



IMPORTANCE OF AGRICULTURE IN INDIAN ECONOMY: SOME ISSUES

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ABSTRACT

India, which is one of the largest agricultural-based economies, remained closed until the early 1990s. Agriculture is an important part of India's economy and at present it is among the top two farm producers in the world. This sector provides approximately 52 percent of the total number of jobs available in India and contributes around 18.1 percent to the GDP. Agriculture is the only means of living for almost two-thirds of the employed class in India. India's already large population is expected to become the world's largest in the next 20 years, while its economy will soon overtake Japan's to become the world's third largest.

Agriculture plays a vital role in the Indian economy. Over 70 per cent of the rural households depend on agriculture. Agriculture is an important sector of Indian economy as it contributes about 17% to the total GDP and provides employment to over 60% of the population. Indian agriculture has registered impressive growth over last few decades. Agriculture is a critical sector of the Indian economy. Though its contribution to the overall Gross Domestic Product (GDP) of the country has fallen from about 30 percent in 1990-91 to less than 15 percent in 2011-12, a trend that is expected in the development process of any economy, agriculture yet forms the backbone of development. The failure to achieve targeted growth in agriculture has resulted from the inadequacies of the provision of the critical public goods such as research and development, extension services, surface irrigation, rural infrastructure, etc. on which agricultural growth thrives as well as inappropriate policies. In order to achieve the targeted growth in 12th Plan, we need to address some of these inadequacies. The sector would require substantial increase in investment both by public and private sector in agriculture research and development including extension, rural infrastructure, post-harvest and market infrastructure including storage and processing, reforms in laws related to land markets and marketing of agricultural products, and appropriate price policy. The pricing of agricultural inputs such as irrigation, electricity for pumping water, fertilizer, etc. needs rationalization.

KEYWORDS

Indian Agriculture, Importance and Economic Development.

INTRODUCTION:

India has a particularly large agricultural sector. While the sector's share of GDP has halved in the past 30 years to around 15 per cent, it still employs around half of India's workforce and accounts for much of the volatility in Indian GDP. India, which is one of the largest agricultural-based economies, remained closed until the early 1990s. By 1991, there was growing awareness that the inward-looking import substitution and overvalued exchange rate policy coupled with various domestic policies pursued during the past four decades, limited entrepreneurial decision making in many areas and resulted in a high cost domestic industrial structure that was out of line with world prices. Hence the new economic policy of 1991 stressed both external sector reforms in the exchange rate, trade and foreign investment policies, and internal reforms in areas such as industrial policy, price and distribution controls, and fiscal restructuring in the financial and public sectors. In addition, India's membership and commitment to World Trade Organization (WTO) in 1995 was a clear sign of India's intention to take advantage of globalization and face the challenge of accelerating its economic growth. One measure of economic growth is given by productivity growth as it forms the basis for improvements in real incomes and welfare. The concept of productivity growth gained importance for sustaining output growth over the long run as input growth alone is insufficient to generate output growth because of diminishing returns to input use. This paper, which examines India's productivity growth in the agricultural sector in the context of globalization, has three main aims. First, it examines these possible links in the agricultural sector in general. Second, it discusses the problems and prospects for agricultural productivity growth of various Indian states. Third, the paper highlights the challenges of globalization and draws policy implications for the success of Indian agriculture.

Some salient facts about Agricultural scenario:

1. Agriculture is the largest provider of livelihood in rural India
2. It contributes 25 percent to India's GDP
3. It is still dependent primarily on the monsoons
4. The growth in agricultural production has been stagnant for the past several years.

OBJECTIVES:

- To examine the performance of Indian agriculture.
- To analyses the importance of agriculture and role in economic development.

Role of agriculture in Indian economy

- Share in National Income:
- Largest Employment Providing Sector:
- Contribution to Capital formation:
- Providing Raw Material to industries
- Market for Industrial Products:

Importance in International Trade:

- Share in national income
- Source of employment-
- Provision of food grains.
- Supply of raw materials to industrial sector.
- Market for industrial product.
- Earner of foreign exchange.

