

PERFORMANCE OF AGRICULTURE SECTOR IN INDIA

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Abstract

Agriculture is the dominant sector of Indian economy, which determines the growth and sustainability. About 65 per cent of the population still relies on agriculture for employment and livelihood. India is the first in the world in the production of milk, pulses, jute and jute-like fibers; second in rice, wheat, sugarcane, groundnut, vegetables, fruits and cotton production; and is a leading producer of spices and plantation crops as well as livestock, fisheries and poultry. The performance of the agricultural sector influences the growth of the Indian economy. Agriculture has been a way of life and continues to be the single most important livelihood of the masses. Agricultural policy focus in India across decades has been on self-sufficiency and self-reliance in foodgrains production considerable progress has been made on this front. Foodgrains production rose from 52 million tonnes in 1951-52 to 257.4 million tonnes in 2011-12. The share of agriculture in real GDP has fallen to 14.1% in 2012-13 given its lower growth rate relative to industry and services.

***Keywords:** Agricultural policy, self-sufficiency, GDP, Indian economy, foodgrains, Tenth Five Year Plans*

Introduction

Agriculture is the dominant sector of Indian economy, which determines the growth and sustainability. About 65 per cent of the population still relies on agriculture for employment and livelihood. India is the first in the world in the production of milk, pulses, jute and jute-like fibers; second in rice, wheat, sugarcane, groundnut, vegetables, fruits and cotton production; and is a leading producer of spices and plantation crops as well as livestock, fisheries and poultry. The performance of the agricultural sector influences the growth of the Indian economy. Agriculture has been a way of life and continues to be the single most important livelihood of the masses. Agricultural policy focus in India across decades has been on self-sufficiency and self-reliance in foodgrains production considerable progress has been made on this front. Foodgrains production rose from 52 million tonnes in 1951-52 to 257.4 million tonnes in 2011-12.

The share of agriculture in real GDP has fallen to 14.1% in 2012-13 given its lower growth rate relative to industry and services. However, what is the concern is that growth in the agriculture sector has quite often fallen short of the plan targets. During the period 1960-61 to 2010-11, foodgrains production grew at a compounded annual growth rate (CAGR) of around 2 per cent. In fact, the Ninth and Tenth Five Year Plans witnessed

agricultural sectoral growth rate of 2.44 per cent and 2.30 per cent respectively compared to 4.72 per cent during 8th Five Year Plan. During the 11th Five Year Plan, agriculture growth is estimated at 3.7 per cent against a target of 4 per cent. The Document paper of the 12th Five Year Plan approved by NDC emphasises the need to “redouble our efforts to ensure that 4.0 per cent average growth” is achieved during the Plan if not more. Without incremental productivity gains and technology diffusion across region, achieving this higher growth may not be feasible and has implications for the macroeconomic stability given the rising demand of the 1.2 billion people for food. Achieving minimum agricultural growth is a pre-requisite for inclusive growth, reduction of poverty levels, development of the rural economy and enhancing of farm income.

Importance of Agriculture in Indian Economy

• Share of Agriculture in National Income

Agriculture has got a prime role in Indian economy. Though the share of agriculture in national income has come down since the inception of planning era in the economy but GDP. Agriculture including allied activities, accounted for 14.1 per cent of gross domestic product (GDP) at 2004-05 prices, in 2011-12 as compared to 14.7 per cent in 2009-10. Notwithstanding the declining trend in agriculture's share in GDP, it is critical from the income distribution perspective as it accounted for about 58 per cent employment in the country according to census 2001. Hence, growth in agriculture and allied sector remains a 'necessary condition' for inclusive growth. In terms of composition, out of the total share of 14.1 per cent that agriculture and allied sector had in GDP in 2011-12, agriculture alone accounted for 12.0 per cent, following by forestry and logging at 1.4 per cent and finishing at 0.7 per cent.

• Share of Agriculture in Capital Formation

The GCF in agriculture and allied sectors as a proportion to the GDP in the sector stagnated around 14 per cent during 2004-05 to 2006-07. However, there is a marked improvement in this figure during the Eleventh Five Year Plan. It increased to 16.03 per cent in 2007-08 and further to 19.67 per cent in 2008 -09 (provisional) and to 20.1 per cent in 2009-10.

But for 2010-11 it declined to 18.4 per cent. During 2011-12 after first revision it slightly improved to 19.8 per cent.

Overall GCF in agriculture (including the allied sector) almost doubled in last 10 years and registered a compound average annual growth of 8.1 per cent. Rate of growth of GCF accelerated to 9.7 per cent in the 11th plan (2007-12) compared to a growth of 2.7 per cent during the 10th plan (2002-07). Average annual growth of private investment in

agriculture at 12.5 per cent during first four year of 11th plan was significantly higher as against nearly stagnant investment during the 10th plan.

