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Contribution of Agriculture in Indian Economy

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Abstract:

The foundation of any economy is its agricultural sector, which supplies humanity's basic needs as well as the raw materials needed for industrialization today. The agricultural sector is strategically important to a nation's process of economic growth. Its impact on the economic progress of both rich and developing nations has been substantial. The majority of people in India—roughly 67%—live in villages. Agriculture and associated activities are their main occupation. About sixteen percent (17%) of India's GDP and ten percent (10%) of its exports come from the agricultural sector. Approximately 60% of the workers in the nation is employed by it. More over 70% of Indians work in agriculture, making it the biggest and most significant economic sector. It implies that the output and production of agriculture contribute to the general economic development of the nations that are primarily agricultural. Moreover, with less capital input, agricultural productivity may be increased more quickly. After independence, India's agricultural sector became increasingly important as the country realised that growth in this sector was necessary for the country's economy to expand. Thus, the development of the agriculture sector was one of the primary goals of India's first five-year plan, which was centred on agricultural development. The nodal agency in charge of the growth of India's agriculture industry is the Department of Agriculture and Cooperation, which is a division of the Ministry of Agriculture. The Indian government implemented a number of measures to boost agricultural output, and the output of food grains grew as a result. For the majority of Indian families, agriculture is the primary source of income. India is the second-largest country in terms of overall arable land area, with over 60% of its land area being arable.

Keywords: Agriculture development, Economy, Occupation, GDP and Agriculture output.

Introduction:

The Indian economy's most significant industry is agriculture. The world's top producer of wheat, rice, pulses, spices, and spice-related items is India. There are numerous business opportunities in India, including dairy, meat, poultry, fisheries, and food grains. India is currently the world's second-largest producer of fruits and vegetables. In India, about 50% of the population works in agriculture, making it country rich in agricultural resources. Agriculture is the practice of cultivating specific plants and rearing domesticated animals (livestock) to produce food, feed, fibre, and many other desired items. India's increased agricultural output has been largely attributed to agricultural finance. A greater use of contemporary inputs such as fertilisers, high-yielding variety seeds, irrigation, and other inputs, together with growing loan requirements supplied by agricultural finance institutions, were the hallmarks of the Green Revolution. (Sharma, 2012). The main functions of agriculture are to feed the populace, supply raw materials for industry, create jobs for a large number of people, provide capital for agrarian expansion, and, if done well, produce surpluses for the national economy. The National Statistical Office (NSO), Ministry of Statistics and Program Implementation (2021) reported that the country's Gross Value Added (GVA) over the previous three years at current prices was accounted for by the Agriculture and Allied Sectors.

Role of Agriculture in Indian Economy:

- The most significant industry in the Indian economy is agriculture. Around 50% of India's workforce is employed in the agriculture industry, which generates 17–18% of the nation's GDP, according to the Economic Survey (2017–2018). Thus, it is appropriate to refer to India's agriculture sector as the country's economic foundation.
- Assuring food security, lowering poverty, and maintaining prosperity in India are all made possible by the agriculture and related sectors.
- **Agriculture is a major source of employment:** In India, more than two-thirds of the working population is directly employed in agriculture, and they also rely on it for their subsistence.
- **Raw material supply to agro-based businesses:** India's agriculture has historically been a major source of raw material supply for a number of significant industries in our nation. Plantations that produce edible oil, sugar, jute and cotton textiles, and vanaspati.
- **Industrial product market:** Growing rural purchasing power is a key driver of industrial development in emerging nations like India, where over two thirds of the population resides in rural areas.

Review of Literature:

Dev and Rao (2010) found that throughout the previous three decades, farmers' actual prices were more than the minimum support price (MSP) or procurement price (PP). In comparison to

Punjab, Haryana, and Madhya Pradesh, it was also noted that price realization was significantly lower in states like Orissa, Bihar, Assam, West Bengal, and Uttar Pradesh. Due to its primary effect on land allocation rather than crop productivity, the price policy has little effect on raising agricultural production. It is noteworthy that non-price elements that impact productivity and production include technology, public irrigation investment, agricultural research and development, extension services, irrigation, rural infrastructure, and so on. Therefore, to speed up the expansion of the agriculture sector, more attention needs to be paid to non-price initiatives.

Dhingra (2010) declared that using superior seed strains is crucial to raising agricultural output. The farmer cannot maximise the benefits of other inputs, such as irrigation, fertilisers, pesticides, and machinery, unless he has high-quality seeds of appropriate types. Because HYV seeds produce a high yield and good economic returns, they enable farmers to transition to intensive agriculture.

Cagliarini and Rush (2011) demonstrated that, despite its declining economic share over the previous 50 years, India's agriculture industry is still vitally essential to the country's economy. India's agricultural output has advanced significantly in the last few decades thanks to the development of high-yield seed varieties, increased fertiliser use, and enhanced water management techniques. Changes to the systems for distributing land, managing water, and distributing food would increase production even more and assist India in meeting its rising food demand.

Borthakur and Singh (2012) found that the history of agricultural research's expansion and advancement in India is fascinating. India's agricultural research system is arguably the largest in the world, with over 100,000 support staff members and 27,500 scientists actively involved in agricultural research, having its roots in the colonial era. They are dispersed across many organisations, including general universities, agricultural universities, and the ICAR system. Within the current research system, national research and education efforts are primarily supported, encouraged, and coordinated by the Indian Council of Agricultural Research (ICAR). In terms of the investment system, technology transfer, and other facets of India's agricultural growth, five-year plans are crucial. Despite the fact that agriculture has been the backbone of the Indian economy.

