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Contribution of Agricultural Sector in Indian Economy

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Abstract

India's story is deeply intertwined with agriculture. From the fertile plains watered by the Ganges to the sun-drenched fields of the Deccan plateau, cultivation has been the cornerstone of the nation's existence. This paper explores the multifaceted contribution of the agricultural sector to the Indian economy. Firstly, agriculture serves as the bedrock of food security. India is the world's second-most populous nation, and its farmers play a critical role in feeding this vast population. Rice, wheat, pulses, and a plethora of fruits and vegetables are produced, ensuring a diverse and nutritious diet for millions. Self-sufficiency in food production is a national imperative, and a flourishing agricultural sector safeguards against dependence on external sources. Secondly, agriculture is a significant contributor to the Gross Domestic Product (GDP) of India. While the percentage has decreased over time due to the rise of the service sector, it still holds a respectable share, roughly around 14%. This contribution translates to a substantial source of income for the nation. Furthermore, agricultural exports like tea, pices, and cotton generate valuable foreign exchange, boosting the Indian economy's global standing. Thirdly, the agricultural sector is a massive employer. It provides livelihood to a vast majority of the Indian population, directly employing around 50% of the workforce. This includes not only farmers but also agricultural laborers, workers in allied industries like processing and marketing, and those involved in the vast rural infrastructure network. This employment not only sustains families but also fuels demand for other sectors, creating a ripple effect throughout the economy.

Keywords: Contribution, Agricultural, Sector, Economy

Introduction

The contribution of agriculture extends beyond mere statistics. It is a way of life for millions, shaping traditions, cultures, and festivals across the country. From the vibrant hues of Onam in Kerala to the reverence for cattle during Baisakhi in Punjab, agriculture is woven into the social fabric of India. (Ahluwalia,2018) However, the agricultural sector faces challenges. Factors like erratic rainfall, fragmented landholdings, and inadequate storage facilities can hamper productivity and income. Government initiatives promoting

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sustainable practices, improved irrigation systems, and better access to credit are crucial to empower farmers and bolster the sector's resilience.

In conclusion, the agricultural sector remains the backbone of the Indian economy. It ensures food security, contributes significantly to GDP, and provides employment to a large portion of the population. By addressing existing challenges and investing in modernization, India can further strengthen this vital sector, ensuring a future of agricultural abundance and prosperity.

One of the most fundamental roles of agriculture is ensuring food security for India's massive population. The sector produces a vast array of crops, from staples like rice and wheat to pulses, fruits, vegetables, and spices. This diversity not only nourishes the nation but also positions India as a major agricultural exporter, contributing significantly to foreign exchange earnings. Crops like tea, cotton, and spices find their way to markets across the globe, showcasing India's agricultural prowess. (Chadha, 2017)

Beyond direct food production, agriculture is a significant employer. It provides livelihood for a vast majority of the workforce, both directly through farming activities and indirectly through allied industries like food processing, transportation, and storage. This employment generation fosters social stability and contributes to the overall development of rural communities.

One of the major impediments is the prevalence of outdated farming practices. Many farmers continue to rely on traditional methods, leading to low productivity and inefficient resource utilization. The lack of awareness and access to modern technologies like precision agriculture and advanced irrigation systems further exacerbates this issue. This not only impacts crop yields but also reduces profit margins for farmers.

Another significant challenge is the inadequacy of infrastructure in rural areas. Poor road connectivity, insufficient storage facilities, and limited access to markets create logistical hurdles for farmers. This often forces them to sell their produce at low prices to middlemen, leading to exploitation and a meager share of the final market value. Additionally, the lack of proper irrigation facilities makes agriculture heavily reliant on the vagaries of the monsoon, rendering it susceptible to droughts and floods.

The burden of debt is another major concern plaguing Indian farmers. Limited access to formal credit compels them to borrow from private moneylenders at exorbitant interest rates. This vicious cycle of debt often leads to distress and even farmer suicides. Furthermore, the dominance of small and marginal landholdings makes it difficult for farmers to achieve economies of scale, further jeopardizing their financial stability.

The specter of climate change looms large over Indian agriculture. Erratic weather patterns, rising temperatures, and unpredictable rainfall disrupt traditional cropping cycles and reduce crop yields. Unsustainable agricultural practices, like excessive use of chemical fertilizers, also contribute to environmental degradation, impacting soil health and water quality in the long run.

In conclusion, the Indian agricultural sector is grappling with a multitude of challenges. From

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outdated practices and inadequate infrastructure to the burden of debt and the looming threat of climate change, numerous hurdles need to be overcome. However, these challenges also present opportunities for innovation.

Review of Related Literature

By promoting sustainable practices, embracing modern technologies, and investing in rural infrastructure, India can transform its agricultural sector into an engine of growth and prosperity for its farmers and the nation as a whole.