- **Important Contribution to Employment**

Agriculture sector, at present, provides livelihood to 65% to 70% of the total population. The sector provides employment to 58% of country's work force and is the single largest private sector occupation.

- **Important Source of Industrial Development**

Various important industries in India find their raw material from agriculture sector, cotton and jute textile industries, sugar, vanaspati, industries etc., are directly dependent on agriculture. Handloom, spinning, oil milling, rice thrashing etc., are various small scale and cottage industries which are dependent on agriculture sector for their raw material. This highlights the importance of agriculture in industrial development of the nation.

- **Importance in International Trade**

India's foreign trade is deeply associated with Agriculture sector. Agriculture and Allied sector Accounts for 9.08% of the total exports during 2011-12 against 6.9% of 2010-11. Besides, goods made with the raw material of agriculture sector also contributes about 20% in India exports. In other words, agriculture and its related goods contribute about 38% in total exports of the country.

Performance of Agriculture Sector during 11th Plan 2007-12

The average annual growth in agriculture and allied sector realized during the years of the Eleventh Plan period, i.e., 2007-08 to 2011-12, was 3.6 per cent against the targeted growth rate of 4 per cent. Agriculture and allied sectors recorded slightly lower average growth than targeted in the Eleventh Plan period due to severe drought experienced in most parts of the country during 2009-10 and drought/deficient rainfall in some states, namely Bihar, Jharkhand, Eastern U.P. and West Bengal in 2010-11. However, timely and corrective measures taken by the government helped boost agricultural production and growth in agriculture and allied sector reached 7.9 per cent in 2010-11, the highest growth rate achieved during the last 6 years. In 2011-12 agriculture and allied sectors were estimated to achieve a growth rate of 3.6 per cent. As per advance estimates of CSO for 2012-13, agriculture and allied sector growth has been estimated at only 1.8 per cent.

Agriculture Sector: Key Indicators (per cent)

S.NO	Item	2009-10	2010-11	2011-12 (1 st Revision)
1	GDP-Share and Growth(at 2004-05 prices) Growth in GDP in agriculture & allied sectors	0.8	7.9	3.6
	share in GDP -Agriculture and allied sectors	14.6	14.5	14.1
	Agriculture	12.3	12.3	12.0
	Forestry and logging	1.5	1.4	1.4
	Fishing	0.8	0.7	0.7
2	Share in Total Gross Formation in the country(at 2004-05)	7.3	6.2	6.8
	Share of Agriculture and Allied Sectors in total Gross Capital Formation	6.7	5.6	6.2
	Agriculture	0.1	0.0	0.1
	Forestry and logging Fisheries	0.5	0.5	0.5
3	Employment in the agriculture sector as share of total workers as per census 2001	58.2		

Problems Faced by Indian Agriculture

The major problems of Indian agriculture are as follows;

- Illiteracy, general socio-economic backwardness, slow progress in implementing land reforms and inadequate or inefficient finance and marketing services for farm produce.
- The average size of land holding is very small(less than 20,000 m²) and subject to fragmentation, due to land ceiling acts and in some cases, family disputes. Such small holding are often over-manned, resulting is disguised unemployment and low productivity labour.
- Adoption of modern agriculture practices and use of technology is inadequate, hampered by ignorance of such practices, high cost and impracticality in the case of small land holdings.
- Irrigation facilities are inadequate, farmers still being dependent on rainfall, specifically the monsoon season. During the south-west monsoon season of 2009, the country as a whole received 23 per cent less rainfall than the LPA (long period

average). A good monsoon results in a robust growth for the economy as a whole, while a poor monsoon leads to sluggish growth.

- To gear up the globalization phase in the agriculture sector, government policies aim at making the agricultural sector market oriented and more competitive and government started reducing the various subsidies and concessions given to the agricultural sector, since 1991.
- Intellectual property right cause unfavorable impacts on Indian agriculture. Multinational companies can easily enter in the field of agriculture and it will be bad for the marginal farmers.
- Farmers are bankrupt because of growing production expenditure and costly seeds on the one side and reducing prices of goods on the other side. They are even committing suicide.
- The pressure on agriculture is increasing because of the increasing population. Possession of land is small and so the production cost is higher. There is also the problem of standard etc. so there are undesirable impacts on Indian agriculture.
- Agricultural land has been taken or encroached upon for development of industries.
- Liberalization of agriculture and open market operations will enhance competition in “resource use” and “marketing of agriculture production”, which will force the small and marginal farmers (who constitute 76.3% of total farmers) to resort to “distress sale” and seek for off-farm employment for supplementing income.

