

Agriculture Play Crucial Role in the Life of Indian Economy.

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Abstract

Agricultural sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve and any change in its structure is likely to have a corresponding impact on the existing pattern of social equity. Economic development of a country is directly related to the growth of agriculture. Agriculture sector provides the employment opportunity to the peoples. An important aspect of India's agriculture strategy under the plans has been one of overcoming the institutional constraints to agricultural development. Hitherto it has been chiefly input-led which aims at using various inputs even under the existing structural and institutional framework. Indian agriculture had reached the stage of development and maturity much before the now advanced countries of the world embarked on the path of progress. At that time, there was a proper balance between agriculture and industry and both flourished hand in hand. The share of agriculture in national income is often taken as an indicator of economic development.

Introduction.

Agriculture plays a crucial role in the life of an economy. It is the backbone of our economic system. Agriculture not only provides food and raw material but also employment opportunities to a very large proportion of population. It is the agricultural sector that feeds country's trade. Agricultural products like tea, sugar, rice, tobacco, spices etc. constitute the main item of exports of India. If the development process of agriculture is smooth, export increases and imports are reduced considerably. Agriculture is one of the most prominent sectors in the Indian economy. Agriculture and allied sectors like forestry, logging and fishing accounted for 18.6% of the GDP in 2005 and employed 60% of the country's population. It accounts for 8.56% of India's exports. About 43% of India's Geographical area is used for agricultural activity. Despite a steady decline of its share in the GDP, agriculture is still the largest economic sector and plays a significant role in the overall socio-economic development of India. Agriculture in India is constitutionally the responsibility of the states rather than the central government. The central government's role is in formulating policy and providing financial resources for agriculture. India has also been striving to develop the country agriculture

since independence. Agriculture played a key role in our planned economy with its advantage of low investment and the base of industries.

National Agriculture policy

The Government of India announced a national agriculture policy on July 28, 2000. This policy seeks to "actualize the vast untapped growth potential of Indian agriculture, strengthen rural infrastructure to support faster agriculture development, promote value addition, accelerate the growth of agro business, create employment in rural areas, secure a fair standard of living for the farmers and agricultural workers and their families, discourage migration to urban areas and face the challenges arising out of economic liberalization and globalization." Over the next two decades, National Agriculture policy aims to attain:

- (1) A growth rate in excess of 4% per annum in the agriculture sector.
- (2) Growth that is based on efficient use of resources and conserves our soil, water and bio-diversity.
- (3) Growth with equity, growth which is widespread across regions and farmers.

- (4) Growth that is demand driven and caters to domestic markets and maximizes benefits from exports of agricultural products in the face of the challenges arising from economic liberalization and globalization.
- (5) Growth that is sustainable technology environmentally and economically.

Agricultural Planning.

Agricultural strategy since 1951, The growth pattern witnessed in the country since 1951 shows that broadening the base of agricultural growth and modernization through the development of infrastructural services, irrigation, roads, drainage, markets and credit institutions in the less developed regions, extension of new technology, particularly in dry land farming and a forestation and appropriate price and procurement policies for crops, is essential for accelerating the pace of agricultural output, reducing annual fluctuations in production and correcting the inter regional, inter-crop and interclass disparities. An important aspect of India's agricultural strategy under the plan has been one of overcoming the institutional constraints to agricultural development. In order to assure the needed strength and stability to the rural economy and help to raise the levels of rural income and employment, programmes for the diversification of the agricultural economy covering crop cultivation, animal husbandry and development of non farming occupations were to be undertaken. The opening up of the economy will improve the terms of trade for agriculture. Agricultural growth need not any longer be limited by the goal of self sufficiency, but it may benefit from trade, so as to raise the overall rate of economic growth, modernize the rural sector, and generate employment opportunities.

