



## AGRICULTURE: ESSENCE OF INDIA

**Dr. Md. Moazzam Sulaiman**

“Sulaiman House”, Chhoti Quazipura

P.O. Lal Bagh, Darbhanga – 846004

Bihar, INDIA.

### **ABSTRACT**

*The agriculture sector is acknowledged as the most important sector of the economy and it is important for the economic growth of any nation of the world as well as India. It is the base on which the entire superstructure of the growth of the industrial and other sectors of the economy stands. It has emerged as an essentially growing sector of the global economy. Since independence, agriculture has occupied a place of pride in the Indian economy. Agriculture is the leading and governing sector of our country that making employment available to around 70% of the Indian population. It is a provider of food, clothing, fodder and other necessities of life for the entire population. By providing food grains to the people at large, this sector also contributes to the national economy, which is directly reflected by its share in the total gross domestic product (GDP), its foreign exchange earnings, its role in supplying savings, labor to other sectors of the country and its contribution to the economy as a whole. This proves the relative significance and strength of Indian agriculture in the economy. Indian agriculture has made progress a long way from an era of frequent droughts and vulnerability to food shortages to a developed state becoming an important exporter of agricultural products. This sector also contributes significantly to the sustainable economic development of the country. Despite rapid growth in various sectors, agriculture remains the backbone of the Indian economy and it is central to all strategies of planned economic development in India.*

**Keywords:** Agriculture, Sector, India, Economy, Growth, Employment, Food.

### **1. INTRODUCTION**

The importance of agriculture in the economic development of any country, rich or poor, is borne out by the fact that it is the primary sector of the economy, which is responsible for the economic growth. Agriculture provides the basic ingredients necessary for the existence of a human being by fulfilling their food and non-food demands. It provides most of the raw materials to the various industries, which transformed into finished products, serve as necessities of the human race. In a preponderantly agrarian economy, agriculture plays a strategic role from several points of view.

Agriculture is the oldest industry in the Indian economy and still the biggest even today. It is a leading and governing sector of our country, employing around 2/3<sup>rd</sup> of our population and a supplier of food, clothing, fodder and other requirements of life for the total inhabitants. This sector plays a significant role in the national economy of India in the generation of employment, national income, foreign exchange earnings, the source of raw material for industries, production of food grains to feed the masses and labor to other sectors. It is also an important characteristic of Indian agriculture that the growth of other sectors and overall



economic development depends on the performance of agriculture to a substantial level. For these reasons, agriculture continues to be the dominant sector in the Indian economy.

Indian agriculture has made great strides in the course of the last half a century of planned development. In the past, India was usually reliant upon food imports and food aid to meet domestic requirements. Agriculture of India, which grew at the rate of nearly 1% yearly throughout the fifty years earlier independence has grown-up at the rate of around 2.6 % annually in the post-independence period. The continuous development of the agricultural sector of the Indian economy has achieved not only self-sufficiency in the availability of food grains but has become a net exporter of food grains for several years, despite the trebling of the country's population since independence. All these progress in agriculture are contributed by a series of steps started by the Government of India. The start of the Agricultural Price Commission to confirm gainful prices to producers, new agricultural policies, investment in research and expansion services, land reforms, provision of credit facilities, improving rural infrastructure etc. are some of these steps.

The country is now well poised to cope with the new challenges of achieving effective food security by raising the employment and purchasing power of the poor through the diversification of agriculture. The country is also facilitating the shift of the labor force from agriculture to the rural non-farm sector and making our agricultural products internationally competitive through the adoption of new cost-reducing technologies. The successive history of Indian agriculture has ranked among the top countries of the world about the production of food grains, fruits, vegetables, commercial crops, livestock and animal products due to the continuous development of the agriculture sector under various plans. The economic contribution of agriculture to India's GDP is increasingly diminishing with the country's broad-based economic growth. Even now, agriculture is demographically the broadest economic sector and plays an important role in the overall socio-economic structure of India.

