



AGRICULTURAL DEVELOPMENT FOR INCLUSIVE GROWTH IN INDIA

Kuntala Ramesh

Ph.D, Research Scholar, Department Of Economics, Osmania University Hyderabad-500007 Telangana State (India)

ABSTRACT India's agriculture sector continues to be the lifeline of its people and a key factor in the economy's overall productivity. Historically, India's agriculture growth has lagged growth in the overall economy. In fact, long-term average growth in agriculture has been close to 2%. India's population has been growing at 1.4%. Consequently, India has just managed to maintain its per capita growth in food and non-food crop production. Increasing profitability in agriculture through higher productivity has been an important goal in developing countries like India. It has become more relevant in recent years due to limited scope for expansion of arable land. Increasing yield to their technically highest level may be feasible, through adequate investment in infrastructure and technology i.e. irrigation, land development, storage, markets, etc. Besides appropriate pricing of inputs and outputs, availability of credit and extension services would facilitate access to available technology. Like most other developing countries, India has predominantly been an agrarian economy, with agriculture sector contributing the largest share to gross domestic product (GDP) and employment. Under the colonial regime, Indian agriculture was geared towards the production of commercial crops (tea, coffee, rubber, cotton, etc.), while the food crops suffered from neglect. After independence, India depended heavily on imports of food grains as it inherited a stagnant, low-productivity, food-crop sector. This paper analyses the dynamics of structural transformation of the Indian economy and major drivers of transformation, giving an overview of the past achievements and the future challenges in Indian agriculture, finally identifying the key policy issues and strategies to accelerate sustainable broad-based growth in the agriculture sector in the country.

KEYWORDS : Sustainable Agriculture, Inclusive Growth and Economic Growth.

INTRODUCTION:

The Indian economy has been growing at an impressive rate of seven percent per annum during the last decade or so, while the agricultural sector has been maintaining a growth rate just above three percent during this period. This coupled with high dependence of the population on agriculture resulted in the widening of rural-urban income disparity. It is, therefore, necessary that Indian agriculture must grow faster for an inclusive economic growth. In order to accelerate and sustain agricultural growth, the ecological foundations (land, water, genetic resources, etc) should be strengthened and higher investment both from public and private sources should be encouraged. Also, necessary reforms to ensure participation of disadvantaged regions and groups in the growth process should be intensified. This brief discusses these issues and underscores the need for the ever green revolution with the right mix of technological, institutional and policy options.

WHAT IS INCLUSIVE GROWTH?

The Eleventh Plan defined inclusive growth as a "growth process which yields broad-based benefits and ensures equality of opportunity for all" it stands for "equitable development" or "Growth with social justice".

Objectives of the study:

1. Role of agriculture in driving economic growth.
2. Role of agriculture in reducing poverty.
3. Role of agriculture in providing productive employment.

Role of Agriculture in Growth:

1. **Two reasons why agriculture is considered central to growth**
 - It has a big share of GDP, and/ or
 - It stimulates —structural transformation, the process whereby resources move from low productivity sectors to higher productivity sectors.
2. **Two possibilities for structural transformation**
 - It can be driven by productivity improvements within the agricultural sector.
 - It can be driven by productivity improvement outside the agriculture sector
3. **There is no agreement which underlying process drives the structural transformation in general**
 - Without higher agriculture growth, India's 10% economic growth target will be impossible to achieve. In addition, higher real incomes lead to higher food consumption, implying more pressure on demand.
 - Historically, India's agriculture growth has lagged growth in the overall economy. In fact, long-term average growth in agriculture

has been close to 2%. India's population has been growing at 1.4%. Consequently, India has just managed to maintain its per capita growth in food and non-food crop production.

Policies for Raising Agricultural growth:

There are three goals of agricultural development. These are: (a) achieve 4% growth in agriculture and raise incomes by increasing productivity (land, labour), diversification to high value agriculture and rural non-farm by maintaining food security; (b) sharing growth (equity) by focusing on small and marginal farmers, lagging regions, women etc.; (c) third is to maintain sustainability of agriculture by focusing on environmental concerns. What are the policies needed to achieve the above goals? There are basically seven factors which need focused reforms in the short and medium terms. These are: (a) price policy; (b) subsidies and investments; (c) land issues; (d) irrigation and water management (e) research and extension; (f) credit; (g) domestic market reforms and diversification. Institutions have to be developed in all these aspects.

