Ind. Jn. of Agri. Econ.
Vol. 72, No. 1, Jan.-March 2017

Book Reviews

Re-Visiting Agricultural Policies in the Light of Globalisation Experience: The Indian Context, Edited by Dinesh Marothia, Will Martin, A. Janaiah and C.L. Dadhich, Indian Society of Agricultural Economics, Mumbai, 2017. Pp.246.

The above noted volume contains sixteen select articles presented in a symposium held at the National Institute of Agricultural Extension Management, Hyderabad in October 2014. The Symposium was jointly organised by the International Association of Agricultural Economists (IAAE) and ISAE. Incidentally, this IAAE sponsored symposium in India was second in the series since 1929. Keijiro Otsuka, former President of IAAE and Professor at Graduate School of Economics, Kobe University, in his foreword clearly recognises 'how Indian agriculture performs affect not only the fate of farmers and consumers in India but also the welfare of billions of people across the globe'.

The problems of Indian agriculture are little too intricate and deep-rooted. These problems can be categorised under three major heads: a) low productivity, b) market imperfections, and c) globalisation.

Low Productivity

After Green Revolution, although India has become somewhat self-sufficient in food-grain production, the impact of Green Revolution is limited to a few states. There is not much scope to increase area under coverage given the topography of the country. Investment in agriculture was inadequate mainly because Indian farmers were generally poor and public investment was limited by the budget constraint. Indian agriculture continues to suffer from low productivity as compared to many emerging and developing countries.

Pratap Birthal *et al.* in their article on 'Sources of Growth in Indian Agriculture: Implications for Food Security and Poverty' have analysed that there is diversification of agriculture from lower to higher value crops. Without increasing productivity, the price-led diversification may not be sustainable in the long run as the scope for diversification is limited. Adaption of better technology and long-term investment in agriculture are the two key areas that can improve productivity on a sustained basis in India. As indicated by Anjani Kumar *et al.*, although food subsidy through the public distribution system (PDS) has significantly tackled twin problems of poverty and food security, the problem of low productivity remains unaddressed.

Water management plays a critical role in farming activities. Despite large potential for irrigation, Indian agriculture depends on monsoon to a great extent due

to inadequate investment in irrigation. The ground level water table is depleting fast in various parts of the country and therefore, there is a need to interlink rivers. This cannot be done by private initiative as it requires huge investment. Kiran Kumar *et al*. noted that water management in India is demand-driven, which has implications for sustainable use of ground water. Moreover, the multiplier effect of MNREGA activities, as indicated by P.S. Srikanthmurthy *et al*., has been weak in the sample districts of Karnataka as the programme is designed for inclusive growth rather than productivity growth.

Market Imperfections

The Government has taken several initiatives for market reforms in agriculture, including improvement in procurement of select foodgrains at or above minimum support prices, notified in advance. For quite some time, the *terms of trade* was favourable to farm products vis-à-vis industrial output. Procurement at support prices is limited to a few commodities. Due to market imperfections, middlemen associated with marketing of farm products corner most of the benefits by exploiting both producers and consumers. As a result, farmers continued to get a small share of benefit from improvement in the terms of trade. Rakesh Singh *et al*. found that the impact of liberalising marketing is not visible at the farm level. Storage capacity is awfully low in rural areas and therefore, farmers are often subjected to distress sale. While the cost of farm inputs has been rising secularly, there is no safety net so far as output price is concerned. Net income derived from agriculture has been declining as pointed out by N. Nagaraj *et al*. In fact, small farmers find it difficult to survive in the absence of efficient marketing capability.

Globalisation

Unless there is a significant improvement in productivity, globalisation of Indian agriculture shall pose more challenges than opportunities. Purushotam Sharma has clearly brought out that in the post-WTO period, the growth rate of major oil seed crops has witnessed declining trend in India due to import and slowdown in total factor productivity growth with respect to major oil seeds. In another article, Sukhpal Singh indicates that Indian farmers are likely to face serious challenges from FDI in multi-brand retail trade as global value chain is more efficient in procuring farm products from the cheapest source.

Farm subsidies have been sustained by many developing countries, including India, in the absence of social safety net for farmers. Under the new WTO regime, it would be difficult to sustain these subsidies due to penal provisions as per WTO agreement. Limited exemptions available to the emerging economies are time bound and therefore, they have to develop institutional mechanisms like crop insurance, other social safety nets and dismantle subsidies at the earliest. On this theme, the

volume contains two interesting articles by Lars Brink and S.K.Sharma, which have serious policy implications.

While the volume has brought out quite a few original research output relating to Indian agriculture, certain aspects like disguised unemployment, post-harvest technology and efficiency gain through smart agriculture could have been included. Surplus labour in agriculture needs to be engaged in allied activities in rural areas rather than compel them to migrate to urban areas, thereby intensifying rural-urban divide in India. Investment in rural infrastructure is a must as it would not only engage surplus labour, but also improve farm productivity in a big way. Assisted by information technology together with chemical and biological technology,Indian farmers can become smart and globally competitive, provided productivity improves through sustained investment in agriculture. Diversification of agriculture alone is not sufficient without improvement in post-harvest technology, non-farm allied activity in the rural areas, and above all, direct access of farmers to the integrated national agricultural markets.

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Risk, The Business Driver in Banks, R.S. Raghavan, Notion Press, Chennai, 2015. Pp. xxvii+342. Rs. 699.00.