## **2. IMPORTANCE OF AGRICULTURE IN THE INDIAN ECONOMY**

India has always been and is still a country that depends upon agriculture, which has a vital role to play in the overall performance of our country. The reason for the importance of agricultural development lies in the fact that agriculture has to provide adequate food supplies to the fast-growing population of India. For the contribution of agriculture in the Gross Domestic Product (GDP) of our country, as sustenance to the industry, as a provider of income to the vast majority of our population, as the supplier of wage goods and so on the importance of agriculture in our national economy can never be exaggerated. In this way, any revolutionary growth in our economy can be led principally through an agricultural revolution. For these reasons, agriculture remains the leading sector in the Indian Economy. An important feature of Indian agriculture is that the growth of other sectors and the overall economy depend on the performance of agriculture to a considerable extent.

The importance of agriculture in the national economy can be best explained by considering the role of agriculture under the following heading:

### **(a). Source of Livelihood**

The dominant activity of the Indian working population is agriculture and its allied work. About 70% of our country's population is directly engaged in agriculture. Increasing population, rising income levels and other demographic changes are key drivers of demand



for food, which will require an increased contribution from the agriculture sector in the future. The agriculture sector has been meeting the increased food requirements of the growing population, as indicated by the growing net availability of food grain, which increased from about 395 grams per day in 1951 to about 463 grams per day in 2011. A large chunk of the Indian population is dependent on agriculture for sustenance; but the share of agriculture in total employment growth has reduced, particularly after 2004-05. Despite a declining capacity to create employment, only about 53% of the country's total population depends upon agriculture for livelihood. That such a vast proportion of the population of India is dependent on agriculture makes it more reason to sustain and grow this sector.

#### **(b). Contribution of Agriculture to National Income**

As industrial development progresses, the share of non-agricultural sectors in GDP has a propensity to increase. At the same time, the relative share of agriculture decreases and yields rise compared to that of the manufacturing and services sectors. This does not imply that agricultural production will not increase. This implies that growth in the industrial and services sectors is faster than growth in the agricultural sector. This process of change is the consequence of a change in the structure of the economy, which steadily becomes more industrialized. Quite often, such a change in the structure of GDP is seen as a sign of economic development.

The agriculture sector makes significant contributions to India's GDP, although trends are showing a declining share during the planning period. Agriculture and allied activities contributed about 59% in 1950-51. However, the share of agriculture that has been steadily declining due to the rapid growth of the industrial and service sector was 16.9% in 2009-10. The contribution of agriculture to India's GDP has decreased, but it is great news that today the service sector is contributing more than half of the Indian GDP. It accelerates India one step closer to developing countries around the world. Before that, agriculture first and foremost contributed to India's GDP.

#### **(c). Contribution of Agriculture to Employment**

India is among the most rapidly developing economies in the world. The share of agriculture in the total economy has deteriorated speedily throughout the planned development of the country. It still plays a pivotal role in the rural economy of India. The NSS quinquennial surveys on employment show a turn down in agricultural share and a rise in the share of the non-agricultural sector in total employment. Such a structural change, though predictable in a developing economy has been sluggish in the Indian economy. This practice is even slower in the rural economy. On the other hand, in rural India, the growth rate of employment in the non-agricultural sector has been far short of the growth in employment in the rural workers. Thus, the rate of rural unemployment on the basis of existing daily status (CDS) is as high as 7% in the year 1999-2000. There is no evidence to suggest that improvements in the quality of rural employment are associated with structural changes in employment. In this context, employment in agriculture remains an important component of the economy.

The latest NSS quinquennial survey on employment points out that the number of agricultural employment has comparatively turned down. Agricultural income during the '90s has however grown at a remarkable rate. The proportion of the rural population has declined from 82.7% to 68.73% during the period 1950-51 to 2011. In absolute terms, the working



population engaged in the agriculture sector increased from 97.2 million to 234.1 million during the same period. This rural population primarily depends on the agricultural sector and allied activities for livelihood. In other words, the percentage engaged in the agriculture sector has declined but the number of people engaged in the agriculture sector has increased during the planning period.