Sharma (2012) declared that The findings unequivocally demonstrate that, in the post-reform era, the growth rate of real agricultural GDP decreased (5.8% in the 8th Five Year Plan to roughly 2.5%) while the GDP growth rate of non-agriculture climbed dramatically from 5.4 to 9.3% in the same time frame. But in the post-reform era, the GDP disparity between agricultural and non-agriculture grew dramatically. A slowdown in agricultural growth relative to non-agricultural GDP was shown by the lowest ratio of real agricultural GDP growth rate (0.27) to total real non-agricultural GDP growth rate (1.07) in the 10th Five Year Plan period compared to the 8th Five Year Plan period.

Arjun (2013) showed that India is currently one of the top two farm producers in the world and that agriculture plays a significant role in the country's economy. About 52% of all jobs in India are found in this industry, which also generates about 18.1% of the country's GDP. For over two thirds of India's employed class, agriculture is their only source of income. According to the financial year 2006–07 economic data, 18% of India's GDP comes from agriculture. Almost forty-three percent of India's land area is used for agricultural purposes.

Himani (2014) stated that the growth of an economy depends heavily on agriculture. In actuality, it is a must for economic advancement. Over 25% of the agricultural GDP comes from the livestock industry, mostly from the dairy sector. 70% of India's rural families, most of whom are poor and led by women, rely on this sector for their income. Although milk production has been growing quickly 4% annually, the domestic market is predicted to rise by at least 5% annually in the future.

Madhusudhan (2015) studied that The majority of Indians rely on agriculture either directly or indirectly. Some people work directly in agriculture, while others are in the business of selling these products. India possesses the ability to manufacture food grains, which might have a significant impact on the country's economy.

Reddy (2015) revealed that India currently ranks among the top two agricultural producers in the world, and agriculture plays a significant role in the country's economy. About 52% of all jobs in India are found in this industry, which also generates about 18.1% of the country's GDP. For over two thirds of India's employed class, agriculture is their only source of income. More than 70% of rural households are reliant on agriculture. With over 60% of the workforce employed in agriculture and contributing over 17% to the country's GDP, it is a significant economic sector in India. An important area of the Indian economy is agriculture.

Wagh and Dongre (2016) concluded that agricultural exports are the fourth-largest exported major commodity, accounting for 10% of the nation's exports. India's agricultural sector can be broken down into a number of smaller industries, ranging from fisheries, meat, poultry, and food grains to canned, dairy, processed, and frozen foods. The Ministry of Agriculture's Department of Agriculture and Cooperation is in charge of the agriculture sector's growth in India.

Reddy and Dutta (2018) studied that the statistical significance of factors such as pesticides, electricity, rainfall, and seeds suggests that they have a noteworthy influence on agricultural GDP in the given data period. Electricity and pesticides have a detrimental impact on agricultural GDP. Seeds and rainfall both boost the GDP of agriculture.

Chand (2019) revealed that the country's agricultural output increased by roughly 2.9% annually. There was a projected 2.3% increase in domestic demand. As a result, the surplus that is available for export will increase even more in the upcoming years, and India will have to sell a

larger share of its domestic output in foreign markets. According to him, sustainable land and water usage, clean air, and climate change are all dependent on agriculture. Climate change and sustainability have agriculture as a part of the problem as well as a part of the solution. The country's agricultural output increased by roughly 2.9% annually. The Indian Economic Association's annual conference revealed that the 13.3% GDP to investment ratio in agriculture is quite low. The breakdown of all agricultural investments reveals that families, or farmers themselves, account for 78.2 percent of the total, with state investments making up the remaining 19.4%. Less than 2.5 percent of investments in the agriculture industry come from the private corporate sector.

Mukherjee et al. (2022) revealed that The volatility of food prices in India can be partially attributed to supply-side obstacles such as low governmental investments, insufficient cold storage capacity, and a developing food processing industry. Since 2012–2013, the production of horticulture has exceeded that of food grains, and it currently makes up around 35% of the overall value of crop output in the agriculture industry. He demonstrated how India has become a major global producer of a range of agricultural commodities (Chart 4), and how its proportion of the world's trade in goods from the agricultural and related sectors has doubled from 1.1% in 2000 to 2.2% in 2018 (GoI, 2020). In 2020–21, the agriculture and related sectors accounted for 14.2% of India's overall exports.

Conclusion:

Development of agriculture is essential to low-income developing nations' economic expansion, rural development, and reduction of poverty. Both within and outside of the agricultural industry, increases in agricultural productivity are a major factor in economic growth and the fight against poverty. The largest contributor to India's GDP is agriculture. India's economy depends heavily on agriculture, not only because it contributes to "GDP," but also because it employs a sizable percentage of the workforce. In order to create a diverse, highly productive, and internationally competitive agricultural economy, policymakers must abandon the current "subsidy-based regime," which is no longer economically feasible, and adopt a more substantial approach. Non-governmental organizations must be involved in this situation in order to train and organize the rural poor to meet the challenge of liberalization. In order to optimize the benefits of domestic economic changes, greater caution must be taken while formulating state-specific liberalization policies. By guaranteeing a fair price through minimum assistance and procurement laws, the government can also assist the producers of agricultural commodities. The government is responsible for maintaining price stability, supply of inputs, and market stability.

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