

Contribution of Agriculture for Inclusive Growth in India: A Review

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Abstract:

Economists Johnson and Author Lewis stated that agriculture plays a vital role as a driver of growth of economy, especially in the early stages of industrialization. Later other economists also acknowledged the role of agriculture in emerging as a modern sector and contributing significantly to inclusive growth. Thereafter, other economists also recognized and accepted the impact of agricultural development on the non-farm sector. The agricultural sector contributes to economic development in many ways- by demand for inputs used in agriculture, by supplying raw materials to industry and by creating demand in rural areas for final goods from industries. The first phase of it, The Green Revolution 1961, the second phase is economic reforms in 1991-92 and the third phase started from the revolution in IT and IT enabled services around 2003-04. The rate of growth is existed in these three phases in agriculture, non-farm and the whole economy.

Keywords: Inclusive Growth, Agriculture capital formation, Agriculture development, Annual growth rate.

Introduction:

Inclusive growth is a stage of development in which the people from the most vulnerable sections of society get a fair share in the distribution of increasing national income. That is, the leakage effect of national income is more downwards, and then we call it inclusive growth. Inclusive growth or "poor-oriented" development has become an important consideration point for the development of the Indian economy. Because this development includes two most important things 01- The inclusive word which was first time used in the early twentieth century during the tenure of Prime Minister Dr Manmohan Singh's UPA-I government. After that, during the tenure of the Prime Minister Sri Narendra Modi, the NDA government gave it a new

direction. If inclusive growth is to be pursued in India, then it has to start with the agriculture sector itself. When the overall income of the country will grow more rapidly in the distribution of income of the lower class (small and marginal landholders) as compared to the upper class (large landholders), only then can it be concluded that there has been truly inclusive growth.

To promote inclusive growth, the government has launched major schemes - including schemes like Pradhan Mantri Ujjawala Yojana, Krishi Samman Nidhi, Atmnirbhar Bharat Abhiyan DeenDayalUpadhyayaAntyodayaYojana, MGNREGA, Integrated Child Development Scheme, and Mid-Day Meal. Along with this, schemes like School Education and Literacy, Sarva Shiksha Abhiyan, JNNURM, Accelerated Irrigation Benefits and National Agriculture Development are also being run for inclusive development. Generate both food and raw materials, for feed, fibre, fuel and other industrial uses to meet the need of modern society and in a way that is sustainable and brings economic growth to farmers have an important role. Also, the five pillars of agriculture, which is essential for doubling farmers' income and sustaining steady income growth in the long run.

1. Increase in productivity as a way to higher production.
2. Reduction in the costs of production.
3. Optimum monetization of production.
4. Continuous production technology.
5. Risk Assessment at Each Level of the Agricultural Value Chain

From 1950-51 to 1966-67 (before the Green Revolution) the annual growth rate of agriculture sector was 1.77% and that of non-agriculture sector was 5.5%. Then the average growth rate of the entire economy was 3.41%. The growth rate of the agriculture sector after the Green Revolution averaged 3.02% from 1991-92. After the economic reforms in 1991-92, there was a very slight decline the growth rate of agriculture, but the growth rate of non-agriculture sector founded 7.01% and the growth rate of the economy was 5.73%. This was possible due to policies supporting the manufacturing sector. From 2003-04 to 2019-20, the growth rate in both agriculture and non-farm sectors was fast. Due to this the growth rate of the whole economy also increased to 6.71 %. This trend suggests that the agriculture sector played an important role in accelerating the growth rate of the economy and increasing per capita income, as well as helping in reducing poverty.

Review of Literature:

Richard (2004) found that there is a significant link between agricultural growth and inclusive growth in Asian countries. Hassan and Quibria (2004) also clarified that rural poverty is found in most countries where agriculture is the main source of livelihood. Thus, the development of the agricultural sector is the only way to reduce poverty and enhance inclusive growth. Agricultural development will drive economic growth and increase the productivity and income of the rural poor (OECD 2006). Sharma et al (2010) attempted to see that inclusive growth can be achieved by developing agriculture, reducing disguised unemployment in the agricultural sector by shifting labour to non-farm sectors. In developing countries, a large proportion of labour is employed in the agricultural sector, showing a significant overall effect on agricultural production. And so it affects the general economic development of a country (Cervantes-Godoy and Dewbre, 2010). As a result, it can be said that the path of development of the economy is determined by the agriculture sector. Birthal (2012) has found in his study that inclusive growth is necessary to develop agriculture sustainably by reducing disguised unemployment in the farm sector in the way of shifting labour to the non-farm sector and increasing the average size of land holding resulting in marginal productivity of labour and land increases.