Measures in Indian Agriculture Sector

- **Enhancing agriculture productivity, competitiveness, and rural growth enhancing productivity:**

Creating a more productive, internationally competitive and diversified agricultural sector would require a shift in public expenditures away from subsidies towards productivity enhancing investments. Second it will require removing the restrictions on domestic private trade to improve the investment climate and meet expanding market opportunities. third, the agricultural research and extension systems need to be strengthened to improve access to productivity enhancing technologies. The diverse conditions across India suggest the importance of regionally differentiated strategies, with a strong focus on the lagging states.

- **Improving Water Resource and Irrigation/Drainage Management:**

Increase in multi-sectoral competition for water highlights the need to formulate water policies and unbundle water resources management from irrigation service delivery. Other key priorities include: (1) modernizing Irrigation and Drainage Departments to integrate the participation of farmers and other agencies in irrigation management; (2)

improving cost recovery; (3) rationalizing public expenditure, with priority to completing schemes with the highest returns; and (4) allocating sufficient resources for operations and maintenance for the sustainability of investments. Strengthening rural non-farm sector growth: Rising incomes are fuelling demand for higher-value fresh and processed agricultural products in domestic markets and globally, which open new opportunities for agricultural diversification to higher value products (e.g. horticulture, livestock), agro-processing and related services. The government needs to shift its role from direct intervention and over regulation to creating the enabling environment for private sector participation and competition for agribusiness and more broadly, the rural non-farm sector growth. Improving the rural investment climate includes removing trade controls, rationalization labour regulations and the tax regime (i.e. adoption of the value added tax system), and improving access to credit and key infrastructure (e. g. roads, electricity, ports, markets).

- **Improving access to assets and sustainable natural resource use Balancing poverty reduction and conservation priorities:**

Finding win-win combinations for conservation and poverty reduction will be critical to sustainable natural resource management. This will involve addressing legal, policy and institutional constraints to devolving resource rights, and transferring responsibilities to local communities. Improving access to land: states can build on the growing consensus to reform land policy, particularly land tenancy policy and land administration system. States that do not have tenancy restriction can provide useful lessons in this regard. Over the longer term, a more holistic approach to land administration policies, regulation and institutions is necessary to ensure tenure security, reduce cost, and ensure fairness and sustainability of the system. Improving access to rural finance: It would require improving the performance of regional rural bank and rural credit cooperatives by enhancing regulatory oversight, removing government control and ownership, and strengthening the legal framework for loan recovery and the use of land as collateral. It would also involve creating an enabling environment for the development of micro-finance institutions in rural areas.

- **Strengthening institutions for the poor and promoting rural livelihood Promoting Community-Based Rural Development:**

State Government efforts in scaling up livelihood and community-driven development approaches will be critical to build social capital in the poorest areas as well as to expand savings mobilization, promote productive investments, income generating opportunities and sustainable natural resource management. Direct report to self-help groups, village committees, user's associations, saving and loans group and others can

provide the initial “push” to move organization to higher level and access to new economic opportunities. Moreover, social mobilization and particularly the empowerment of women’s groups, through increased capacity for collective action will provide communities with greater “voice” and bargaining power in dealing with private sector, markets and financial services. Strengthening Accountability for Service Delivery: As decentralization efforts are pursued and local governments are given more prominence in the basic service delivery, the establishment of accountability mechanisms becomes critical. Local governments’ capacity to identify local priorities through participatory budgeting and planning needs to be strengthened. This in turn, would improve the rural investment climate, facilitating the involvement of the private sector, creating employment opportunities and linkages between farm and non-farm sectors.

Conclusion

The Indian agriculture sector is now moving towards another green revolution. The Agriculture sector has low production due to a number of factors such as illiteracy, insufficient finance and inadequate marketing of agriculture products. Further the reason for the decline in agriculture growth rate in India (GDP) are that in the sector the average size of the farms is very small which in turn has resulted in low productivity. Also, the growth rate of the agricultural sector in India has declined due to not adopting modern technologies and insufficient irrigation facilities. So, the government of India must take steps to boost the agricultural sector, for this in its turn will lead to an increase in agriculture in agricultural growth. The Ministry of Agriculture is promoting a new strategy for farm mechanization through its various schemes and programmes. A dedicated Sub-Mission on Agricultural mechanization has been proposed for the 12th plan which includes custom-hiring facilities for agricultural machinery as one of its major components. In the 12th Five Year Plan, the Government intends to increase the share of expenditure on agriculture research and development (R&D). The Government will focus on strengthening the Agriculture Technology Management Agencies (ATMA) concept through improved integration with Krishi Vikas Kendras (KVKs).

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