- A. Price Policy:** The major underlying objective of the Indian government's price policy is to protect both producers and consumers. Currently, food security system and price policy basically consists of three instruments: procurement prices/minimum support prices, buffer stocks and public distribution system (PDS). One criticism of procurement policy is that it is limited to few crops and few states. Our field visits to different states reveal the following farmers' perceptions about agricultural prices.
- B. Land Issues:** Some argue that small size of farm is responsible for low profitability of agriculture. Chinese and the experience of other East Asian countries show that it is not a constraint. On land market, the Report of the Steering Committee recommended the following. —Small farmers should be assisted to buy land through the provision of institutional credit, on a long term basis, at a low rate of interest and by reducing stamp duty. At the same time, they should be enabled to enlarge their operational holdings by liberalizing the land lease market. The two major elements of such a reform are: security of tenure for tenants during the period of contract; and the right of the land owner to resume land after the period of contract is over (GOI, 2007). Basically, we have to ensure land leasing, create conditions including credit, whereby the poor can access land from those who wish to leave agriculture. There are some emerging land issues such as increase in demand for land for non-agricultural purposes including special economic zones, displacement of farmers, tribals and others due to development projects. There is a need for careful land acquisition. Land alienation is a serious problem in tribal areas.

C. Irrigation and Water Management: Water is the leading input in agriculture. Development of irrigation and water management are crucial for raising levels of living in rural areas. Major areas of concern in irrigation are: decline in real investment, thin spread of investment, low recovery of costs, decline in water table, wastages and inefficiencies in water use and, non-involvement of users. Both investment and efficiency in use of water are needed.

D. Credit: According to the expert group on Financial Inclusion (GOI, 2008) only 27% of farmers have access to institutional credit. It is true that there have been some improvements in flow of farm credit in recent years. However, the Government has to be sensitive to the four distributional aspects of agricultural credit. These are: (a) not much improvement in the share of small and marginal farmers; (b) decline in credit-deposit (CD) ratios of rural and semi-urban branches; (c) increase in the share of indirect credit in total agricultural credit and; (d) significant regional inequalities in credit.

Few Other Emerging Issues & Challenge:

- **Climate Change:** Climate change is a reality. India has reasons to be concerned about climate change. Vast majority of population depends on climatic sensitive sectors like agriculture, forestry and fishery for livelihood in the country. The adverse impact of climate change in the form of declining rainfall and rising temperatures and thus the increased severity of drought and flooding, would threaten food security and livelihood in the economy.
- **Financial inclusion:** Financial exclusion, defined as inability to access necessary financial services in time at affordable cost, is a major impediment to inclusive growth. Although the share of marginal and small farmers in the total credit is higher than their share in land area, but this is declining and the institutions like Regional Rural Banks are also neglecting the rural poor. More than 51 percent of farm households are excluded from both institutional and informal sources of credit, while 73 percent of farm households do not have access to institutional credit. The incidence of exclusion is more in the central, eastern and north-eastern regions, where 64 percent of the farm households are financially-excluded. Credit needs for medical and social purposes, slowdown of agricultural growth, institutional norms and procedures, and weak financial positions of some institutions have contributed to the financial exclusion. Recent innovations like Kisan Credit Cards, Joint-liability Groups and Self-help Groups have made some difference but innovations in the delivery system are essential for financial inclusion of farmers and rural poor.

CONCLUSIONS:

There are numerous challenges for Indian farmers to improve incomes and overcome distress. The present pace and patterns of horizontal and vertical diversification would not suffice. Besides, inclusive growth would require region and class specific strategies of growth. The appropriate policies for accelerated and inclusive agricultural growth would include (i) strengthening of R&D system to innovate cost effective technologies, (ii) providing incentives to farmers for adoption of organic farming, (iii) ensuring adequate price and marketing support (iv) improving access to institutional credit, (v) designing and implementing a comprehensive and farmer friendly agricultural insurance scheme, (vi) training and incentive to the farmers to meet the challenges of climate change, (vii) imparting training and skills to farm youth for enabling them to take up high tech agriculture and non-farm employment (viii) improving public and private investment in rural infrastructure including rural roads, transportation, electricity, market, banks, warehouse, schools, hospitals etc. and (ix) organizing farmers into groups such as autonomous co-operatives, farm producers organizations etc. Besides, accelerated development of rural areas in the laggard states of eastern and central India as well as innovative land reforms such as legalization of land leasing and allocation of at least 10 to 15 cents of homestead plots to landless families would pave the way for accelerated and inclusive economic growth.

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