THINK INDIA JOURNAL

ISSN:0971-1260

Vol-22-Issue-10-November-2019

A Study On Role Of Agriculture For Economic Growth

J.Priyanka,M.A, M.Phil
Assistant Professor
Department Of Commers and Management,
Christ College, Kilachery402

ABSTRACT

The majority of the population in India lives in villages. The village is the back bone of the country. Village or rural agriculture play an important role in the national economy, particularly in the rural agriculture development. This study provides the theoretical framework and empirical model for productivity growth evaluations in agricultural sector as one of the most important sectors in agriculture economic development plan. We use the Solow residual model to measure the productivity growth share in the value-added growth of the agricultural sector. Our time series data includes value-added per worker, employment, and capital in this sector. Considering the effective role of capital in the agricultural low productivity. Agriculture sector also known as primary sector is essential for economic growth in any economy including India. The battle for long-run economic growth is either won or lost in the agricultural sector. This study empirically examines the impact of agricultural sector on the economic growth of India. Agriculture economic growth rate is the bedrock of economic growth in the India development and poverty eradication in the developing countries. Agriculture economic growth rate had been also regarded as the engine and panacea to economic growth prosperity. The agriculture economic growth rate is battle for long-term economic growth will be won or lost in the agricultural sector. There are three goals of agricultural development in India. These are: (a) achieving high growth by raising productivity; (b) inclusiveness by focusing on lagging regions, small farmers and women; and (c) sustainability of agriculture. In this paper,

KEYWORDS: Agricultural Sector and Development, Economic Growth, sustainability

1. INTRODUCTION

India's agriculture economic growth sector continues to be the lifeline of its people and a key factor in the economy's overall productivity. Government agencies that provide services such as sanitary regulations, food inspection, and market information and supervision Historically, India's agriculture growth has lagged growth in the overall economy. Increasing profitability in agriculture through higher productivity has been an important goal in developing countries like India. Government to determine the subsidy for the consumption of a popular product or the penalty of a product that is detrimental to the health. It has become a agriculture economic growth rate more relevant in recent years due to limited scope for expansion of arable land.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

Indian agriculture economic growth rate was geared towards the production of commercial crops (tea, coffee, rubber, cotton, etc.), while the food crops suffered from neglect. The farm sub-sector includes all the farm-firms that grow crops and raise livestock, usually for sales. finally identifying the key policy issues and strategies to accelerate sustainable broad-based growth in the agriculture sector in the country. Small sized when compared with other production units in the manufacturing sector.

The importance of agriculture in the economic development of a country is unbeatable. In the words of Johnston and Mellor, "certain aspects of agriculture's role* appear to have a high degree of generality* because of special features that characterize the agricultural sector during the course of development".

This chapter is divided in to sub sections. First the basic concept of agriculture and the scope of agriculture in India including agricultural land use classification in India have been explained. In the next section the overall contribution of agriculture in various sectors in India like national income, employment, international trade, agricultural export and import, industries, tertiary sector, capital formation, purchasing power of people, revenue to the government and economic planning have been analyzed using tables, figures and statistical methods. After that how agriculture is responsible for the overall economic growth. In last section of the chapter, overall conclusion obtained from the study of agriculture sector in economic development of India.

Agricultural development is important for raising the incomes of population dependent on agriculture and growth of non-agricultural sector. There are significant linkages between farm and non-farm sectors. The theory of ‘unbalanced growth’ discusses sectoral linkages and also indicates that agriculture could not become a leading sector due to its weak backward linkages (Hirschman, 1958)Agriculture plays a vital role in the Indian economy

2. OBJECTIVES OF THE STUDY

The following are the objectives of the present study:

- To Role of agriculture in driving economic growth
- To Role of agriculture in reducing poverty
- To provide a basis of monitoring and evaluation
- To Role of agriculture in providing productive employment

METHODOLOGY AND DATA:-

The present study is based only on secondary data. The data were collected from books, journals, website and annual reports.

There have been several methods presented in the last decades for measuring the total factor productivity. However, there are two general methods suggested in economics literature including

ISSN:0971-1260

Vol-22-Issue-10-November-2019

parametric and non-parametric methods. In the parametric method, productivity would be calculated by estimating production, cost or profit functions. The correlated original variables are transformed into a new set of uncorrelated variables using the correlation matrix. This statistical technique linearly transforms an original set of variables into a substantially smaller set of uncorrelated variables that explain most of the information in the original set of variables. In the non-parametric method, productivity would be determined using mathematical programming, calculating index numbers or by growth accounting methods (Diewert, 1981 & 1992). Based on the growth accounting method, we can consider the output growth derived from an input growth (like labor or capital) and a change in the total productivity.