The conceptual framework for risk and risk management is based on global standards enterprise risk management best practices (ISO 31000) but applications of principles, illustrations and descriptions address risk from all types of providers. The four letters "RISK" indicates that risk is a result of an unexpected event or incident which needs to be identified, measured, monitored and controlled. The acronym can be discussed as under: R = Rare (Unexpected), I = Incident (Outcome), S = Selection (Identification) and K = Knowing (measuring, monitoring, controlling). A good book on risk management should not assume any prior knowledge of risk assessment and should address the following banking risks which can be divided into four major categories as under: market risk, operational risk, country risk and credit risk.

The Risk Management framework should define various risks, risk management strategies, set up appropriate monitoring and review systems besides providing insights and tools for beginners and experienced bankers. As per ISO 31000 framework, seven Rs and 4 Ts have been identified. The 7 Rs and 4 Ts are set out below: Recognition and Identification of Risk, Ranking or Evaluation of Risk, responding to Significant Risks (Tolerate, Treat, Transfer and Terminate-the 4 Ts), Resourcing Controls, Reaction Planning, Reporting and Monitoring Risk Performance, Reviewing the Risk management Framework.

Although, Indian banks escaped the contagion effects of US/European banks because they were highly regulated at home and not too integrated with the global financial system in terms of sharing the risks inherent in the trillions of dollars of

worthless financial products, the global financial crisis and its aftermath forced banks to introspect about the financial sector architecture India should have in the years ahead apart from quantification of risk and appropriate risk management models. Interestingly, over the years, there have been significant developments in the area of quantification of risk and presently, the focus has shifted to statistical aspects of risk management, especially to risk modeling and other computational techniques of risk measurement. Although academic research advocates the use of variance at risk model for market risk assessment, in respect of credit risk, there is no single 'best practice' model for credit risk capital assessment. The Basel II 'Internal Rating Based' methodology provides a portfolio model for credit risk management but bank managements will have to focus on the determinants of credit risk factors, the dependency between risk factors, the integration of credit risk to market risk, data integrity issues like consistency of data over long periods, accuracy and so on. Likewise, models for assessing and managing other types of risk in the banking business need to be developed and simultaneously data availability and reliability issues with respect to the models need to be resolved.

Although research continues to develop risk management models that can be used universally for assessing and managing risk, remarkable headway remains to be seen. As far as private sector banks are concerned, it was seen that irrational loan advances and investments are prominent more in public sector banks. But private sector banks also need strong and effective risk control systems. However, the in-built risk control systems that are being followed presently are equally strong for public and foreign sector banks.

The major risks for Indian banks are from internal and external frauds which are often assisted by weak systems and weaker supervision systems. Prevention of fraud is more effective than damage control after the fraud has been uncovered. Lack of proper business processes or the lack of enforcement could lead to large scale internal frauds. Technology or lack of technology is often blamed for frauds but the opportunity for fraud is facilitated by lack of sound operational systems and practices. With increasing digitalisation of banking/commercial/ taxation services, the pace of technology involvement and smartphone penetration will shape how services are developed for the market. Already, cloud computing, artificial intelligence/ machine learning and the internet of things are proving to be disruptive influencers for technological advancements. Inter-operability between payment services including mobile wallets as well as preventing providers from signing exclusive arrangements from agents.

Cash use will reduce even though cash transactions dominate while demonetisation has been able to achieve more for digitalisation of financial transactions than a hundred ads or circular instructions. Focusing on liquidity management and allowing customers to cash-out regularly, manages the associated risks better. In the context of enhanced financial inclusion, especially in rural areas, proper risk assessment is essential before digital financial services are enlarged.

Risk management is essential for opportunities provided by business models for new technology which would be beneficial for providers, partners, and other key stakeholders. How to conduct risk diagnostics, assessments and implement risk management tools would differ from bank to bank. Different financial institutions view risks differently-RBI, SBI, NABARD, ICICI Bank, IDBI Bank, RRBs, co-operative banks, LIC, will view risks differently and hence set up appropriate risk management systems accordingly. There is much to be learnt and new software like HADOOP, etc. is setting up new performance standards. But all risks cannot be anticipated and the process of internal learning is on!

The author has compiled a rather voluminous book on the topic of Banking Risks based on his commercial banking experiences and expertise in Vijaya Bank and provides a good expose about risk assessment from the banking perspective; however terming Risk as a "business driver in banks" is rather risky as it is profits and profitability that drives the banking business. It is basically a pre-digital era book as he does not even refer to the post-digital risks and how systems have to gear up for computerisation-era frauds and how their detection systems are to be set up, has been neglected. Maybe it will be taken up in a later edition of the book. A Chapter on major banking frauds and how these frauds have brought in changes in Indian banking would have helped Today's banking is a very different ball-game and as demonetisation has shown, many bankers have colluded in laundering demonetised notes and also allowed counterfeit notes into the system and have earned disrepute for their banks and for themselves. The reviewer would strongly recommend that possible frauds in the digital banking processes need to be covered and neither RBI nor all banks have really assessed risk management processes in digital banking yet. So it is work in progress yet.

Thus, as risk is indispensable for banking business, proper assessment of risk is an integral part of a bank's risk management system. Banks are focusing on the magnitude of their risk exposures and formulating strategies to tackle those effectively. In the context of risk management practices, the introduction of Basel III norms and its adoption by RBI is a significant measure that promises to promote sound risk management practices. BASEL III seeks to enhance the risk sensitivity of capital requirements, promote a comprehensive coverage of risks, offer a more flexible approach through various options and is intended to be applied to banks worldwide. Moreover, RBI has adopted a series of steps to ensure that individual banks tackle risks effectively by setting up risk management cells and also through better internal assessment of their risk exposures. Apart from this, RBI has opted for on-site and off-site surveillance methods for effective risk management in the Indian banking sector and these ought to have been covered.

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