural credit and the Public Distribution System have all played major roles in supporting farmers and maintaining food security. At the same time, access to these forms of support varies across crops and regions, while small landholdings, inadequate infrastructure and market uncertainties continue to shape farmers' economic conditions. The challenge is not simply whether agriculture should operate under government control or market competition, but how to balance farmers' income, consumer interests and the country's food security needs.

[1] 'Farmers' Protest and MSP Demand' (*Vajiram and Ravi,* 14 February 2024) <https://vajiramandravi.com/current-affairs/farmers-protest/> accessed 28 September 2026

The repeal of the three farm laws raised a fundamental question about agricultural liberalisation in India: how can agricultural markets be reformed without compromising farmers' livelihoods and economic security?[2] The controversy highlighted the importance of farmers' access to fair prices, bargaining power and institutional support. It also suggests that agricultural reforms cannot be evaluated solely through market efficiency; their impact on farmers' economic stability must also be considered. This debate takes us back to 1991, when India introduced a series of economic reforms based on Liberalisation, Privatisation and Globalisation (LPG). These reforms reduced government controls on industry, opened the economy further to international trade and investment, and changed the functioning of financial markets. Agriculture, however, followed a different path, with many existing forms of government intervention continuing even as some trade restrictions were relaxed.

THE ECONOMIC TURNING POINT OF 1991

When India introduced its economic reforms in 1991, agriculture occupied a different position from the industrial and financial sectors. The country had made considerable progress in food production following the Green Revolution, and foodgrain output had risen from around 51 million tonnes in 1950–51 to 176 million tonnes in 1990–91. India had moved close to self-sufficiency in foodgrains[3]. Yet this achievement did not mean that farming had become economically secure for all farmers. Agricultural growth and access to modern technology remained uneven across regions, while the sector continued to depend heavily on rainfall, public infrastructure and government policies.

Agriculture also operated within a system of extensive government intervention. Agricultural commodity markets were subject to controls on trade, movement, storage and distribution, while government procurement and support prices played important roles in selected crops. Restrictions on imports and exports protected parts of the domestic agricultural market from international competition. These policies were closely connected to the country's priorities of maintaining food supplies, managing prices and protecting

[2] Pritam Singh and Shruti Bhogal, 'Interrogating the MSP Regime, Farm Laws and Agrarian Future in India' (2021) 12(3) Millennial Asia <https://doi.org/10.1177/09763996211056996> accessed 28 September 2026
[3] RAKESH MOHAN, *India Transformed: Twenty-Five Years of Economic Reforms* (Brookings Institution Press 2018)

agricultural producers. However, they also limited the freedom of farmers and traders to respond to market signals in some circumstances.

The economic reforms introduced in July 1991 did not include a comparable, comprehensive programme for restructuring agriculture. Their immediate focus was on stabilising the economy and changing policies governing industry, trade and investment. Nevertheless, agriculture was not insulated from their effects. The devaluation of the rupee made Indian products potentially more competitive in international markets, while changes in industrial protection influenced the relative prices of agricultural goods and manufactured products. These developments affected the economic incentives facing farmers, even though agricultural policy itself was not the principal target of the initial reforms.

The distinction between limited direct reform and wider economic effects is crucial. Research by the World Bank found that economy-wide reforms helped reduce the policy bias against agriculture during the early 1990s, contributing to an improvement in agricultural terms of trade. At the same time, the OECD's assessment of Indian agricultural policy describes the decade as one in which agricultural liberalisation lagged behind broader economic reforms. [4]This suggests that the relationship between liberalisation and farming was more complex than a simple story of exclusion. Agriculture experienced indirect changes, but many of its regulatory structures remained in place. The question, therefore, is not whether the 1991 reforms affected agriculture at all, but why the sector underwent a different pace and pattern of transformation.

THE TRANSITION OF INDIAN AGRICULTURE

In the initial years of the 1991 economic reforms, agriculture did not receive the same direct policy attention as industry, trade and the financial sector. Policymakers largely expected that the broader reform programme would generate benefits for agriculture indirectly.[5] The devaluation of the Indian rupee was expected to make Indian agricultural commodities more competitive in international markets, encouraging farmers to grow export-oriented crops and potentially earn higher incomes. Similarly, the liberalisation of agricultural trade was

[4] Rakesh Mohan, 'A Decade After 1991: New Challenges Facing the Indian Economy' (*RBI*, 14 November 2002) <https://www.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=3985> accessed 28 September 2026
[5] Dr Maya Bapurao Masram, 'Farmers in the Maze of Problems' (2023) 1(7) Knowledgeable Research <https://doi.org/10.57067/pprt.2023.1.07.31-35> accessed 28 September 2026

expected to expose farmers to better market opportunities, improve price incentives and encourage greater investment in agricultural production.