Objectives of the Study

1. To find Indian agriculture status in current scenario.
2. To study about the relationship between agriculture sector and inclusive growth of India.
3. To identify the role of agriculture in GVA of Indian economy

Data source and methodology:

The analysis of the present research paper is based on secondary data. The figures and facts in this paper have been taken from official reports, websites etc. published by the Government of India. The research paper also used time series data from the last several years. Descriptive statistical methods have been used for the analysis.

Result and Discussion:

Current Scenario of Agriculture: Agriculture contributes a vital role in India's economy. 54.6% of the total workforce is working in agricultural and allied sector (Census 2011) and accounts for 17.8% of the country's Gross Value Added (GVA) for the year 2019-20 (at current prices).

Table-1. Growth Rates in Agriculture

| Periods | Agriculture Growth Rate of GDP % |
|--------------------|-------------------------------------|
| 1960-61 to 68-69 | 1.04 |
| 1968-69 to 75-76 | 2.24 |
| 1975-76 to 88-89 | 2.47 |
| 1988-89 to 95-96 | 2.76 |
| 1995-96 to 2004-05 | 2.28 |
| 2004-05 to 2014-15 | 3.72 |
| 2014-15 to 2017-18 | 2.55 |

Source:GOI (2017) upto 2014-15; Calculated from National Accounts Statistics for the period 2014-15 to 2017- 18.

In the 1960s, the agriculture growth rate was about 1% per year (Table 1). After that in other periods, the growth rate ranges from 2.2% to 2.7% per annum. The highest growth rate of GDP from agriculture was 3.7% per annum during 2004-05 to 2013-14-15. The growth rate in agriculture was 4.3% per annum in the period 2009-10 to 2013-14. This is one of the highest growth rates in independent India. The growth rate in agriculture GDP was 2.5% per annum in the last four years of the NDA period 2014-15 to 2017-18.

Gross Capital Formation (GCF) in the agriculture and allied sector as a proportion to GVA has been showing a fluctuating trend from 17.7 per cent in 2013-14 to 16.4 per cent in 2018-19, with a dip to 14.7 per cent in 2015-16.

Table-2. Gross Capital formation in Agriculture

| Year | GCF of Agriculture & Allied Sector (At 2011-12 basic price) |
|---------|--|
| 2013 | 17.7 |
| 2014-15 | 17 |
| 2015-16 | 14.7 |
| 2016-17 | 15.5 |
| 2017-18 | 15.5 |
| 2018-19 | 16.4 |