Evolution of Agricultural Policy In India

The evolution of agricultural policy in India is preoccupied almost exclusively with the problems of revenue, police, judicial administration etc. Industrial policy resolution 1948, 1956, 1977, 1980 and 1991 were announced in India after Independence but unfortunately no agricultural

policy could be properly released till the end of the century. However, the evolution of agricultural policy is not new in Indian economy. Government, from time to time, has been formulating some policies and programmes 'relating to agricultural development. Before mid seventies of the 19th century. The Government of India paid very little attention towards the basic problems of agriculture. The technological advances in the world e.g. use of fertilizers, insecticides, fungicides, irrigation pumps; machines etc. have mostly taken place in the present century and are hardly 80 years old. It should cause no surprise if a country of India's size with millions of small farmers has not yet been able to adopt them as has done by some countries of the west and Japan in the east.

Relevance And Objectives of New Agriculture Policy In India.

Analyse the relevance and objectives of new agricultural policy independence in Indian Economy. The process of economic development embodies (a) the growth of output per head of the population and (b) distinct changes in the structure of the economy under investigation. Real GDP growth rate in 2000-01 is estimated at 6 per cent compared with a growth rate of 6.4 per cent achieved in 1999-2000 and 6 per cent in 1998-1999. Despite deceleration of growth rate of second consecutive year, India has the distinction of being one of the fastest growing economies in the world. Despite a normal monsoon for the thirteenth successive year on the basis of average rainfall, prospects of agricultural production in 2000-01 are not considered to be bright due to relatively unfavourable distribution of rainfall over time and regions, leading to floods in certain parts of the country and droughts in some others. Production of foodgrains is expected to decline to 199 million tones in 2000-01 from the record level of 208.9 million tones in 1999-2000. Trends of growth in agriculture should, be seen over a large time span in order to even out annual seasonal effects on growth. The country's agricultural performance in the last two decades has been reasonably satisfactory. Agricultural policy is generally concerned with the development of

agriculture and increasing the rate of agricultural production per acre and per man in particular. Agricultural policy in India aims at accelerating rate of economic growth of the Indian economy and promoting socio- economic welfare.

Agriculture And Socio Economic Development.

Perspectives of India's economic development stated at the beginning of the five year plans of economic development had two major dimensions which at the outset appear to be complementary and not competitive. One dimension was related to the development of basic and heavy industries, for faster growth of the national economy and simultaneous development of agriculture. The second dimension concerned the removal of regional disparities in development. In actual practice the patterns and processes of development have by and large increased the dichotomy between rural and urban, industry and agriculture and the relatively developed and under- developed regions within the country. Though urbanization measured

by the proportion of people living in towns to the total population is on the increase from 10.85 per cent in 1901 to 23.70 per cent in 1981. Studies in the location of basic and heavy industries in the context of minimization of regional disparities in development have also brought out that their impact on the surrounding area has been very little; and in the case of tribal areas there seems to be negative impact on socio- cultural aspects and the response of the community living in the area. Balance between agriculture and industry emphasised in the overall national strategy for economic development is itself subject to large fluctuation both in agriculture and industry.

Declining Growth Rate Of Agricultural Production Potential

Looking to the performance of the agricultural sector from a long-term perspective, it is observed that the rate of growth of production potential in agriculture has been declining and is now slightly lower at 2.1 per cent than the growth rate of population, which is about 2.2 per cent per annum. The rate of growth of agricultural production

potential had declined from 3.79 per cent in 1950-51 to 2.54 per cent in mid- sixties. With the emergence of the new technology in the form of improved varieties of seeds, increased use of fertilizers and other modern inputs, the rate of growth of agricultural production potential received a push and as a result, the rate had reached a level of 2.97 per cent in 1968-69, since when it has again shown a gradual declination to 2.1 per cent in 1982- 83. The 2.1 per cent annual increase in the production potential in agriculture hardly keeps pace with the annual rate of increase in the country's population. The gravity of the situation is further reflected in the slow growth of our foodgrains production. As a result of a decade of favourable developments in agriculture (1967-68 to 1976-77), trend growth rate of foodgrains production 2.5% was above the growth rate of population 2.2%. But the situation has already started changing rapidly with the growth rate of foodgrains production 2.0% sliding below the growth rate of population.

Indian Agricultural Strategy After Green Revolution.

