



Role of Agriculture in Economic Development

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Abstract For a long time, economists have debated on the relative importance of agriculture and industry in economic development of a country. Accordingly, different priorities have been assigned to these two key sectors of the economy in developmental planning. But the real issue is now whether agriculture should be accorded maximum priority in planning or, industrial development.

The truth is that agricultural development is possible without industry but the converse is not true, as industrial development is impossible without agriculture. History amply demonstrates that industrial revolution was preceded by agricultural revolution.

Keywords agricultural development, Indian economy

1. Introduction

Agriculture not only supplies food to a country's growing population, it also supplies raw materials to a large number of industries. In truth, most of India's traditional industries such as sugar, tea, jute, textiles, etc. are agro-based in nature. So a setback on the agricultural front adversely affects the growth of such industries. This is known as the supply linkage of agriculture with industry.

Agriculture has also demand linkage with industry. Agriculture creates demand for basic inputs such as chemical fertilizers, pesticides, etc., but also for capital goods, like tractors, pump sets, etc., and for light consumer goods such as two wheelers, radios, mobiles, TV sets etc., more so after the recent trend towards rural electrification.

With transformation of traditional agriculture, there is specialization which leads to production for exports. If, at the same time, industry develops under the impact of agricultural growth, the two sectors become highly interdependent.

The industrial sector adds to demand for agricultural goods, and absorbs surplus labour which may raise yield per hectare. In turn, the agricultural sector provides a market for industrial goods out of rising real income, and makes a further contribution to development, through the release of resources—if productivity rises faster than the demand for commodities.

Thus, agricultural development is so much important for reducing urban unemployment and income inequality. Moreover, understanding the interactions between agriculture and the other sectors of the economy is crucial for shaping appropriate developmental policies.

Although agriculture is the dominant sector of the economy, it is characterised by low productivity and low supply elasticity. The low productivity per worker implies that the major proportion of the output is absorbed within agriculture itself, i.e., self-consumption is high. So, little surplus is left for use in industry and other sectors.

Thus, the larger the proportion of agricultural output absorbed by the industrial sector, the greater is the market for industrial goods. Agricultural growth—along with growth in exports and public investment—could lead to an external increase in demand for industrial goods.



2. Importance of Agriculture in Indian Economy

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.

Agricultural influence on 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%.

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.

Agriculture makes provision for food for the ever increasing population:

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 capita income, the demand for food rise steeply (in other words it can be stated that the income elasticity of demand for food is very high in developing countries).

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. If it fails to do so, the whole process economic development will suffer a setback.

Supply of raw material to agro-based industries:

Agriculture supplies raw materials to various agro-based industries like sugar, jute, cotton textile and vanaspati industries. Food processing industries are similarly dependent on agriculture. Therefore the development of these industries entirely is dependent on agriculture.

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.

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. Indian railway along with the state transport system also earn a handsome revenue as freight charges for agricultural products, both-semi finished and finished ones.

3. Problems with Indian Agriculture

Recently, India witnessed several protests and agitations by the farmers. This triggered the debate about agriculture related problems in India. Here we have explained what are those problems which have been plaguing agriculture sector in India.

Modern Indian history has been marked by several peasant revolts that were based on underlying economic fault lines.

Currently, the agricultural sector is going through most stressed phase in the last three decades. India saw such distress caused by consecutive deficient rains during the drought of 1986-87 and 1987-88.

And, in 2014 India suffered a bad monsoon which only aggravated the crisis in agriculture.



As it's a well-known fact that around 65% of India's agriculture depending on rain and more than half the population on agriculture, too little or too much rain is always a harbinger of trouble. In recent months there have been many protests led by the farmers of various states such as Andhra Pradesh, Madhya Pradesh and Punjab.

So, in such agricultural circumstances, it is important know what are those major reasons which have been causing severe problems in Indian agriculture.

- i. Rural- Urban Divide
- ii. Lack of Investment in Agriculture
- iii. Lack of Effective Policies
- iv. Negligence of Natural resources
- v. Impact of Demonetization
- vi. Excessive Interventions on Prices
- vii. Irrigation Facilities
- viii. Sluggish Fertilizer Industry
- ix. Dependency on Monsoon
- x. Inefficiency of Farmer Producer Organizations

4. Government Schemes and Programmes in Agriculture

Welfare of farmers has been the top priority of Government of India. For this it has implemented different schemes or yojana to revive agriculture sector and to improve the economic conditions of farmers.

These agricultural schemes are very beneficial for the farmers and they must know about it so as to take its benefit. So through this article we will tell you about some of the most useful and popular government schemes for farmers in India.

- i. Important government schemes in agriculture
- ii. PM-Kisan Scheme
- iii. Pradhan Mantri Kisan Maandhan yojana
- iv. Kisan Credit Card (KCC) scheme
- v. Pashu Kisan Credit Card Scheme
- vi. Paramparagat Krishi Vikas Yojana (PKVY)
- vii. Pradhan Mantri Krishi Sinchai Yojana (PMKSY)
- viii. National Agriculture Market (e-NAM)
- ix. Dairy Entrepreneurship Development Scheme
- x. Rainfed Area Development Programme (RADP)
- xi. Soil Health Card Scheme
- xii. National Mission for Sustainable Agriculture (NMSA)

5. Conclusion

Overall, the Green Revolution was a major achievement for India and gave unprecedented level of national food security. It represented the successful adaptation and transfer of technologies from developed countries. The Green Revolution also lifted large number of poor people out of poverty and helped many non-poor people avoid poverty and hunger. The largest benefits to poor were mostly indirect in the form of lower food prices, increased migration opportunities and greater employment in the rural non-farm economy. At the same time, Green Revolution had many negative environmental impacts that have still to be adequately redressed. By building on the strengths of the Green Revolution while seeking to avoid its weakness, scientists and policymakers can take significant steps towards achieving sustainable food security for all the world's people.

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