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# India's Agricultural Market Post-1991 Reforms: A Distributive Justice Perspective

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## ABSTRACT

*Earlier agricultural strategies emphasised state intervention, subsidies, and land reforms to promote equity and support small farmers. However, post-1991 reforms marked a shift toward market-driven policies, reduced public investment, and increased exposure to global price volatility. Studies consistently show that, while liberalisation created new growth opportunities, it disproportionately burdened small and marginal farmers through rising input costs, weakened safety nets, and deepening rural distress. Contemporary analyses of subsidies and contract farming laws underscore the continued tension between efficiency-oriented reforms and the need to protect vulnerable farmers. Broader examinations of neoliberal governance and long-term reform outcomes reveal persistent inequalities and uneven benefits. Collectively, the literature indicates that liberalisation, though growth-enhancing, has fallen short of Rawlsian distributive justice by failing to adequately improve the conditions of the least advantaged in rural India, underscoring the need for more equitable, farmer-focused policy interventions.*

## I. INTRODUCTION

This paper analyses agricultural reforms from the perspective of justice, and in particular through the lens of Rawls's theory. On Rawls's approach to justice, each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others; and, second, social and economic inequalities are to be arranged so that they are reasonably expected to be to everyone's advantage. On this approach, the Difference Principle holds that inequalities in wealth, opportunity, and power are justified only if they maximise the advantages of the least well-off. Rawls argues that this emerges from the original position behind a veil of ignorance, where rational people choose the rules that best protect the worst-off group, in case they should find themselves in it. This Rawlsian principle can be applied to the Indian agricultural economy before and after the 1991 policy reforms. India's agricultural sector has long been central to its economy, employing most of its workforce despite a shrinking contribution to overall GDP. After independence, government policy focused on fairness and support for the poor. Early

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strategies drew on socialist ideas, using state control, subsidies, and land reforms to uplift small farmers and landless labourers. The abolition of the zamindari system in 1951 stands out as a key example: it gave tenants ownership of land, aligning with ideas of distributive justice that prioritise the vulnerable.

John Rawls's theory of justice as fairness provides a strong lens for understanding these efforts. Rawls stresses two main rules: equal basic rights for all, and inequalities only where they help the least advantaged the most. His 'difference principle' holds that wealth gaps are acceptable only when they improve life for the poorest. From behind a 'veil of ignorance', people would choose rules protecting the worst-off in order to avoid personal risk. Pre-1991 policies embodied this by seeking to ensure fair chances and basic needs such as food and shelter through cooperatives and public investment.

This paper seeks to answer whether the international standards applied by the IMF to India, and the adoption of its conditionalities through the 1991 New Economic Policy, have affected the Indian agricultural economy and its farmers when viewed through the idea of Rawls's distributive justice.

The 1991 economic crisis changed everything. A balance-of-payments crunch, fuelled by high oil prices arising from the Gulf War and by rising deficits, forced India to seek IMF assistance. In return, the country adopted liberalisation, privatisation, and globalisation (LPG) reforms under Finance Minister Manmohan Singh. These opened markets, cut tariffs, eased foreign investment, and reduced state control, shifting India from a closed, socialist model to a mixed capitalist one.

Post-1991, agriculture suffered indirect effects. The sector's share of GDP fell from 28.54% in 1991-92 to 13.94% by 2013-14, yet it remained the principal source of employment. Liberalisation boosted industry and private firms, many of which became global players, but it widened rural-urban gaps. Small farmers struggled with higher input costs, global price swings, and weak safety nets, leading to distress and suicides.

Recent contract farming laws aimed to draw private investment for modernisation, yet sparked protests over fears of losing MSP protections for crops such as wheat. While food production rose from 51 million tonnes in 1950-51 to 198 million tonnes by 2004-05, growth has remained slow.

This paper examines how the 1991 reforms strayed from Rawlsian justice. Liberalisation spurred growth but failed to lift the rural poor adequately, highlighting the need for balanced policies that blend efficiency with fairness for smallholders.

## **II. HISTORICAL ANTECEDENTS OF THE 1991 IMF POLICY IN INDIA**

Economies around the world, including the Indian economy, faced setbacks after the 1980s and had to seek assistance from international institutions such as the International Monetary Fund and the World Bank. During the 1980s and early 1990s, the Gulf War drove up oil prices, which worsened the crisis. India was undergoing a balance-of-payments crisis: only 13 days' worth of foreign exchange remained, the country's current account deficit had reached 3.1% of GDP, and inflation was running in double digits.

At the political level, in order to resolve the leadership crisis in the Congress, P.V. Narasimha Rao formed a fragile minority government and appointed Manmohan Singh as finance minister. The government assembled a team of liberal-minded economists and technocrats and built political consensus across the aisle to end the command-and-control economic policies.