According to Prof. G.S. Bhalla, "Indian witnessed several policy regimes during the last one hundred years. In the beginning of the country, the British were indifferent to economic growth in India". Although, during the post-independence period agriculture received much more attention, yet over crop production has continued to remain traditional in character.

Urgency

There is, consequently, urgency for the formulation of a proper, effective and comprehensive agricultural policy in our economy due to many reasons.

- (a) The seeds used are locally produced and sold;
- (b) The farmers do not get enough margin in crop production so as to make them enthusiastic for investing more in agriculture;
- (c) Most of the water for agriculture is provided from rainfall;
- (d) Crop production is restricted to few months in a year and is dependent upon

the vagaries of weather or agriculture remains a gamble of rainfall;

Role of Agriculture In Indian Economy.

1. **Share In National Income:-** At the time of the first world war, agriculture contributed two thirds of national income. This was an account of the practical non existence of industrial development and infrastructure. The share of agriculture has persistently declined on account of the development of the secondary and tertiary sectors of the economy. The share of agriculture in national income is often taken as an indicator of economic development.
2. **Provision of Food Surplus to the Expanding Population:-** Because of the heavy pressure of population in labour surplus economics like India and its rapid increase, the demand for food increases at a fast rate. The existing levels of food consumption in these countries are very low and with a little increase in per capital income, the demand for food rises steeply.
3. **Market for Industrial Products:-** In India, with the spread of green revolution to more and more areas in recent years, incomes of large farmers have increased considerable. This has increased their purchasing power substantially with the result that the demand for industrial goods in the rural markets is witnessing a market increase.
4. **Importance in international Trade:-** Such heavy dependence on agricultural commodities for export earnings reflected the under-developed nature of the economy with economic progress and consequent diversification of production base, the share of agricultural goods in total exports has consistently fallen.
5. **Contribution to Capital Formation:-** There is general agreement on the importance of capital formation in economic development. Therefore, generation of surplus from agricultural

will ultimately depends on increasing the agricultural productivity considerably.

6. **Providing Raw Materials to Industries:-** A agriculture provides raw materials to various industries, cotton textile industry are examples of some such industries which depends on agriculture for their development

Importance of Agriculture in Indian Economy

Agriculture is the foundation stone of the Indian Economy. The role and contribution of agriculture in the Indian Economy is highlighted by following points.

1. **Importance in Foreign Trade.** Agriculture plays an important role in country's international trade. The contribution of this sector in total export earnings was about 10.2% in 2005-06. The export items are spices cotton, jute, tea, coffee, tobacco etc. The agricultural imports are about 2.5% of total imports in 2005-06.
2. **Generates Employment.** Agriculture is the largest employment providing sector in India. It provides employment to about 65% of the working population. This implies that agriculture is the principal source of subsistence for the people in India.
3. **Industrial Development.** In India, agriculture plays a pivotal role in the development of the industrial sector. Raw materials like cotton, wood, sugarcane, jute, oil seeds etc. are supplied by agriculture to manufacturing industry.
4. **Contribution in Growth of National Income.** Agriculture is the main source of our national income. In 1950-51, its contribution was 51% to GDP but presently it is 14%. The percentage share of agriculture in GDP is declining but the total contribution of agriculture in GDP is rising in form of greater growth of non-farm production.
5. **Contribution to Domestic Trade.** Domestic trade of the country is based on agriculture, which includes sale and purchased of agricultural goods like food grains, sugar, milk

etc. Agricultural products play a very significant role in fulfilling the daily requirement of people of the country.

6. Development of Economic Infrastructure.

Agriculture plays the central role in the development of economic Infrastructure like means of transport, communication, cold storage, banking, warehousing etc. so, prosperity of agriculture signifies the development of economic infrastructure which leads to economic development of the country.

Importance of Agricultural Taxation for A Developing Economy.

In a developing economy like India, agriculture constitutes the most sector of the economy. As such, agriculture may be expected to bear a substantial portion of the cost of economic development. Russia and Japan provide the historical precedents for heavy and almost exclusive taxation of agriculture to finance economic development. Indian planners as well as Indian economists most of whom were open of overt admirers of the Russian economic system would like Indian agriculture to bear the largest share of the burden of economic development. Taxation of agriculture should play a key role in supplying the necessary resources for economic development. In recent years, many development economists have not accepted the above view of transfer of resources from agriculture to non agricultural sectors, Instead they emphasis agricultural taxation for the development of agriculture and rural sectors.

