



## A brief review on role of Agriculture in Indian Economy

B. Bondyalu

*Department of Economics, S.S.R.J. Arts & Science College, Khammam*

### Abstract:

Agriculture is the most important sector of Indian Economy. Indian agriculture sector accounts for 18 per cent of India's gross domestic product (GDP) and provides employment to 50% of the countries workforce. India is the world's largest producer of pulses, rice, wheat, spices and spice products. India has many areas to choose for business such as dairy, meat, poultry, fisheries and food grains etc. India has emerged as the second largest producer of fruits and vegetables in the world. According to the data provided by Department of Economics and Statics (DES) the production of food grains for the year 2013-2014 is 264 million tons which is increased when compared to (2012-2013) 257million tons. This is a good symptom for the Indian economy from the agriculture sector. India remains among main three as far as production of different agricultural things like paddy, wheat, pulses, groundnut, rapeseeds, natural products, vegetables, sugarcane, tea, jute, cotton, tobacco leaves and so on. On the other hand, on advertising front, Indian agribusiness is as yet confronting the issues, for example, low level of business sector reconciliation and integration, availability of dependable and convenient information needed by farmers on different issues in farming.

### Introduction

Agriculture occupies a very important place in the economic life of our country. It is the backbone of our economic system. India is primarily an agricultural country. Agriculture is the source of livelihood for almost two-thirds of the labour force in the country. The importance of agriculture in the national economy is explained below:

### Role of agriculture in Indian economy

- (1) ***Importance in National Income.*** Agriculture is the main source of national income. Its share in national income has been decreasing steadily. For instance, the share of agriculture (including forestry, fishing and mining) in national output was 59.2% in 1950-51 and 15.7 per cent
- (2) ***Employment.*** Agriculture provides employment and work to an overwhelming majority of the



Indian masses. According to the population census of 2001; 584% of the total main & marginal workers in India was engaged in agriculture (The present rate is 52.1% in 2008-09) Besides, a large number of people earn their living by working in occupations dependent on agriculture ; like storage, processing, trade and transport of agricultural products. In villages, about eighty per cent of the people earn their livelihood from cultivation and allied agro-industries. A large part of the labour force in towns and cities also finds jobs in agro-based industries and other activities related with agriculture. This shows that the dependence on agriculture is quite high directly as well as indirectly.

**(3) *Main Source of Livelihood.***

The main source of livelihood in India is agriculture. Six out of every ten workers in India depend on agriculture. This proportion is very high and what is remarkable is that between 1901 and 1971, this proportion remained almost stagnant at about 70%. But as per 1981 census, there was a favourable turn, because this share came down to 67%, a drop for the first time by about 3 percentage points in a decade. In 1991, it was 64.8% and in 2001 it further declined to 58.4% as indicated earlier. In industrially advanced countries like U.K, U.S.A., Germany, Canada, etc., the number of people dependent on agriculture is very low, as compared to India.

**(4) *Food and Fodder.*** In India, agriculture meets almost the entire requirements of foodgrains for the people. Here a large proportion of income is spent on food. The total production of foodgrains for the year 2007-08 was about 230.78 million tonnes while it was 233.88 million tonnes in 2008-09 (fourth advanced estimates). It fluctuates from year to year based on weather conditions. Agriculture also provides fodder to sustain livestock whose number runs into several crores.

**(6) *Industrial Development.*** In India, agriculture plays an important role in industrial development. Agriculture provides raw material to the industries. Cotton and jute textile industries, sugar, vanaspati and plantations depend on agriculture. There are many other industries which depend on agriculture in an indirect manner. A large number of our small-scale and cottage industries like handloom, khadi, oil-crushing, rice husking, coir, sericulture, etc. depend on agriculture for their raw materials. Agriculture also provides a market for industrial products.

**(7) *Capital Formation and Investment.*** Since agriculture contributes about 22% of the national income in real terms, this sector is the primary source of savings and hence of capital



formation for the economy. At present a major part of productive assets of the country is in the form of agricultural assets like land, irrigation facilities, tractors,

agricultural implements, ploughs, pump sets, storages, etc.

Gross Capital Formation in Agriculture (at 2004-05 Prices)

Year	2004-05	2005-06	2006-07	2007-08	2008-09
Share in %	2.66	2.87	2.65	2.83	3.34

*Economic Survey—2009-10.*

**(8) International Ranking.** At the international level, Indian agriculture has a fairly high ranking in certain commodities. In the case of tea, India occupies the top position in the world, in rice (paddy) and wheat production it ranks second, and in the case of tobacco also it occupies second rank in the world. In milk production (cow and buffalo) it has second rank, in butter and ghee first rank and in sugar also it has first rank in the world.