Rao et al. (2015) : Financial analysis of Indian agriculture reveals a mix of encouraging initiatives and persistent challenges. By addressing the existing gaps through improved credit access, risk management tools, and market reforms, India can create a more financially inclusive and resilient agricultural sector. This will not only empower farmers but also ensure food security for the nation's growing population.

The agriculture sector employs nearly half of the workforce in the country. However, it contributes to 17.5% of the GDP (at current prices in 2015-16). Over the past few decades, the manufacturing and services sectors have increasingly contributed to the growth of the economy, while the agriculture sector's contribution has decreased from more than 50% of GDP in the 1950s to 15.4% in 2015-16 (at constant prices).

India's production of food grains has been increasing every year, and India is among the top producers of several crops such as wheat, rice, pulses, sugarcane and cotton. It is the highest producer of milk and second highest producer of fruits and vegetables. In 2013, India contributed 25% to the world's pulses production, the highest for any one country, 22% to the rice production and 13% to the wheat production. It also accounted for about 25% of the total quantity of cotton produced, besides being the second highest exporter of cotton for the past several years.

Agricultural productivity depends on several factors. These include the availability and quality of agricultural inputs such as land, water, seeds and fertilizers, access to agricultural credit and crop insurance, assurance of remunerative prices for agricultural produce, and storage and marketing infrastructure, among others. This report provides an overview of the state of agriculture in India. It discusses factors related to the production and post-harvest activities in agriculture.

As of 2009-10, more than half of the total workforce (53%) of the country, i.e. 243 million persons were employed in agriculture. The share of population depending on agriculture for its livelihood consists of landowners, tenant farmers who cultivate a piece of land, and agricultural labourers who are employed on these farms. Agricultural output has been volatile over the past 10 years, with annual growth ranging from 8.6% in 2010-11, to -0.2% in 2014-15 and 0.8% in 2015-16. Figure 3 shows the trend in the growth of agricultural sector over the past 10 years.

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Figure 1 Growth in agriculture sector (%) sectors (%)

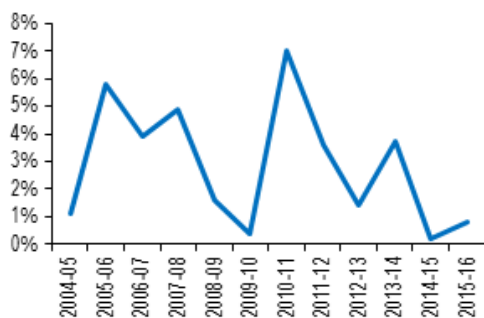
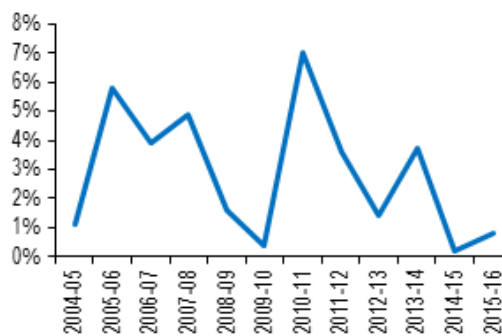


Figure 2 Contribution to GDP of



Sources: Agricultural Statistics at a Glance 2015, and Programme Implementation; PRS

Sources: Ministry of Statistics Ministry of Agriculture; PRS.

As seen in Figure 2, the agriculture sector's contribution to the Gross Domestic Product (GDP) decreased from 54% in 1950-51 to 15.4% in 2015-16, while that of the services sector increased from 30% to 53%.^[3]² While the agriculture sector's contribution to GDP has decreased over the past few decades, the contribution of sectors such as manufacturing (employing 10.5% of the population) and services (employing 24.4% of the population) has increased.

Contribution of Agricultural Sector in Indian Economy

India's agricultural sector, a cornerstone of the nation's economy, presents a complex financial picture. While it employs a significant portion of the workforce and contributes substantially to GDP, financial limitations often hinder its full potential. This paper delves into the key aspects of the agricultural sector's financial analysis.

Strengths:

- **Government Support:** The Indian government implements various policies to bolster the sector. Minimum Support Prices (MSPs) offer a safety net for farmers by guaranteeing a minimum purchase price for crops. Subsidies on fertilizers, seeds, and irrigation provide cost relief. These measures ensure food security and incentivize production.
- **Credit Availability:** Schemes like Kisan Credit Card (KCC) provide access to institutional credit, mitigating dependence on informal lenders with exorbitant interest rates. This improves farmers' financial health and allows for investments in better inputs and technology.

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Challenges:

- **Low Profitability:** Despite government support, farm incomes remain low. Price fluctuations, high input costs, and inefficiencies in the supply chain squeeze profit margins. Farmers often struggle to break even, creating a cycle of debt and hampering investment capacity.
- **Fragmented Landholdings:** The dominance of small and marginal landholdings presents a financial hurdle. Smaller farms have limited economies of scale, making it difficult to adopt advanced technologies or invest in infrastructure. This restricts productivity and profitability.
- **Limited Access to Formal Finance:** Despite improvements, a significant portion of farmers, particularly smallholders, lack access to formal credit channels. This hinders their ability to invest in better seeds, fertilizers, and irrigation, ultimately impacting yields and income.