Public Expenditure in Agriculture:

A 'big push' for public expenditure in agriculture is required to bring about technical change in agriculture, and higher agricultural growth. It is evident that there has been a signif-

icant decline in the allocation of public outlay on agriculture as a percent of total public outlay during the post-reforms period compared to what it was in pre-reforms period (Desai and Namboodiri 1997). The share of gross capital formation in agriculture and allied sector in total gross capital formation (at current prices) has declined from about 11.7 percent in 2001-02 to 6.89 percent in 2006-07 and further to 6.6 percent in 2007-08 (Figure 3). However, there has been a marked improvement in its share during the last couple of years and reached a level of 8.5 percent in 2008-09 and marginally declined to 8.2 percent in 2009-10. The GCF in agriculture and allied sectors as proportion to the GDP in agriculture which stagnated around 14 percent during the first half of last decade, increased to over 20 percent in 2009-10. However, the GCF in agriculture and allied sectors as percentage to total GDP has remained stagnant at around 2.5 to 3.0 percent. In order to achieve over 4-4.5 percent growth in agriculture sector, there is a need to step up investment in agriculture. We have also analyzed the trends in public sector expenditure under (i) agriculture and allied sectors, (ii) irrigation, and flood control and (iii) rural development during the last three decades. We have also examined share of expenditure on agriculture research and education in total expenditure and trends in food and fertilizer subsidies. Table 8 presents the results for the pre-reforms (VI & VII FYPs) and post-reforms period (VIII to XI FYPs). The data presented in table shows that share of public expenditure on agriculture and allied sectors declined from about 6 percent in 6th Plan to about 4.5 percent in Tenth plan. During 11th Plan a higher allocation (124%) of public sector resources was projected for agriculture and allied activities, from Tenth Plan realization level of Rs.60,702 crore, to Rs. 1,36,381 crore (at 2006-07 prices) by the Centre, States and UTs with share of Centre being 50,924 crore (GOI, 2011). Rashtriya Krishi Vikas Yojana, in the form of 100% grant-in-aid, was launched in the 11th Five-Year Plan with a projected allocation of Rs. 25,000 crore over and above the other ongoing programmes to incentivize the States to make higher investment in agriculture.

OVERVIEW OF INDIA'S AGRICULTURAL ECONOMY:

In the early 1950s, half of India's GDP came from the agricultural sector. By 1995, that contribution was halved again to about 25 per cent. As would be expected of virtually all countries in the process of development, India's agricultural sector's share has declined consistently over time as seen in the table below.

Share of agricultural output in India's GDP

Year	1950/51	1965	1976	1985	1991	1999
Percentage share	52.2	43.6	37.4	32.8	28.3	24.4

Source: Estimated from various issues of Economic Survey, Government of India.

In the last five decades, the Government's objectives in agricultural policy and the instruments used to realize the objectives have changed from time to time, depending on both internal and external factors. Agricultural policies at the sectoral level can be further divided into supply side and demand side policies. The former include those relating to land reform and land use, development and diffusion of new technologies, public investment in irrigation and rural infrastructure and agricultural price supports. The demand side policies on the other hand, include state interventions in agricultural markets as well as operation of public distribution systems. Such policies also have macro effects in terms of their impact on government budgets. Macro level policies include policies to strengthen agricultural and non-agricultural sector linkages and industrial policies that affect input supplies to agriculture and the supply of agricultural materials. During the pre-green revolution period, from independence to 1964-1965, the agricultural sector grew at annual average of 2.7 per cent. This period saw a major policy thrust towards land reform and the development of irrigation. With the green revolution period from the mid-1960s to 1991, the agricultural sector grew

at 3.2 per cent during 1965-1966 to 1975-1976, and at 3.1 per cent during 1976-1977 to 1991-1992. Acharya (1998) explains that the policy package for this period was substantial and consisted of: a) introduction of high-yielding varieties of wheat and rice by strengthening agricultural research and extension services, b) measures to increase the supply of agricultural inputs such as chemical fertilizers and pesticides, c) expansion of major and minor irrigation facilities, d) announcement of minimum support prices for major crops, government procurement of cereals for building buffer stocks and to meet public distribution needs, and e) the provision of agricultural credit on a priority basis. This period also witnessed a number of market intervention measures by the central and state Governments. The promotional measures relate to the development and regulation of primary markets in the nature of physical and institutional infrastructure at the first contact point for farmers to sell their surplus products.