The stochastic form of the model is as follows

$RGDP/CAt = \beta 0 + \beta 1Agoutput + \beta 2OR + Ut$

Where, our apriori expected sign for β1 and β2 is positive,

- RGDP/CA = Real gross domestic product per capita,
- β0 = intercept (constant),
- A output = Agricultural output (% GDP),
- OR = Oil rent (% GDP),
- Ut = Stochastic term (unobserved).

BACKGROUND: SOME FACTS

In the discussion of the role of agriculture in economic development, a leading question is how agriculture contributes to economic growth, and especially to pro-poor growth. There seems to be a paradox in the role of agriculture in economic development. The share of agriculture contributing to GDP is declining over the years. At the same time, the productivity of for instance cereal yields has been increasing. It seems that as agriculture becomes more successful, its importance declines in the overall economy. Of course, other sectors in the economy can be even more successful, such as the Indian Tigers.

AGRICULTURE THE BACKBONE OF INDIAN ECONOMY

India is principally an agricultural country. These economic activities gravitate around the production of food, and they involve many different economic actors at different production and transformation stages. There is a continuous steady decline in its contribution towards the GDP, and the agriculture sector is loosing its shine and anchor position in Indian economy. The problems with which the Indian agricultural economic growth rate scenario is burdened in present times are many but this in no way undermines the importance of the sector, and the agriculture economic growth role it can play in the holistic and inclusive growth of the country. Agriculture economic growth rate is fundamental for sustenance of an economy as is food for a human being. The global experience of Indian economic growth and poverty reduction shows that GDP growth originating in agriculture economics is at least twice as effective in reducing poverty as GDP growth

ISSN:0971-1260

Vol-22-Issue-10-November-2019

originating outside agriculture. Agriculture economic growth rate is and will continue to be the engine of the national growth and development. Importance Of Indian Agriculture economic growth rate plays a crucial role in the life of an economy. It is the backbone of our economic system. Agriculture not only provides food and raw material but also employment opportunities to a very large proportion of population.

The following facts clearly highlight the importance of agriculture in this country.

- Source of Livelihood
- Contribution to National Income
- Supply of Food and Fodder
- Importance in International Trade.
- Marketable Surplus
- Source of Raw Material
- Importance in Transport
- Contribution to Foreign Exchange Resources.
- Vast Employment Opportunities
- Overall Economic Development
- Source of Saving
- Source of Government Income
- Basis of Economic Development

NATURE AND SIGNIFICANCE OF AGRICULTURE ECONOMY

Agriculture is considered the backbone of Indian Economy and the growth rate of the economy is strongly influenced by the performance of agriculture. The reason underlying this assertion is that among the nine major sectors, agriculture remains the largest sector of the economy. Before going in deep with contribution of agriculture to National Income, we should first know the concept of agriculture economic growth rate is the total net earnings from the production of goods and services in a country over a period of time, usually one year, and consisting essentially of wages, salaries, rent, profits, and interest and net factor income from abroad or National Income is defined as the value of all final goods and services produced by the normal residents of a country, whether operating within the domestic territory of the country or outside, in a year.

Agriculture is the oldest industry in the World and the largest even today. The major part of the population of the World is dependent upon it for a living. And its contribution to economic development of a country is significant. Economic development may be defined as transformation of an economy which is predominantly agricultural and traditional; into one of largely industrial and modern. In the former, agricultural and non-agricultural sectors remain separate presenting economic dualism, while in the latter they get integrated. The role and functions* of agricultural development have figured prominently in the theories of development, particularly since the Second World War.

SCOPE OF AGRICULTURE ECONOMIC DEVELOPMENT IN INDIA

In India, population pressure is increasing while area under cultivation is static or even shrinking, which demand intensification of cropping and allied activities in two dimensions i.e., time and space dimension. India is endowed with tropical climate with abundant solar energy throughout the year, which favours growing crops round the year. There is a vast scope to increase irrigation potential by river projects and minor irrigation projects. In additional to the above, India is blessed with more labourer availability. Since agriculture is the primary sector, other sectors are dependent on agriculture. The picture of the scope of agriculture in India gets cleared with the details of Land use classification in all over India. Here are the concepts and definitions of geographical area, reporting area for land utilization, cultivable land, not cultivable land, fallow land, net area sown, etc. of Land use statistics.

ROLE AND FUNCTIONS OF AGRICULTURE:

The services enhanced by the Green Revolution in the agriculture sector of Indian economy are as follows:

- Share in National Income
- Largest Employment Providing Sector
- Contribution to Capital formation
- Providing Raw Material to industries
- Market for Industrial Products
- Plan protection activities through prudent use of fertilizers, pesticides.