**(d). Contribution of Agriculture to International Trade**

The agriculture sector plays an important role in foreign trade during the planning period. Tea, coffee, oil, cake, rice, cotton, sugar, masala products, fish and fish products, and meat are the major products of agriculture and allied activities in India. The agriculture sector also plays an important role in reducing the import of cereals and cotton.

India is among the 10 biggest exporters of agricultural products in the world. The country accounted for 2.07% of global agricultural trade in 2012. The performance of the agriculture sector has been spectacular in the post-independence era. A country that has a critical food deficiency has presently started producing exportable surpluses. The share of agriculture in India that is exported has declined continuously during the planning period. The proportion of the value of agricultural goods exported during 1950-51 was nearly 50% and manufacturers with agricultural content contributed another 20%, meaning the total export rate was 70%. The share of agricultural exports to total exports fell to nearly 10.5% during 2010-11. The share of agricultural imports has declined during the planning period. It was 26.7% in 1960-61 and declined by up to 1% during 2010-11. Therefore, the government could have saved foreign currency by reducing imports of agricultural produce during the planning period. It has also helped to reduce the cost of the Indian trade.

**(e). Contribution of Agriculture to Industrial Development**

Agriculture and industry are fundamental components of the development process as agriculture provides inputs to the industry and output are used to expand production. Thus, many industries in the country focus on agricultural production. Agriculture is the main source of agro-based industries due to their raw material and other basic inputs. This interdependency is meant to suit the needs of our nation and its government. For instance, nearly one-third of India's industrial output until recently depended upon the supply of agricultural commodities such as raw cotton, jute, oilseeds and rice. The manufacturing sector needs to supply agricultural inputs and resources such as chemical fertilizers, pump sets, tractors, harvesting, sowing and threshing machines to the farm sector.

Agriculture has to reduce its labor force to increase its efficiency. Thus, the workforce for the manufacturing sector could be drawn more easily from agriculture. The agriculture sector can provide much of its labor at zero opportunity costs because a considerable part of the labor force in agriculture is redundant in the sense that its marginal productivity is zero. If a labor shortage exists in the agricultural sector, labor-saving machines can be supplied by way of labor to boost agricultural production. Without it, land consolidation and farm mechanization would not have increased the scarcity of labor. Thus, a proper balance between the growth of agriculture and that of other industries is necessary.





**(f). Contribution of Agriculture to Capital Formation**

Formation of capital refers to net adding up of capital stock for example buildings, equipment and other intermediary commodities. An economy expends capital stock in combination with labor to make available services and produce goods; an increase in this capital stock is known as capital formation or capital formation and is an addition to the dynamic power of the economy. Without adequate capital formation, rapid economic growth cannot be attained. The farm sector plays a role in capital formation in three ways. First, increased agricultural productivity benefits the non-agricultural sector through lower food prices, thereby increasing its real income. This, in turn, will facilitate increased savings and capital accumulation in the urban sector. Second, increased farm output may generate higher levels of farm income, part of which may be saved. These savings may be utilized in financing the growth of the non-agricultural sector. Third, capital can be derived through a well-devised tax system.

Capital formation in the public sector requires area development, land reclamation, forestation, development of state farms, irrigation works etc. In the private sector, capital formation consists of - activities of construction in the private sector together with development, recovery of land, the building of non-residential buildings, farmhouses, wells and other irrigation works. The machinery includes tractors, transport equipment, agricultural machinery and other equipment. These include livestock development and maintenance. Capital formation through investment in agriculture funds the stockpiling of tools and production of natural resources, which in turn, allows the farmers to use their resources, particularly land and labor more effectively.

**(g). Contribution of Agriculture to Purchasing Power of People**

Agriculture makes available purchasing power to all people who are directly and indirectly engaged in it via the industries and services sectors. When farmers earn more, then their purchasing power automatically increased, as a result, they also spend more. In practice, they develop new markets and new openings for hundreds of blacksmiths, carpenters, masons, potters, leather workers, weavers, tailors, cotton ginners, utensil-makers, oil pressers, transporters and limitless others. Therefore, the success and employment of many industries, depends on the purchasing power of the agricultural inhabitants. Hence, it is assumed that besides purchasing of food for non-agricultural work force and raw materials for consumer industries, it has generated demands for various newborn industries, which consecutively have offered higher and well-paid employment. This effective role of Indian agriculture indicates the need for the development of agriculture to the fullest extent possible as the success of agriculture mostly remains for the success of the economy. The importance of agriculture lies actually that the development in agriculture is a basic condition for the development of the national economy.