There was an urgent need for monetary flows into the economy. India, though reluctant to follow the IMF's policy conditions, had to restructure its economy in exchange for borrowings. India had to adopt these conditionalities in the name of the New Economic Policy, 1991.

## **III. LPG AND ECONOMIC TRANSFORMATION IN INDIA**

The New Economic Policy of 1991 was termed the LPG reform, referring to liberalisation, privatisation, and globalisation. Their aim was to integrate the Indian economy with the world economy by reducing import tariffs; to pursue globalisation through an easier route for foreign investment; to liberalise the economy by removing restrictions on the private sector; and to promote privatisation by transferring ownership of Public Sector Undertakings (PSUs).

The LPG reforms were adopted in the Eighth Five-Year Plan of 1992-1997. These reforms led to the capitalisation of the Indian economy, and India became more liberalised in trade. They included the liberalisation of imports, an upward revision of prices in agriculture, and the reduction of subsidies or curtailment of public expenditure.

The historical framework of the Indian economy is marked by the transition from a closed, Marxian, socialist-inspired economy toward a more capitalist, American-style economy, producing a distinctive combination in the form of a mixed economy.

## **IV. THE ERA BEFORE THE LPG REFORMS**

In the beginning, just after independence, the focus of the Indian government leaned more toward a socialist society. In the pre-1991 period, the agriculture sector still managed to secure need-based justice, which includes basic needs such as food and shelter. The first three Five-Year Plans of the Planning Commission were heavily grounded in a socialist pattern. This was

the basis on which India sought to provide fairness and distributive justice to the most vulnerable groups in society. In the agriculture sector, the most vulnerable groups were small and marginal farmers and those without land who acted as tenants. Land reform was the best example of distributive justice: when the zamindari system was abolished by the First Constitutional Amendment in 1951, thousands of land tenants gained ownership. Fair equality of opportunity and the Difference Principle are two key components of John Rawls's theory of justice, as discussed, working together: equality of opportunity ensures that everyone with similar talents has equal chances at positions. The zamindari abolition sought to follow this equality of opportunity and to distribute land to the vulnerable; even some of the landlords themselves gave up their land, indicating the justice principle at the individual level.

The veil of ignorance is a thought experiment by the philosopher John Rawls, used to design fair societal rules by imagining people deciding laws from an 'original position' without knowing their own future status (wealth, race, gender, talents) so as to ensure impartiality, leading to principles that protect the worst-off and promote general fairness, such as ensuring basic liberties for all. It is a tool for unbiased decision-making, promoting justice by removing self-interest from choices about social structures, education, healthcare, and the like.<sup>1</sup>

Under this socialist pattern, the government was highly engaged in the nation's economy and made policy for the upliftment of marginalised people who needed assistance to survive and grow in the newly formed nation. According to National Sample Survey data, reform helped to reduce the gap to some extent, with 16 percent of land owned by 74.7 percent in 1954-55 changing to 20 percent owned by 75.2 percent in 1961-62, and with small holdings (less than five acres) increasing from 15.4 percent in 1954 to 19.2 percent in 1961. The Commission introduced the concept of cooperative farming to combat farmers' lack of revenue and the prevailing inequalities. The concept symbolises each farmer's right to ownership of a portion of land through cooperation in growing and harvesting on the same land. It may be justified for small farmers and agricultural labourers but not for landowners. The concept was not suited to Indian society and failed, because land was regarded as a primary asset and because of the prevailing caste system.

## **V. POST-1991 REFORMS: AN ANALYTICAL REVIEW**

The liberalisation policy, which resulted from the IMF conditionalities during the 1991 crisis, set global standards for globalisation that were enforced on India by the Planning Commission.

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<sup>1</sup>JOHN RAWLS, A THEORY OF JUSTICE 83–85 (Jon Mandle & David A. Reidy eds., rev. ed. 1999).

Liberalisation of the agricultural sector in India was intended to align domestic prices with border prices by removing export and import controls.<sup>2</sup>

Rawls's view of distributive justice rests on two underlying principles: the 'difference principle', the idea that an equal distribution of social goods is preferable unless an unequal distribution would benefit all parties; and 'equality of opportunity', the principle that everyone similarly motivated and endowed should have roughly equal prospects of culture and achievement. As elaborated by Merritt, equal opportunity is necessary as a corrective measure from one generation to the next: the difference principle, which permits the use of social incentives in the form of differences in income, inheritance, and authority, might otherwise give some members of each generation too great an advantage from the outset. The principle of equality of opportunity includes rules that prevent excessive accumulations of wealth and provide equal educational opportunities for all.<sup>3</sup>