The underlying assumption was that a more market-oriented economy would gradually improve the economic position of farmers. As restrictions on trade were reduced and market mechanisms gained importance, agricultural producers were expected to respond to price signals by adjusting their cropping patterns, investing in production and increasing output. However, these expectations did not fully account for the structural difficulties faced by Indian agriculture. Unlike industrial enterprises, farming depends heavily on rainfall, soil conditions, irrigation facilities and other factors that individual producers cannot always control. Moreover, farmers differ considerably in their access to land, credit, technology, storage facilities and markets. Consequently, the benefits of economic liberalisation were unlikely to reach every farmer equally.

The wider economic changes also influenced agriculture through government spending, food management, institutional credit and trade policy. These areas are important because agricultural performance depends not only on the prices farmers receive for their produce but also on the public infrastructure, financial resources and institutional support available to them.

Public expenditure was one of the major factors shaping agricultural conditions. Investments in irrigation, rural infrastructure, agricultural research, extension services and market facilities influence farmers' productivity and ability to manage risks. If public investment fails to keep pace with the needs of cultivation, farmers may face higher production costs and greater dependence on private resources. The consequences are particularly significant for small and marginal farmers, who often lack the financial capacity to invest in irrigation systems, modern equipment or improved storage facilities independently.

Food management and government procurement also remained important. India's agricultural system has relied on public procurement, buffer stocks and the distribution of food grains to support food security and provide a degree of price stability. These arrangements influence farmers' decisions about what to cultivate and where to sell their produce. However, the benefits of procurement and minimum support prices have not been distributed evenly across crops, regions or categories of farmers. Farmers who cannot access

procurement centres may remain dependent on local traders and prevailing market prices, leaving them more exposed to price fluctuations.

Access to institutional finance constituted another important challenge. Agricultural production requires expenditure on seeds, fertilisers, irrigation, machinery and labour before a crop generates revenue. Timely and affordable credit can help farmers meet these costs without relying on expensive borrowing. When formal credit is inaccessible or insufficient, cultivators may turn to informal lenders, potentially increasing their financial vulnerability. Therefore, changes in the availability and cost of institutional finance have implications for both agricultural investment and household economic security.

Finally, trade liberalisation introduced new opportunities alongside additional uncertainties. Access to international markets can create demand for export-oriented crops and improve returns when global prices are favourable. However, farmers producing for competitive markets may also face greater exposure to international price movements, changes in trade regulations and fluctuations in domestic input costs. Such risks are difficult to manage when farmers have limited storage capacity, little bargaining power and an urgent need to sell their harvest.

Taken together, these developments suggest that the relationship between economic liberalisation and agriculture was more complicated than the expectation that market incentives alone would stimulate agricultural growth.[6] The broader reforms changed the economic environment in which farmers operated, but the outcomes depended on the availability of public investment, institutional credit, procurement mechanisms and effective market access. India's experience therefore raises a central question about the reform process: whether expanding market opportunities, without ensuring adequate institutional support and protection against agricultural risks, could deliver sustainable improvements in farmers' incomes and living conditions.

[6] Dr Mohammed Shahid, 'Impact of Liberalization, Privatization, and Globalization (LPG) on the Indian Economy' (2025) 9(6) International Journal of Research and Innovation in Social Science <https://dx.doi.org/10.47772/IJRISS.2025.90600013> accessed 28 September 2026

BRIDGING THE GAP: FROM ECONOMIC REFORMS TO GROUND REALITIES

Improving India's agricultural economy requires us to understand the problems farmers face in their everyday lives, not just the changes seen in economic policies and national growth. Although the 1991 reforms created new opportunities through trade and markets, many farmers could not fully benefit from them. Limited access to modern technology, a lack of reliable information, financial difficulties and poor connections to markets continued to create challenges. Poverty is only one part of the problem; farmers also need the knowledge, resources and support required to make use of new opportunities. Therefore, understanding agricultural conditions through field visits, data analysis, and direct conversations with farmers is important to identify the gap between the promises of economic reforms and the actual conditions of those working in the fields.

Improving agricultural conditions requires a focus on basic infrastructure, education, livelihood security and technological development. Better irrigation facilities, roads, storage and transportation can help farmers reduce losses and reach markets more easily. Education and access to reliable information can help them understand modern farming methods, government schemes and changing market conditions. At the same time, strengthening rural livelihoods and making useful technologies more accessible can improve productivity and reduce dependence on uncertain agricultural income. These improvements must go hand in hand with effective government support to ensure that farmers can benefit from economic progress rather than remain on its margins.

CONCLUSION

India’s economic reforms of 1991 reshaped its economy, but agriculture experienced a more uneven transition. While liberalisation created new market opportunities, farmers’ ability to benefit remained dependent on government support, affordable credit, infrastructure, technology and access to fair prices. The experience highlights that opening markets alone cannot resolve the structural challenges of cultivation, where income depends on both market conditions and unpredictable natural factors. Moving forward, agricultural development must connect economic policies with ground realities through better infrastructure, agricultural education, technological advancement and reliable livelihood opportunities. Ultimately, the success of economic reform should be measured not only by

economic growth, but also by whether farmers can translate new opportunities into stable incomes and improved living conditions.