Source- Economic Survey 2020-21

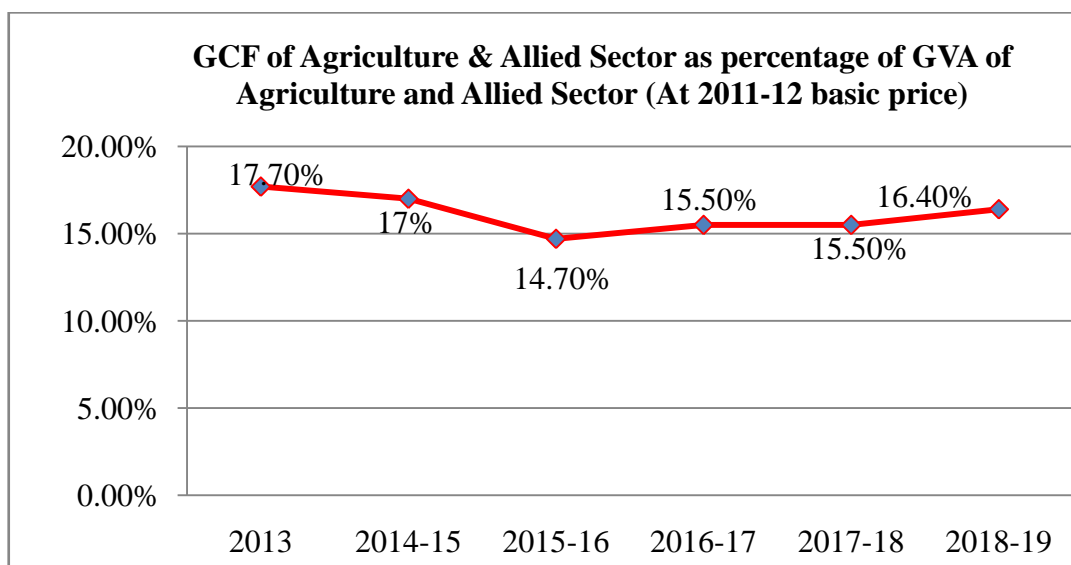


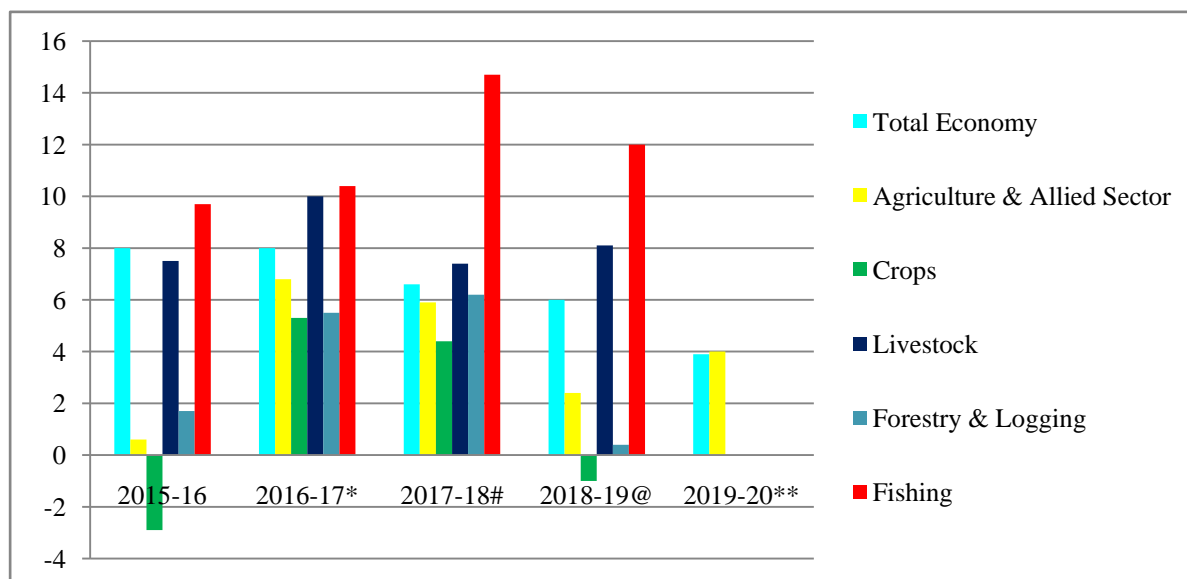
Table-3. Growth the GVA of Agriculture and Allied sectors at 2011-12 at base prices (In %)

| Year | Total Economy | Agriculture & Allied Sector | Crops | Livestock | Forestry & Logging | Fishing |
|-----------|---------------|-----------------------------|-------|-----------|--------------------|---------|
| 2015-16 | 8.0 | 0.6 | -2.9 | 7.5 | 1.7 | 9.7 |
| 2016-17* | 8.0 | 6.8 | 5.3 | 10.0 | 5.5 | 10.4 |
| 2017-18# | 6.6 | 5.9 | 4.4 | 7.4 | 6.2 | 14.7 |
| 2018-19@ | 6.0 | 2.4 | -1.0 | 8.1 | 0.4 | 12.0 |
| 2019-20** | 3.9 | 4.0 | | | | |

Source: Central Statistics Office, Ministry of Statistics and Programme Implementation, Govt. of India

**As per the press note on Provisional Estimates of Annual National Income 2019-20 released by CSO on 29th May 2020.

@As per the First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation for 2018-19 released on 31st January, 2020



The base price in agriculture and allied sector for 2011-12 decreased by -0.2 per cent in 2014-15, 0.6 per cent in 2015-16, 6.3 per cent in 2016-17, 5.0 per cent in 2017-18 and 2.9 per cent in 2018- 2019 increase was observed.

Production of food grain: The production of food grains has increased substantially during the XI Plan and XII Plan.

