

Role of Agriculture in Indian Economy

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Abstract

The increasing productivity and output of the country's agricultural sector has contributed to the country's overall economic development. It is expected that the government should focus on further developing this industry.

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Economic Development Production, Export, Commodities, Industrialisation, Growth, Agriculture Sector, Surplus

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Introduction

The agriculture sector is a vital part of Indian economy. It provides employment and security to the rural population. The sector also plays a crucial role in the country's development. The agriculture sector is the largest source of livelihood for the Indian population. As per the estimates, around 70% of the rural households depend on agriculture for their livelihood. The agriculture sector is also a vital source of financing for the government. It provides raw materials and other essential supplies to industries. Although its contribution to the national income has decreased due to the rise in secondary and tertiary sectors, it remains a crucial component of the Indian economy.

Prior to the Industrial Revolution, England's history shows that the Agricultural Revolution played a leading role in the country's development. In the U.S. A. and Japan, as well as other under-developed nations, the emphasis on industrialization has been limited by the limitations of economic development.

Role of Agriculture in Economic Development

The agriculture sector is the core of an economy that provides the basic ingredients to society. Its raw material is the raw material for industrialization.

Contribution to National Income

Lessons from the history of advanced countries show that the success of agriculture can foster economic advancement. In India, for instance, the agriculture sector accounts for almost 30% of the country's national income.

Source of Food Supply

The agricultural sector is the basic source of food supply for all the countries of the world. As the population rises in developing nations, the demand for food has become more prevalent. This causes the demand for food to increase at a fast pace.

Increase in demand for food in an economy is determined by the following equation:

$$D = P + 2g$$

Here,

D stands for Annual Rate of Growth in demand for food.

P stands for Population Growth Rate.

g stands for Rate of Increase in Per Capita Income.

2 stands for Income Elasticity of Demand for Agricultural Products.

Pre-Requisite for Raw

Improvement of the supply of raw materials for agricultural industries is necessary to ensure the continuous growth of these industries. The lack of these

essential commodities can affect the profitability of these industries and the general price level.

Provision of Surplus

The progress of the agricultural sector has resulted in a surplus in the export of agricultural products. This surplus can be used to finance the financing of essential capital goods.

According to Johnson and Mellor, a substantial expansion of the agricultural export market can help boost foreign earnings and provide additional employment opportunities.

The Shift of Manpower

The shift of labor from agriculture to the non-agricultural sector can be initiated in the initial stages of economic development. This benefit can be utilized by reducing the excess labor force over the limited land area. The release of the surplus from the agricultural sector can also help expand the non-agricultural sectors.

Creation of Infrastructure

Aside from roads, the development of agriculture also requires the establishment of other transportation infrastructures such as railways, ports, and storage facilities.

Helpful to Reduce Inequality

In a country that is predominantly agricultural, the income inequality between the urban and rural areas is still high. It is therefore necessary to improve the living conditions of the rural population.

Based on Democratic Notions

If the growth rate of the agriculture sector does not accelerate, it could cause discontent among the masses, which could make it hard for the democratic governments to run smoothly. This is why the development of the sector is also related to the well-being of the people.

Create Effective Demand

The development of the agriculture sector can help boost the non-agricultural sectors in a country, as it will provide a market for their products. Most people in underdeveloped areas rely on agriculture for their food.

The development of the agriculture sector can also help stimulate the non-agricultural sectors. For instance, the productivity of cash crops can be enhanced through the promotion of exchange economy.

This can help producers avoid resorting to industrial production during times of economic depression. It shows that demand for agricultural products remains strong.

Source of Foreign Exchange for the Country

Most of the developing nations rely on the export of primary products for their industrial development. This is because these products contribute to the majority of their total export earnings. If the growth of agricultural goods does not reach a sufficiently high rate, some countries may find it difficult to pay their foreign exchange debts. Due to the potentialities of their industries, many developing nations are diversifying their production base and promoting the exports of manufactured goods.

Contribution to Capital Formation

Developing nations require large amounts of capital to support their economic development. Agriculture is a major source of funding for these projects.

Employment Opportunities for Rural People

Agriculture provides rural dwellers with employment opportunities in developing and underdeveloped nations. Most of the time, these jobs are in non-agricultural sectors such as furniture, leather, and metal work.

Improving Rural Welfare

It is time for rural economies to rely on agriculture to improve their social welfare. The rising productivity and agricultural surpluses help rural dwellers improve their living conditions. They then start consuming a nutritious diet consisting of fruits and vegetables.

Extension of Market for Industrial Output

As a result of the increasing productivity of agriculture, more rural residents will be able to earn enough to support their families. This then leads to the expansion of the industrial market.

According to Dr. C.P. Bansal, the rise in per capita income and agricultural production help boost the country's industrial production.

Contribution of Agriculture to Economic Growth

Simon Kuznets identifies four possible types of contribution that the agricultural sector is capable of making for overall economic development.

1. Product contribution, i.e., making available food and raw materials.
2. The market contribution refers to the value added by producers of goods and consumer goods to the non-agricultural sectors.
3. The factor contribution refers to the availability of capital and labor to the non-agricultural sector.
4. Foreign Exchange contribution.

Current Status

The Directorate of Economics and Statistics, Ministry of Agriculture (DESMOA) is responsible for the collection, (a) weekly and daily wholesales prices, (b) retail prices of essential commodities, (c) farm harvest prices.

Weekly wholesale prices cover 140 agricultural commodities from 620 markets.

Retail prices of essential commodities are collected on a weekly basis from 83 market centers in respect of 88 commodities (49 foods and 39 nonfoods) by the staff of the State Market Intelligence Units, State Directorates of Economics and Statistics (DESS) and State Department of Food and Civil Supplies.

Farm Harvest Prices are collected by the field staff of the State revenue departments for 31 commodities at the end of each crop season and published by the DESMOA.

According to Prof. Kinderberger, Todaro, Lewis and Nurkse, etc., agriculture makes its contribution to economic development in several ways, viz.

1. By providing food and raw material to nonagri cultural sectors of the economy.
2. Through the creation of demand, rural communities can generate additional income by selling their excess goods.
3. This process generates an investable surplus that can be used to fund the non-agricultural sectors.
4. By earning valuable foreign exchange through the export of agricultural products.
5. In order to create self-sustaining economic development, it is essential that the agricultural sector is involved in the process.

Agriculture Sector Provides Funds for Capital Formation in Many ways as

1. Agricultural taxation.
2. Export of agricultural products.
3. Agricultural products are collected by the government and sold at higher prices to avoid raising the prices. This method is usually adopted by China and Russia.
4. Disguised unemployment, which mainly pertains to agriculture, is regarded as a source of investible surplus..
5. Transfer of labor and capital from farm to non-farm activities etc.

Conclusion

Even developed countries that have a strong agricultural economy promote

the development of this industry. This is because it provides a steady supply of food and raw materials to support the country's non-agricultural workforce and its industrial production.

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