Importance of Agriculture for Economical Development of a country.

Agriculture is the primary form of economic activity including within its denotation a wide range from simple to highly complex of systems of utilizing the soils for the production of foodstuffs or raw materials for human use. Despite of the development of several other economic activities, agriculture still holds the key of economic life in most of the developing countries of the world. Even in developed countries the importance of

agriculture cannot be underestimated, because it not only provides food and raw materials for many industries but also plays an importance role in internal trade. Agricultural sector contributed only 5 percent of the global gross domestic product, but it contribution is 14 percent in developing countries.

Globalization and India’s Agricultural Exports

The export of agricultural commodities earns not only foreign exchange but also provides the much needed competitiveness in production, productivity and quality when compared to its potential of competitive countries in the global market. It helps to realize economies of scale which helps the domestic consumers also. Sustained export of agricultural sector encourages modernization of production, post- harvest processing and marketing system. However, the terms of trade for agriculture sector have been unfavourable for India as it has been unprotected in comparison to industrial sector. The process of globalization is a reality which cannot be denied and also should not be avoided. It provides a wide range of challenges and opportunities and so far the case of Indian Agriculture is concerned, it calls for a drastic change from subsistence type of farming to commercialization of agriculture and development of agro- processing and allied activities. It also calls for diversification of agriculture generation of large agricultural surpluses. In the field of agriculture, India is in a better position in comparison to several other countries of the world as it has vast land resources, diversified climatic and soil conditions, goods experience in farming, variety of crops and vast pool of agricultural scientists to boost agricultural output and exports aboard.

Annual Average Growth Rates of Exports and their Percentage Share.

| | | Growth Rates+ | | Percentage Share | |
|--|--|---------------|------------|------------------|------------|
| | | 1980-81 to | 1992-92 to | 1980-81 to | 1992-93 to |
| | | | | | |

| | 1991-92 | 2000-02 | 1991-92 | 1999-2000 |
|---------------------------------|---------|---------|---------|-----------|
| Agriculture and allied products | 3.3 | 8.1 | 24.2 | 18.3 |
| Manufactured goods | 10.1 | 10.6 | 62.0 | 76.6 |
| Total Exports | 7.4 | 10.1 | 100.0 | 100.0 |

Sources; Govt of India, Economic Survey, 2000-01.

Agricultural Technology, Agricultural Growth and Rural Poverty.

As a result of technological changes and their effective dissemination, agricultural productions in general and food production in particular have shown a tremendous increase in the last four decades. The process of development might have affected the income, expenditure and poverty of the rural people. The present study is designated to examine growth rate of agricultural technologies and agricultural production and impact on the magnitude of rural poverty. The study is based on secondary data collected from various sources and a tabular analysis technique was used to achieve objectives. There has been a positive shift in food grains production in the country with resultant increase in per hectare productivity of major cereal crops, use of chemical fertilizers per unit of gross cropped, allocation of area under high yielding varieties and more use of technical pesticides/insecticides. Through watershed development programme more and more uncultivable area has been brought under plough, which has created an opportunity for intensive cultivation and generated additional employment in the rural areas.

Conclusion.

Agriculture is the backbone of our India economy. Agricultural development is a precondition of our national prosperity. It is the main source of earning livelihood of the people. Nearly two thirds of it

population depends directly on agriculture. Agriculture provides direct employment to 70 percent of working people in the country. It is the main stay of India's economy. The Indian agriculture sector accounts for 18 percent of India's gross domestic product (GDP) and employs just a little less than 50 percent of country's workforce. This sector has made considerable progress in the last few decades with its large resources of land, water and the second largest producer of rice and wheat. Agriculture has benefited from improved farming techniques but the growth is not equitable. Land use is changing in rural areas as farmers are getting good value for their holding to urban areas.

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