## VI. STRUCTURAL SHIFT IN THE COMPOSITION OF INDIAN SOCIETY

The policy that gave a new structure to society was silent on the underlying principle of fair and equal justice in Rawls's sense: the fundamental difference between agriculture and industry was ignored. Whereas capital is elastic in supply, land is inelastic, and there is no level playing field. While the manufacturing and service sectors are virtually pampered, the rural sector that feeds the masses is practically disregarded. Even thousands of farmers' suicides could not attract serious concern to the agriculture sector in our economy.<sup>4</sup>

The 1991 reforms did not directly change agricultural policies. Instead, agriculture was affected indirectly through globalisation and reduced government control over the economy.<sup>5</sup>

By Poonam Singh's analysis of investment in the agriculture sector, public spending on agriculture dropped from about 4.6% of farm income in 1980-81 to less than 2% by 1992-93. Money was shifted from building assets such as irrigation systems to paying for subsidies on fertiliser, electricity, and loans. Private investment increased after 1986 but did not fully make up for the reduced public investment, showing that public and private investment need to work

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<sup>2</sup>ASHOK KOTWAL & BHARAT RAMASWAMI, ECONOMIC REFORMS OF AGRICULTURE AND RURAL GROWTH 371–75 (2010).

<sup>3</sup>Gilbert Merritt, *Justice as Fairness: A Commentary on Rawls's New Theory of Justice*, 26 VAND. L. REV. 665 (1973).

<sup>4</sup>Navjit Singh, *Indian Agriculture: Before & After Economic Reforms*, [https://www.researchgate.net/publication/343306960\\_Indian\\_Agriculture\\_Before\\_and\\_After\\_Economic\\_Reforms](https://www.researchgate.net/publication/343306960_Indian_Agriculture_Before_and_After_Economic_Reforms) (last visited Dec. 5, 2025).

<sup>5</sup>Ila Arora & K.S. Rawal, *Indian Economic Reforms and Their Impact on Agriculture Sector*, 1 INT'L J. CREATIVE RES. THOUGHTS 316 (2013).

together. A trend analysis found that public investment reached its lowest point around 1998-99 before beginning to improve again.<sup>6</sup>

Since 1991, many changes have occurred in the agricultural sector. The share of agriculture in the economy has dropped from 28.54 percent in 1991-92 to about 13.94 percent in 2013-14. Despite this fall, agriculture still employs most people in the country. This shift occurred because of market-liberalisation reforms, which helped industries grow faster and increased the country's overall economic output as measured by GDP (Gross Domestic Product). However, even with this growth, average income per person shows that the gap between rich and poor remains large. Industrialisation brings modern technology to society, but the usual globalisation approach has not fairly benefited the poor.

In the earlier years of economic planning, food availability was a serious problem in India. Total food grain production was barely 51 million tonnes in 1950-51, which increased to 198 million tonnes in 2004-05. Food grain production increased, but at a much lower rate from 2004 to 2009-10 than the rate of growth before liberalisation.<sup>7</sup>

According to John Rawls's theory of justice, the government's responsibility is to establish a 'well-ordered society' by ensuring equal basic liberties, guaranteeing fair equality of opportunity, and implementing the Difference Principle, which means that inequalities in wealth and power must benefit the least advantaged members of society, treating natural talents as common assets for the overall good.<sup>8</sup>

## VII. INSTITUTIONAL SUPPORT FROM THE GOVERNMENT

Governments provide farm subsidies mainly to boost food security and agricultural growth. These programmes change what farmers produce by adjusting their earnings. For example, output subsidies keep crop prices high, while input subsidies lower the cost of seeds, fertilisers, or equipment. This supports two major goals: ensuring enough food for everyone, and growing the economy through farming. Studies show mixed results on who benefits most from subsidies; they often favour richer, larger farmers who produce more. Production-linked subsidies naturally flow to bigger operations with higher output or greater input use. This design may pursue goals beyond fairness, such as boosting total farm output.<sup>9</sup>

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<sup>6</sup>Poonam Singh, *Declining Public Investment in Indian Agriculture after Economic Reforms: An Interstate Analysis*, 6 J. MGMT. & PUB. POL'Y 25, 25-30 (2014).

<sup>7</sup>Navjit Singh, *supra* note 4.

<sup>8</sup>Merritt, *supra* note 3, at 665.

<sup>9</sup>David Amaglobeli, Todd Benson & Tewodaj Mogues, *Agricultural Producer Subsidies: Navigating Challenges and Policy Considerations*, IMF Note 2024/002 (2024), <https://www.elibrary.imf.org/downloadpdf/view/journals/068/2024/002/068.2024.issue-002-en.pdf>.