Table-4, The production during 2018-19 to Kharif 2019-20 is as under (In Million)

| Crops | Rabi/Kharif | 2018-19 | 2019-20 |
|---------------------|--------------|---------------|---------------|
| Rice | Kharif | 102.04 | 101.98 |
| | Rabi | 14.44 | 16.45 |
| | Total | 116.48 | 118.43 |
| Wheat | Rabi | 103.60 | 107.59 |
| Pulses | Kharif | 8.09 | 7.72 |
| | Rabi | 13.98 | 15.44 |
| | Total | 22.08 | 23.15 |
| Nutri/Coars Cereals | Kharif | 31.38 | 33.69 |

| | | | |
|-----------------|--------------|---------------|---------------|
| | Rabi | 11.67 | 13.79 |
| | Total | 43.06 | 47.48 |
| TotalFoodgrains | Kharif | 141.52 | 143.38 |
| | Rabi | 143.70 | 153.27 |
| | Total | 285.21 | 296.65 |

Source: Annual report 2019-20, department of agriculture, cooperation & farmers' welfare ministry of agriculture & farmers' welfare government of India

Table-5 AgricultureExportcontribution


| Year | Contribution in Percentage |
|--------------------|-----------------------------------|
| 2016-17 | 33.7 |
| 2017-18 | 39.5 |
| 2018-19 | 39.4 |
| 2019-20(April-may) | N.A |

Source: Directorate General of Foreign Trade, Ministry of Agriculture & Farmers Welfare, Global TradeAtlas (2019-20)

Role of Agriculture in Economic Growth:

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

- (1) Through providing food and raw material to non-agricultural sectors of the economy.
- (2) Through creating demand for goods produced in non-agricultural sectors, by the rural people purchasing power, earned by them on selling the marketable surplus.
- (3) Through provide investable surplus in the form of savings and taxes to be invested in the non-agricultural sector,
- (4) By earning valuable foreign currency through the export of agricultural products,
- (5) Employing a vast army of uneducated, backward and unskilled labour. If the process of economic development is to be initiated and made self-sustaining, it must begin in the agricultural sector.
- (5) The Economic Survey says "An amount of `18000 crores have been deposited directly in the bank account of 9 crore farmer families of the country in December 2020 in the 7th instalment of financial benefit under the PM-KISAN scheme."

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(6) The Livestock sector has grown at a CAGR of 8.15% over the last five years ending 2019-20. It has been a stable source of income across groups of agricultural households accounting for about 15% of their average monthly income.

(7) Government facilitates food processing through various measures of infrastructure development, subsidized transportation and support for the formalization of micro food enterprises.

(8) India runs one of the largest food management programmes in the world.

There are three goals of development in agriculture.

1- To achieve higher income for agriculture, non-farm and rural sectors by achieving a 4% increase in agricultural productivity including increasing land, labour, and maintaining food security.

2- Sharing development by focusing on small and marginal farmers, backward areas, women etc.

3-To maintain the sustainability of agricultural growth through focusing on protect the environment.

To achieve the above goals price policy, subsidies and investments, Land issues, irrigation and water management, research and extension, credit expansion, domestic market reforms and diversification, all these have to be developed at very fast rate.

Conclusion:

Efforts are continue to cover India with inclusive growth. Taking an effective initiative in this direction, the Central Government launched Krishi Samman Nidhiyोजना, National Agriculture Market (e-NAM), Pradhan Mantri Fasal BimaYोजना, Kisan Credit Card (KCC) scheme, Dairy Entrepreneurship Development Scheme, PradhanMantriUjjwalaYोजना on May 1, 2016, on the occasion of International Workers' Day, under which arrangements have been made to provide free LPG connections of women heads of BPL families. While the Stand-Up scheme was launched on April 5, 2016, to encourage entrepreneurship among Scheduled Castes/Scheduled Castes and Women by ensuring financial assistance, in May 2015 to ensure social security. The social schemes – Atal Pension Yोजना, Pradhan Mantri JeevanJyotiBimaYोजना and Pradhan Mantri Suraksha BimaYोजना are considered important. Shyama Prasad Mukherjee Rural-Urban Mission has been launched on 21st February 2016 with

the ambitious objective of transforming the rural areas of the country into economically, socially and physically sustainable areas.

The economy of any country depends to a great extent on the agriculture of that country. Even today there are many such countries in the world whose agriculture sector contributes a lot to the strong economy. The same agricultural sector plays an important role in India's economy as well and fills the government's treasury with foreign currency. Approximately one-third of the national income of our country comes from the agriculture sector. That is why we can say that our economy is largely based on agriculture. The agriculture sector provides strength to the economy of any country. And by providing raw materials, many industries there give speed to the businesses. The economy of our country also largely depends on the agriculture sector. Agriculture is one such sector. By adopting any person can move towards self-employment. Revolutionary change can be brought into the country from this area. In this way we found that both are related positively.

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