**(h). Source of Governmental Revenue**

Agriculture sector plays an important instrumental role in fiscal policy of the Indian government. This sector is considered to be the prime revenue collecting sector for both central and state government budgets since the inception of the first five year plan. The government collects large amounts of revenue from agriculture and its allied activities such as cattle rearing, animal husbandry, poultry farming, fishing, and other activities. State governments get a major part of their revenue in terms of land revenue, irrigation charges,



agricultural income tax, etc. The central government also earns revenue from export duties on agricultural products. Furthermore, government can raise considerable revenue on agriculture by imposing agricultural income tax, land tax, irrigation tax, export duty tax etc. The higher the amount of tax revenue collected by the government from the agriculture sector and its allied sector, the greater the money spent on developmental projects. Agriculture benefits the government by raising its tax revenue. It also provides the raw material to many of India's important industries and as agriculture expanded in the country and industrial activity also took hold. This progress in the industrial sector has also led in the direction of increased tax revenue for the government. In this way, agriculture has played an important role in boosting governmental tax revenue.

#### **(i). Role of Agriculture Sector in Economic Planning**

Agriculture in economic planning is one of the major factors for the growth of the Indian economy, which is still primarily agrarian. It is a very important tool in India to enhance and maximize total agriculture-based production. Planning in agriculture is generally looked after by the Planning Commission of India, which works and executes under the aegis of the Indian government. In Indian planning, agriculture takes into account all aspects that are linked to the rural sector of the economy where the largest of the Indian agriculture sectors start. The main objective of the planning commission of India in terms of agriculture planning is to increase the total productivity of agriculture and enhance the economic growth of the country.

Many facts indicate the importance of Indian agriculture in the national economy. For example, agriculture is the main support for India's transport system, because roadways and railways secure the greater part of their business from the movement of agricultural goods. Internal trade is usually the production of agricultural goods. Further, better harvests implying greater purchasing power for the farmers leads to greater demand for manufacturing resources, which leads to better pricing. The growth of agriculture has a direct effect on the eradication of poverty. It is also an important factor in controlling inflation, rising agricultural wages and employment growth. It is clear that agriculture is the mainstay of the Indian economy and that the prosperity of agriculture is primarily dependent on the prosperity of the Indian economy.

### **3. CONCLUSION**

The findings obtained in this paper validate that agriculture has a multifunctional role to play in economic development. Apart from providing food and fiber, agriculture is the main source of growth for other sectors too, including industry, manufacturing and the service sector. It is a fact that all Indians and even the entire world are directly or indirectly depends on agriculture. Some people are directly working in agricultural farming, while others doing their business with it. The Indian agriculture industry can produce sufficient food grains to create a major difference in the Indian economy. To achieve maximum output, this industry needs a lot of support -- like land facilities, bank loans, machinery etc. These facilities will also contribute in a large way to production and turn to the economy. This will also help to meet the maximum targets anticipated by the Indian government.

There is a constant decline in its contribution to GDP, and the agriculture sector is failing to shine and anchor its position in the Indian economy. To meet these challenges there is a need



for further efforts to ensure that Indian agriculture achieves higher levels of efficiency and profitability. A realistic assessment of the need for continued support and assistance to the agricultural sector from the government is the need of the hour. Therefore, the agricultural sector must be made more powerful to meet the challenge of providing food and jobs and increasing the per capita income of everyone at large. The problems with which the Indian agricultural development is hampered in present times are many, but this in no way undermines the importance of the sector and the role it can play in the holistic and inclusive progress of the country. While the future of India is industrialization, the contribution of agriculture will continue to prove to be the most important factor in making India a powerful and stable economy in the future.

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