A paper on agricultural producer subsidies by the IMF illustrates different aspects of subsidy benefits: policymakers might aim to boost farm output, for instance through fertiliser subsidies. If bigger farmers obtain higher yields from these, unequal benefits become an acceptable trade-off for greater production. Local groups may prefer aiding efficient, wealthier farmers over equal sharing, and small farmers sometimes sell subsidised items for cash. Studies show mixed subsidy impacts: in the EU and the US, large farmers receive more direct payments, but subsidies form a bigger part of small farmers' assets; in poorer nations, mid-income farmers often claim the most, yet subsidies matter most to the earnings of the poorest.<sup>10</sup>

Over time, price supports shape farming. They push farmers to grow certain crops, changing national output mixes, and this draws investment into those areas or pulls money from other sectors. But it can harm growth if funds shift to less productive farming. These supports also affect consumers, redistributing income between farm and non-farm families. High prices for key foods boost supply, cut volatility, and aid food security for the poor; yet if consumer prices also rise, poor households face higher costs, less access to food, and lower real incomes.<sup>11</sup>

This type of subsidy may benefit the poor to some extent, but in practice these benefits also help richer farming households. Despite privatisation, subsidies have increased for fertiliser and the Minimum Support Price, with total farm support reaching \$51.2 billion in 2016-17.

Over the last 25 years, India's private sector has excelled by seizing opportunities from economic liberalisation and global integration. Indian firms competed strongly against foreign rivals and expanded abroad, with most major companies now operating as multinationals. In recent years, the Indian government introduced contract farming laws to attract private investment into agriculture. These laws aimed to modernise the farm sector, boost global competitiveness, and drive growth by letting companies partner directly with farmers. However, farmers protested fiercely, fearing the laws would end Minimum Support Price (MSP) guarantees for crops such as wheat. They worried that private buyers would bypass government procurement, leaving small farmers vulnerable to low market prices and corporate dominance.<sup>12</sup> This persistent fear among farmers, whether rich or poor, indicates the vulnerability of the sector, and the government needs to step forward carefully before making any changes to the policy.

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<sup>10</sup>Amaglobeli *et al.*, *supra* note 9, at 10–11.

<sup>11</sup>*Id.* at 15.

<sup>12</sup>Swaminathan S. Anklesaria Aiyar, *Twenty-Five Years of Indian Economic Reform*, Policy Analysis No. 803, CATO INST. (Oct. 26, 2016), <https://www.cato.org/policy-analysis/twenty-five-years-indian-economic-reform>.



## VIII. ANALYSIS THROUGH THE LENS OF JOHN RAWLS'S DISTRIBUTIVE JUSTICE PRINCIPLE

India's agricultural reforms after 1991 show a shift away from justice as fairness from the standpoint of John Rawls's distributive justice. According to Rawls's difference principle, inequality is acceptable only if it improves the lives of the most disadvantaged, who are mostly India's small and marginal farmers.

The pre-1991 measures, including land reforms, subsidies, cooperatives, and public investment, were largely in line with Rawlsian justice and sought to guarantee fundamental economic security and fair equality of opportunity. By redistributing productive assets to vulnerable populations, the abolition of the zamindari system demonstrated Rawls's commitment to using state action to address social and natural disparities.

Driven by IMF conditionalities, post-1991 liberalisation undermined distributive controls while emphasising market efficiency and growth. Small farmers were disproportionately affected by reduced government investment, rising input costs, unstable global prices, and unequal subsidy advantages. The difference principle was breached because, despite an increase in overall output, these disparities did not result in significant improvements for the least fortunate.

Therefore, even if liberalisation improved overall economic efficiency, the Rawlsian requirements of fairness were not met. To ensure that agricultural prosperity genuinely serves the rural poor, a Rawlsian approach would need to rebalance market reforms with targeted state support.

## IX. CONCLUSION

The abolition of the zamindari system in India after independence reflects the desire-based justice made possible by government involvement, when tenant farmers gained ownership of land. This illustrates the broader concept of distributive justice in the socialist economy before the 1991 reforms. Justice with fairness is the basis of this government policy. John Rawls's theory of justice advocates state intervention to protect the weaker groups of the agricultural sector.<sup>13</sup>

In a positive sense, deregulation and private participation have allowed farmers access to better agricultural equipment, and seed production and fertiliser manufacturing have increased.

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<sup>13</sup>RAWLS, *supra* note 1, at 83–91.

Technological innovations eventually helped the agriculture sector, and growth in production is in part a result of privatisation.

In essence, post-1991 policies strayed from distributive justice. While private sector dynamism thrived, small and marginal farmers, the economy's backbone, lagged behind. Rawls reminds us that true fairness demands that inequalities benefit all, especially the poorest. India must recalibrate by blending market efficiencies with targeted supports such as better targeting, infrastructure revival, and fair opportunities. India needs to strengthen cooperatives, which will enforce equal access to credit and technology, and safeguarding the MSP can restore balance. Policymakers should revive public-private cooperation to ensure that growth lifts the rural poor. Only then can agriculture deliver sustainable justice, feeding the nation while narrowing the rich-poor divide for a truly equitable future.

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