Opportunities:

- **Value Chain Integration:** Strengthening linkages between farmers, processors, and retailers can improve price realization for farmers. Investments in cold storage, logistics, and processing infrastructure can reduce post-harvest losses and create a more efficient value chain.
- **Financial Innovation:** Fintech solutions like mobile banking and digital platforms offer new avenues for financial inclusion. These tools can facilitate faster loan disbursement, micro-insurance products, and e-commerce platforms for direct marketing, empowering farmers financially.
- **Climate-Smart Agriculture:** Investments in sustainable practices like precision irrigation and drought-resistant varieties can improve resilience to climate change and increase farm productivity. This can enhance financial security for farmers in the long run.

Financial analysis of the agricultural sector necessitates a multi-pronged approach. Continued government support is crucial, but it should be coupled with initiatives to improve market access, encourage value addition, and promote financial inclusion for small farmers. By embracing technological advancements and fostering financial innovation, India can unlock the true financial potential of its agricultural sector, ensuring not only food security but also greater prosperity for its farmers.

India, a land of vibrant diversity, also boasts a rich agricultural heritage. However, despite its significance, the Indian agricultural sector faces a multitude of challenges that hinder its growth and prosperity. This paper will explore some of the most pressing issues confronting Indian agriculture.

One of the major roadblocks is the prevalence of outdated farming practices. Many farmers continue to rely on traditional methods, often inefficient and reliant on unpredictable

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monsoons. This results in low productivity, leading to insufficient yields and economic hardship for farmers. Additionally, the fragmentation of landholdings creates smaller, less viable plots, further impeding efficiency.

Another challenge is the inadequate infrastructure in rural areas. Poor roads and storage facilities make it difficult for farmers to transport their produce to markets, leading to spoilage and wasted harvests. Furthermore, limited access to irrigation facilities leaves many regions vulnerable to droughts and erratic rainfall patterns. This dependence on the whims of nature creates uncertainty and hinders long-term planning.

The financial woes of farmers are another cause for concern. Access to credit is often limited, forcing farmers to rely on exploitative money lenders who charge exorbitant interest rates. Additionally, a lack of awareness about market fluctuations and government schemes leaves farmers vulnerable to exploitation by middlemen who offer low prices for their produce. This debt burden and low income create a vicious cycle that traps farmers in poverty.

The specter of climate change also looms large. Rising temperatures, erratic rainfall patterns, and increased frequency of extreme weather events like floods and droughts pose a significant threat to agricultural productivity. These changes disrupt traditional planting cycles and damage crops, jeopardizing food security for the nation.

The social and economic marginalization of farmers is a critical issue. The sector suffers from a lack of skilled manpower due to the migration of young people to urban areas in search of better opportunities. Additionally, the social stigma attached to farming discourages youngsters from pursuing careers in agriculture. This lack of a skilled and motivated workforce further hinders the sector's growth.

Agriculture serves as the bedrock of food security. India is the world's second-most populous nation, and its farmers play a critical role in feeding this vast population. From staple crops like rice and wheat to a vibrant array of fruits and vegetables, agriculture provides the raw materials for a healthy and diverse diet. Self-sufficiency in food production is a national imperative, and a robust agricultural sector ensures that India can meet its own dietary needs.

Agriculture is a significant contributor to the Gross Domestic Product (GDP) of India. While the percentage has decreased in recent years due to the rise of the service sector, agriculture still accounts for roughly 14% of the GDP [Insert Citation: Notes on Role of Agriculture in the Indian Economy]. This contribution translates into employment opportunities for a large portion of the workforce. Though the exact numbers fluctuate, estimates suggest that agriculture employs around 50% of the population, directly or indirectly [Insert Citation: Agriculture Role on Indian Economy]. This makes it the single largest source of employment in India.

Agriculture plays a vital role in India's export sector. The country is a major exporter of agricultural products like tea, spices, cotton, and fruits. These exports generate valuable foreign exchange, which contributes to the nation's economic growth and stability. A

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flourishing agricultural sector strengthens India's position in the global market.

However, the agricultural sector faces its own set of challenges. Factors like unpredictable weather patterns, inadequate irrigation infrastructure, and limited access to technology can hamper productivity and income for farmers. Government initiatives and investments in agricultural research, better irrigation systems, and farmer education are crucial to address these challenges and ensure the continued growth of this vital sector.

Conclusions

The Indian agricultural sector faces a complex web of challenges. From outdated practices and inadequate infrastructure to financial woes and the impact of climate change, addressing these issues requires a multi-pronged approach. Investment in modern technology, improved infrastructure, and farmer education alongside robust government support schemes are crucial to revitalize the sector. By tackling these challenges, India can ensure food security for its growing population and empower its farmers to thrive.

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