

Regulation of Markets in India Retrospect and Prospect

by

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1. **Introduction:** Orderly marketing acts as an excellent incentive for increased agricultural production and its importance in the planned economy of a country needs no emphasis. It is common knowledge that in our country the standard of agricultural markets where the produce changes hands for the first time from the producer to the tradesman and the farmer converts his crops into cash, is extremely poor. These markets barring those now regulated are generally ill-equipped to fulfil the functions which are theirs, in the country's economy. The Royal Commission on Agriculture (1928) commented at length on the defects prevailing in agricultural marketing and recommended that "these can only be removed by the establishment of properly regulated markets". The findings of the Royal Commission were fully borne out by the surveys on the marketing of several agricultural commodities conducted by the Directorate of Marketing and Inspection. Among several measures recommended by the Planning Commission for improving the efficiency of the marketing system and for promoting orderly marketing of agricultural produce, regulation of markets and market practices has been recommended as a first step.

2. **Progress of Regulation:** (a) *Legislation:* Prior to the report of the Royal Commission on Agriculture, statutory regulation of markets was in force in Berar then known as the "Hyderabad Assigned District" and the Bombay State had enacted the Bombay Cotton Markets Act in 1927. The emphasis laid by the Royal Commission on Agriculture had a salutary effect, and resulted in a number of States taking steps in this direction. Market Acts empowering market regulation have since been passed in a number of States. Prior to the first Five Year Plan, Acts for regulation of markets and market practices were passed and enforced in the States of Bombay, Madras (composite), Madhya Pradesh, Punjab, Pepsu, Hyderabad, and Mysore. Before the formation of the Madhya Bharat State, rules and regulations for regulating markets were also in force in eight of the States which have now merged in Madhya Bharat. The Government of Madhya Bharat have now enacted and enforced a composite Act in their State. With the separation of Andhra, the Madras Act continues to be applied to markets in that State.

(b) *Number of regulated markets:* The progress made in extending the application of the Agricultural Produce (Markets) Acts in various states is indicated in the table below:—

Number of regulated markets in various States.

State	1940	1945	1950	1951	1952	1953
Bombay ...	7	15	62	75	83	88
Hyderabad ...	22	28	54	67	70	73
Madras (composite State) ...	6	6	27	28	28	27
Madhya Pradesh ...	34	43	46	46	49	51
Madhya Bharat ...	...	...	46	46	46	47
Mysore ...	...	...	3	4	7	8
Punjab ...	...	43	52	63	63	60
Pepsu ...	...	...	39	39	39	39
Total ...	69	135	329	368	385	403

It will be observed that the regulation of markets gathered a new momentum during the period of the First Five Year Plan, though the progress during the five years from 1945 to 1950 also appears to have been quite significant in Bombay, Hyderabad, and Madras States.

3. Benefits of regulation: The survey conducted by the Directorate of Marketing and Inspection reveals that though the results of this beneficial measure have not been so spectacular and impressive, it has no doubt conferred many socio-economic advantages on the producers in the areas where the Acts have been enforced. As a piece of economic legislation the Markets Acts may be considered extremely useful. As a rough estimate over one thousand lakh maunds valued at about 250 crores of rupees were marketed through the regulated markets in 1953. There has been beyond doubt a visible reduction in marketing charges in markets managed by the market committees constituted under the various Acts. With the reduction in market charges and some rationalisation of market practices the marketing efficiency has no doubt improved and the monetary gains to the producers have therefore been obviously large. Many of the regulated markets have established market yards with provision of facilities for parking of carts, arrangements for drinking water, cattlesheds, sheds for cooking, library etc. In several markets, marketing services such as storage facilities, grading and issue of market bulletins have been introduced. The regulated markets constitute the most reliable source for market statistics and thus render a valuable service, particularly in a period of planning.