Two possibilities for structural transformation

- It can be driven by productivity improvements within the agricultural sector
- It can be driven by productivity improvement outside the agriculture sector

IMPORTANCE OF AGRICULTURE IN INDIAN ECONOMY

It is obvious, that the agricultural sector has to play an important role in the Indian Economy where its contribution to national income, foreign exchange and employment is undoubtedly impressive. Official estimates of national income and its components are available on a regular basis, only since 1948-49. It is estimated by individual scholars like Dadabhai Naoroji, Curzon, Vakil, Muranjan and administrators at different points of time that the contribution of agriculture to national income since the later part of the nineteenth century till about World War I had remained around 66 per cent (or two-thirds). V.K.R.V. Rao estimated that the proportion of agriculture to the total output was 57 per cent during the period 1925-29 and 53 per cent for 1931-32. It is observed that the share of agriculture in national income has been decreasing steadily.

CONCEPTUAL FRAMEWORK

The present study considers rural agriculture economic to include economic infrastructure (irrigation, electricity, transport, telecommunication); institutional infrastructure (market, credit); and social infrastructure (education and health). These infrastructures contribute to agricultural development, either directly or indirectly. Agricultural development is a multi-dimensional phenomenon where different factors and conditions should work together to achieves the potential level of output.

The provision of both economic and institutional infrastructure, while making basic services and facilities available to the farming population, assumes that the producers have the required skills and competencies to tap their full potential. In this regard, the development of social infrastructure becomes important as it contributes to the development processes indirectly. Upgrading the skill formation of the farmers to achieve greater operational precision in accessing and utilisation of services by other infrastructural facilities is significant (Acharya et al, 1992). Such social infrastructure has not received as much attention in agricultural research literature as much as the economic and institutional infrastructure. When all three types of rural infrastructures are combined together with better agricultural input such as improved seeds, fertiliser and agricultural machinery, they contribute to decisions on inputs and farming practises thereby increasing agricultural production. Further, the infrastructures should be made available in rural areas. At the same time, it is proposed that, these facilities and services of the public need to be utilised to their fullest potential to benefit from these investments and reach greater levels of agricultural productivity. In our framework, economic policy and political factors are seen as exogenous factors that are required to invest in infrastructure

3. CONCLUSION

In this study, we investigate the theoretical framework and empirical model to estimate the productivity growth rate in the agricultural sector as one of the most important sectors in Iran's economic development plan. Therefore, productivity management plans should be applied in order to increase the overall productivity by improving the way physical and human capital is used in the agricultural sector and its subsectors.The role of government and the size of that relative to the whole economy is another important fact to be considered in Iran as a developing country.

This study reveals that in the short run, a positive statistical relationship exists between natural logarithm value of agricultural output and RGDP. This shows that agriculture is a viable source of economic growth in India.

There are three goals of agricultural development. These are: (a) achieving high growth by raising productivity; (b) inclusiveness by focusing on lagging regions, small farmers and women; and (c) sustainability of agriculture.

ISSN:0971-1260

Vol-22-Issue-10-November-2019

4. REFERENCES

[1] Acharya, S.S. (2016), "Agricultural Price Policy and Development: Some Facts and Emerging Issues", in Indian Society of Agricultural Economics (ed., 2016), op.cit.

[2] An Introduction to Agricultural Social - Subhash Chandra, New Visha.

[3] India3Government of 'Indian Agriculture in Brief1# New Delhi# 21st edition,p.p.7.

[4] Current State of Agriculture in India-in India-2012- Golden Peacock.

[5] Agriculture in India- B Sambasiva Rao, Serials Publications. General Agriculture- Muniraj S Rathore, Jain Brothers.

[6] Chandrasekaran, B, Annadurai K, Somasundaram K (2010). A Textbook of Agronomy, New Age International (P) Limited, Publishers. 2 Pandey, M.M (Feb 2009). Indian Agriculture – An Introduction"Submitted to Fourth Session of the Technical Committee of APCAEM, Chiang Rai, Thailand, p.1.

[7] Acharya, S.S. (1997), ―Agricultural Price Policy and Development : Some Facts and Emerging Issues‖ Indian Journal of Agricultural Economics, Vol.52, No.1

[8] Ahungwa, G., Haruna, U., Abdsalam, Y.R. (2012), Trend analysis of the contribution of agriculture to gross domestic product (1960-2012). Journal of Agricultural and Veterinary Science, 7(1), 50-55.

