

factor in inflation and credit risk. These spreads are adjusted by the banks to offset the changes in benchmark rate, thereby impacting the overall reduction in lending rates.

Over the years, RBI has made several attempts to improve the speed and extent of the monetary policy transmission:

- **By refining the process of setting lending interest rates by the banks:** The present benchmarking system in the form of marginal cost of funds-based lending rate (MCLR) system have come after transitioning from several rates such as prime lending rate, benchmark prime lending rate and base rate system.
- **By cleaning up the banking sector:** RBI keeps on revising norms regarding dealing with defaults whereby in past it also resorted to one-day default rule. Further, Prompt Corrective Action (PCA) framework of RBI is an essential element of its financial stability framework which lays out various mandatory and discretionary actions for structured early intervention and resolution by regulators for banks.
- **Financial Inclusion:** Increasing financial inclusion through various steps like Jan Dhan Yojana, Banking correspondents, etc. has been implemented to widen the depositors' base.
- **Cash Reserve Ratio (CRR):** Currently, CRR is at all-time low of 4 per cent, which is rationalized to inject liquidity.

There is no perfect system across the world but ultimately as markets develop and deepen, it will impart more transparency in benchmark rates which can be used for transmission. India needs to continue to experiment and the work-in-progress but the process requires more time.

14. **Highlight the constraints faced by rainfed agriculture in India. Discuss some agronomic practices that can be adopted for stabilizing agricultural production in rainfed areas. (250 words) 15**

Approach:

- Introducing the concept of rainfed agriculture, briefly discuss its importance in India.
- Bring out the challenges faced by rainfed agriculture in India.
- Discuss some agronomic practices that can be adopted for stabilizing production in rainfed areas.
- Conclude with further measures.

Answer:

Rain fed agriculture is a form of agriculture that depends on rain water for its irrigation. Rain-fed areas contribute significantly to the India's food production and cover around 65 percent of the net sown area. In addition to contributing to major production of millets, pulses, cotton, oilseeds, and around 40 per cent rice production, rainfed agriculture also supports livestock economy.

However, it is marred by certain challenges such as:

- **Low public investments:** Even though rainfed agriculture contributes to 60 per cent of the value of agriculture GDP of India, it receives little attention when it comes to public policy. This is visible with the lack of public investment in rainfed areas as against irrigated areas.
- **Lower remuneration:** According to statistics from the National Rainfed Area Authority (NRAA), farmers in rainfed areas earn only 20-30 per cent from farm-related activities as against other farmers. Market access is also a major problem due to lack of rural road infrastructure.
- **Low procurement under Minimum Support Price (MSP) regime:** The pricing policy is also biased in favour of certain crops. For instance, the government spent Rs. 5,40,000 crore on procuring rice and wheat at MSP (Minimum Support Price) between 2003-04 and 2012-13, its expenditure on procurement of major rainfed crops such as coarse cereals, millets and pulses during the same period was merely Rs. 3,200 crore.