



Role of Agricultural Development in the Indian Economy

By

Dr. Anil Kolape

Assistant Professor of Economics,

Arihant College of Arts, Commerce and Science,

Bavdhan Bk, Pune-21

Introduction:

- ❖ India has been known as an agrarian economy for thousand of years. In fact, human habitation historically has concentrated in area where conditions were most favorable for agriculture. As such Indian economy as one of the oldest economies of the world, has nurtured agriculture as a crucial sector of the economy - so much so that for the Indians agriculture has been a way of life rather than a means of livelihood.
- ❖ Agriculture, in an economy is the major part of the primary sector. But as an economy develops, the relative significance of the primary sector declines giving place to secondary and tertiary sectors. However, as we saw in the basic characteristics, agriculture continues to occupy a predominant position in the Indian economy.

Agriculture Sector in a Pre & Post Liberalization Era:

- ❖ The introduction of economic reforms in India in 1991 brought about major changes in the macroeconomic policy framework of the planned economy that existed in India during 1950-51 to 1990-91.
- ❖ The planners were of the opinion that the new macroeconomic policy framework, in particular, devaluation of the currency, dissolution of the industrial licensing system would benefit tradable agriculture by turning the terms of trade in its favor; which in turn would promote exports leading to rapid agricultural growth.

Importance of Agriculture in Indian Economy:

- ❖ During Independence there was extremely low productivity per hectare and per worker. However, the previous trend of standing agriculture was completely changed due to the introduction of economic planning since 1950-51, and with special emphasis on agricultural development, particularly after 1962. (i) A steady increase in the area under cultivation is noticed. (ii) A substantial growth in the food crops is marked. (iii) During the plan period there had been a constant increase in the yield per hectare.
- ❖ Though industry has been playing an important role in Indian economy, still the contribution of agriculture in the development of Indian economy cannot be denied.

Role of Agriculture Development in Indian Economy:

1. Share in National Income:

The contribution of agriculture during the first two decades towards the gross domestic product ranged between 48 and 60%. In the year 2001-2002, this contribution declined to only about 26%.

2. Share in Employment Generation:

Agriculture plays vital role in generating employment. In India at least two-thirds of the working population earn their living through agricultural works. In India other sectors have failed generate much of employment opportunity the growing working populations.

3. Supply of Food and Fodder in General:

Due to the excessive pressure of population labour surplus economies like India and rapid increase in the demand for food, food production increases at a fast rate. The existing levels of food consumption in these countries are very low and with a little increase in the per capita income, the demand for food rise steeply.

Contd...

4. Contribution to Capital Formation:

There is general agreement on the necessity capital formation. Since agriculture happens be the largest industry in developing country like India, it can and must play an important role in pushing up the rate of capital formation.

5. Role in Industrial Development:

Leading industries like cotton and jute, textile industries, sugar, flour mills, vanaspati and plantations has to depend on agriculture directly. Many small-scale and cottage industries like handloom weaving, oil crushing etc. depend indirectly on agriculture for their raw materials.

6. Market for Industrial Products:

Increase in rural purchasing power is very necessary for industrial development as two-thirds of Indian population live in villages. After green revolution the purchasing power of the large farmers increased due to their enhanced income and negligible tax burden.

Contd...

7. Influence on Internal and External Trade:

Indian agriculture plays a vital role in internal and external trade of the country. Internal trade in food-grains and other agricultural products helps in the expansion of service sector.

8. Contribution in Government Budget:

Right from the first five year plan agriculture is considered as the prime revenue collecting sector for the both central and state budgets. However, the governments earn huge revenue from agriculture and its allied activities like cattle rearing, animal husbandry, poultry farming, fishing etc.

9. Need of Labour Force:

A large number of skilled and unskilled labourers are required for the construction works and in other fields. This labour is supplied by Indian agriculture.

Contd...

10. Greater Competitive Advantages:

Indian agriculture has a cost advantage in several agricultural commodities in the export sector because of low labour costs and self- sufficiency in input supply.

11. Role in Economic Development:

The performance of Indian economy, as a whole, thus depends upon the performance of Indian agriculture. This fact has very important and serious implications for Indian economic development.

12. The Backbone of the Indian Economy:

In 1990-91, there were 6.27 lakh villages in India where the main occupation obviously is agriculture. The electrification of these villages, the transport and marketing facilities in these villages, and the credit and other infrastructural facilities for these villages revolve around agriculture.

Conclusion:

Agriculture makes the highest contribution to India's GDP. Agriculture contributes almost about 16 percent to the country's GDP. It has been seen in the last few years that the input of the agriculture sector has been declining, but it is still the biggest contributor. Agriculture occupies a prominent position in Indian policy-making not only because of its contribution to GDP but also because of the large proportion of the population that is dependent on the sector for its livelihood. However, it is clear that India's agricultural sector has made huge strides in developing its potential.

Thank You...!