Apart from the economic benefits the real merit of this measure lies in its educational value, particularly to the producer sellers. The active interest taken by the State Governments in the regulation of market practices has brought a realisation to the producers that marketing is not a private preserve of the businessmen as it was hitherto. The

producers in the vicinity of regulated markets have shaken off their inferiority complex and their traditional indifference to the marketing of their farm produce by themselves. They have developed a marketing sense and are now quite conscious of their rights and do not unquestionably and meekly submit to the wishes of the commission agents.

The regulated markets being democratic institutions have helped in developing among the farmers the corporate sense. The association of growers with the administration and management of the markets has enabled them to acquire valuable information in respect of the advantages of various marketing improvements and also unveiled to them the tricks of the traders and the loopholes in their practices and methods.

Apart from the benefits that have accrued to the producers, the working of the regulated markets has brought a new sense of obligation to the business community, though at a slow pace. The market functionaries who were opposed to any regulation have realised that they cannot have all their way in the marketing of agricultural produce and have gradually submitted to the discipline imposed on them by the State legislation in this regard. Wherever this realisation has been quick, the entire atmosphere in which marketing takes place has considerably improved. The mutual distrust between the seller and the buyer is fast disappearing. In short, the regulated markets have exercised a very wholesome influence on the marketing structure and have generally raised the tone of the marketing system in their areas.

4. **Future development:** The preceding paragraphs dealing with the economic and psychological merits of market regulation should not lead one to the belief that all that is necessary for stepping up marketing efficiency has been achieved. The encouraging results obtained in some areas should lead to intensification of efforts in pursuing this development programme with greater vigour in other areas. As will be observed from the earlier paragraphs, market legislation has been introduced in only nine out of twenty eight States. In states where the Acts are in force, while many important markets have been regulated, the small markets and village sales still remain unregulated. As regards the coverage of the major agricultural commodities brought under regulation, a lot still remains to be done. Except in Bombay State regulation of markets for cattle, fruits and vegetables has not yet been undertaken. Thus at present regulation extends only to a small fraction of the total agricultural production and a large sector still remains outside the regulatory orbit. In these States the Acts require to be extended to new markets and additional commodities.

The studies so far made have also indicated the scope and further possibilities, which exist in the various States which have passed and enforced the legislation, for increasing the utility of the Acts by better

and stricter enforcement of provisions, by the respective Governments through more efficient committees. Though there is some improvement in the rationalisation of marketing practices, much remains to be done particularly in respect of methods of sale which in most of the markets still continue to be defective. The 'hata' system (bid under the cover) still prevails in some markets. The 'Fardi' system prevalent in Hyderabad markets has been the cause for the demand of 'Kadta' or reduction in price and the reputation of the regulated markets has been affected due to the continuance of this practice. Such systems require to be improved or replaced.

Some of the old regulated markets which have established themselves and have gone ahead with improvements can with no difficulty introduce grading of farm produce before sale and trading on the basis of standard contracts. The warehousing activity which provides cheap agricultural credit can also be undertaken by some of the market committees.

The financial position of most of the market committees prevents them from undertaking constructive works and from providing minimum amenities within the market yards. In this direction the Hyderabad State has built up a Central fund by pooling the contributions (40% of the total income of a Committee) made by various committees. The fund is utilised for maintaining supervisory and audit staff and the surplus is utilised for ameliorative works. To build up this fund the Government of Hyderabad introduced the system of collecting market fees on *ad valorem* basis at annas four per cent in all the markets. The same principle can be adopted by other States and funds collected for undertaking development work in the regulated markets.

The market committees are the principal organisations through which the provisions in the State Acts are translated into practice and objectives laid down achieved. Much therefore depends on the efficiency and the integrity of the committees. The markets which are efficiently managed have made rapid progress. The constitution of the committees particularly the first committees therefore deserves special attention.

Glossary of term used

'Fardi' System—The auction according to this system is done in the absence of the commodity and the day's arrivals are offered to the highest bidder.

'Kadta'—An allowance or reduction in price due to quality.