**(9) Internal Trade and Transport.**

Internal trade in the country is mostly carried on in the agricultural products. It constitutes trade in raw materials and foodgrains etc. for meeting the needs of industries and consumers respectively. The main support for railways and roads, which transport bulk of agricultural products in India comes from agriculture.

The importance of agriculture in India arises also from the fact that the development of agriculture is an essential condition for the development of our economy. According to Prof. Nurkse, surplus

population in agriculture should be shifted to and used in the newly started industries and public works in rural areas. By doing so agricultural productivity will be increased on the one hand, and new industrial units would be set up with the use of surplus labour on the other hand. Thus, it may be concluded that general economic development will require agricultural development either to precede it or to go hand in hand with it.

Agriculture is not only the largest and the most important sector of Indian economy, but also the most backward one. The growth of agriculture, both in the quantitative and qualitative dimensions, therefore, is of vital importance for the growth of the entire economy.

As one of the world's largest agrarian economies, the agriculture sector (including allied activities) is accounted for 157 per cent of GDP (at constant 2004-05 prices), in 2008-09, compared to 189 per cent in 2004-05, and contributed approximately 102 per cent of total exports during 2008-09.



Indian is an agriculture based country, where more than 50% of population is depend on agriculture. This structures the main source of income. The commitment of agribusiness in the national income in India is all the more, subsequently, it is said that agriculture in India is a backbone for Indian Economy. The contribution of agriculture in the initial two decades towards the total national output is between 48% and 60%. In the year 2001-2002, this contribution declined to just around 26%. The aggregate Share of Agriculture and Allied Sectors, Including agribusiness, domesticated animals, and rangeland service and fishery sub segments as far as rate of GDP is 13.9 percent during 2013-14 at 2004-05 prices. Agricultural exports constitute a fifth of the total exports of the country. In perspective of the overwhelming position of the Agricultural Sector, gathering and support of Agricultural Statistics expect incredible significance.

According to the fourth Advance Estimates of Production of food grains for 2013-14, aggregate food grain production is assessed to be 264.77 million tons (MT). Export of spices from India are relied upon

to reach US\$ 3 billion by 2016-17, on the back of imaginative promoting strategies, inventive bundling, quality in quality and an in number appropriation system. The Indian flavors business is pegged at Rs 40,000 crore (US\$ 6.42 billion) every year, of which the marked portion represents 15% [3].

The National Food Security Mission (NFSM) was launched from Rabi, 2007-08. The fundamental targets of the National Food Security Mission (NFSM) is to expand production of rice, wheat, pulses and coarse cereals through region extension and efficiency upgrade in a supportable way in the recognized locale of the nation; restoring soil ripeness and profitability at the individual ranch level; and improving farm level economy (i.e. ranch benefits) to restore confidence amongst the farmers. The Mission met with a staggering achievement and accomplished the focused on extra generation of rice, wheat and heartbeats. The Mission is being kept amid Twelfth Five Year Plan with new focuses of extra generation of sustenance grains of 25 million tons including 10 million tons of rice, 8 million tons of wheat, 4 million tons of pulses and 3



million tons of coarse cereals by the end of twelfth five year plan.

Training is an important procedure of capacity building of people as to enhance the execution. Consequently, training needs appraisal is imperative to the training process. It serves to recognize present issues and future difficulties to be met through training and improvement. It is obliged to figure out the needs of individual trainee on which proficient skills ought to be assembled to do the relegated occupation in the associations.

The 6% of agricultural production is converted in to processed food, which is focused to achieve 20% in coming future. The business is work escalated and contributes around 50% for industrial production. Multi-National Food Companies have assumed a part of making business sector draw and rivalry. Selection of inventive and experimental bundling strategies by food industry has empowered the assembling of sheltered and quality sustenance.

### Conclusion

Most of the Indians are directly or indirectly depending on the agriculture. Some are directly attached with the farming and

some other people are involved in doing business with these goods. India has the capacity to produce the food grains which can make vast difference in Indian Economy. To achieve targeted mark by the government it needs to provide support in case of land, bank loans and other machineries to the small farmers along with the big farmers with this we can expect some improvement in Indian economy.

### References

- Ministry of External Affairs (2015) India in Business. Investment and Technology Promotion Division, Govt. of India.
- <http://www.ccsniam.gov.in/research/KCG%20Final%20report.pdf>
- Indian Brand Equity Foundation (2015) Indian Agriculture Industry: An Overview. Ministry of External Affairs (2015) India in Business. Investment and Technology Promotion Division, Govt. of India.
- Pandey MM (2009) Indian Agriculture–An Introduction. Fourth Session of the Technical Committee of APCAEM Chiang Rai, Thailand, pp. 1-39.
- Arjun KM (2013) Indian Agriculture- Status, Importance and Role in Indian Economy. International Journal of Agriculture and Food Science Technology 4: 343-346.