Subsistence and commercial farming:

Majority of farmers in India practices subsistence farming. This means farming for own consumption. In other words, the entire production is largely consumed by the farmers and their family and they do not have any surplus to sell in the market. In this type of farming, landholdings are small and fragmented. Cultivation techniques are primitive and simple. In other words there is a total absence of modern equipments like tractors and farm inputs like chemical fertilizers, insecticides and pesticides. In this farming, farmers mostly cultivate cereals along with oil seeds, pulses, vegetables and sugarcane. Commercial farming is just the opposite to subsistence farming. In this case, most of the produce is sold in the market for earning money. In this system, farmers use inputs like irrigation, chemical fertilizers, insecticides, pesticides and High Yielding Varieties of seeds etc. Some of the major commercial crops grown in different parts of India are cotton, jute, sugarcane, groundnut etc. Rice farming in Harayana is mainly for commercial purpose as people of this area are predominantly wheat eaters. However in East and North-Eastern states of India, rice cultivation would be largely of subsistence type.

Green Revolution:

It stands for a major technological breakthrough in India based on (i) improved seeds of high yielding varieties, (ii) adequate and assured supply of water for irrigation, and (iii) increased and appropriate application of chemical fertilizers for increasing agricultural production.

White Revolution:

It stands for remarkable increase in milk production and establishment of a national milk grid, removing regional and seasonal imbalances. Among the technological inputs are (1) crossbreeding of indigenous cows with high milk yielding European breed; (2) pasteurization of milk for keeping it for a longer duration; (3) collection of quality milk from members in rural areas; and (4) refrigerated transport system which helps sending milk to far off metropolitan centers both by road and rail.

Blue Revolution: It refers to big rise in catching of fresh water and marine fish.

Yellow Revolution: It refers to remarkably steady and assured supply of poultry products.

Pink Revolution: It refers to a considerable rise in the production of quantity of apples particularly in the states of Himachal Pradesh and J&K.

MAJOR CROPS OF INDIA: India grows almost each and every crop. Can you think why? If we consider the varieties of crop grown from Kashmir to Kanyakumari and western coast of Gujarat to extreme north eastern states of Arunachal Pradesh, there would be hundreds of crops. We group all these crops into four broad types. Let us discuss the main crops under each type in detail:

Sl. No	Types of Crops	Meaning	Major Crops
1.	Food grains	Crops that are used for human consumption	Rice, Wheat, Maize, Millets, Pulses and Oil seeds
2.	Commercial Crops	Crops which are grown for sale either in raw form or in semi-processed form	Cotton, Jute, Sugarcane, Tobacco and Oilseeds
3.	Plantation Crops	Crops which are grown on Plantations covering large estates	Tea, Coffee, Coconut and Rubber
4.	Horticulture	Sections of agriculture in which Fruits and Vegetables are grown	Fruits and Vegetables

CONCLUSION:

India's agricultural sector is still very important to the Indian economy, although its share of the economy has decreased over the past 50 years. India has made significant advances in agricultural production in recent decades, including the introduction of high-yield seed varieties, increased use of fertilizers and improved water management systems. Reforms to land distribution, water management and food distribution systems will further enhance productivity and help India meet its growing demand for food. There are different types of farming practiced in India. Some of these practices are subsistence and commercial farming, intensive and extensive farming, plantation farming and mixed farming. The major salient features of Indian agriculture are subsistence agriculture, highly dependent on monsoon and animals, variety of crops and predominance of food crops. Major crops in India can be broadly divided into four categories i.e. food crops, cash crops, plantation crops and fruits. Some of the major challenges faced by Indian agriculture are Stagnation in production, high cost of farm inputs, soil exhaustion, and depletion of fresh ground water, climatic change, globalization and liberalization of economy, food security and farmer's suicide.

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