

# ROLE OF AGRICULTURE IN INDIAN ECONOMY

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- ▣ Agriculture sector has an important place in Indian economy .Indian agriculture is the backbone of the entire economy. Economic transformation of a developing country like India crucially depends on performance of its agriculture and its allied sector. This sector plays a significant role in rural livelihood , employment and national food security. Its happens to be the largest source of livelihood in India. Proportion of Indian population depending directly or indirectly agriculture for employment opportunities is more than that of any sector in India as high as 70 % of its rural household still depends primarily on agriculture for their livelihood, with 82 percent of farmer being small and marginal. It provides raw materials to industries ,food to entire population and feed and fodder to livestock. Agriculture is also an important source of finance of Central and State governments. Indian agriculture has an honorable place international level earning valuable foreign exchange for the country. Although, its contribution to national income is diminishing due to higher growth in secondary and tertiary sectors, reflecting the development process and the structural transformation taking place in the economy.

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- ▣ **Main source of livelihood:** Indian agriculture provides livelihood directly and indirectly to about two-third of total population of the country.
- ▣ **Contribution to National Income:** Indian agriculture has a decisive role in country's economic development even today. Although the contributory share of agriculture sector in country's national Income has come down but it still holds a dominant share in country's Gross Domestic Products(GDP). Agriculture share in Country's GDP has come down to 18.2% in 2014-15 from the high level of 55.4% of the year 1950-51. At the current price, the contributory share of agriculture and allied activities in country's Gross Value Added(GVA) stood at 16.5% in the year 2019-20.

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**Table 1: Share of Agriculture and Allied Sectors in total GVA of the Country at Current Prices**

Items	Year					
	2014-15	2015-16*	2016-17#	2017-18@	2018-19**	2019-20\$
<b>GVA of agriculture and allied sectors (₹ in Crore)</b>	2093612	2227533	2496358	2670147	2775852	3,047,187
<b>Share of GVA of agriculture &amp; allied sectors in GVA of total economy ( per cent)</b>	18.2	17.7	17.9	17.2	16.1	16.5
<b>Share of crops</b>	11.2	10.6	10.6	10.0	-	-
<b>Share of livestock</b>	4.4	4.6	4.8	4.9	-	-
<b>Share of forestry &amp; logging</b>	1.5	1.5	1.4	1.2	-	-
<b>Share of fishing</b>	1.0	1.1	1.1	1.1	-	-

Source: Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI)

Note: \*\* As per the press note on Provisional Estimates of Annual National Income 2018-19 and Quarterly Estimates of Gross Domestic Product for the Fourth Quarter (Q4) of 2018-19 released by CSO on 31<sup>st</sup> May 2019.

@ As per the First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation for 2017-18 released on 31<sup>st</sup> January, 2019. # Second Revised Estimate. \* Third Revised Estimate

\$ First Advance Estimate 2019-20.

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- ▣ **Source of Industrial Development :**  
Agriculture makes important contribution in industrial development because it supplies industrial raw material like cotton for the textile industry, seeds for the oil industry, and sugarcane for the sugar mills.
- ▣ **Supply of foodgrains:**The most important contribution of agriculture is to provide food supply to increasing population of the country. During planning era ,due to agricultural development ,India has become self-sufficient in foodgrain supply.

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- ▣ **Market for industrial products:** Increase in rural purchasing power is very necessary for industrial development as two-thirds of Indian population live in village. After green revolution the purchasing power of the farmers increased due to their enhanced income. Increase in the level of agricultural income may lead to expansion of market for industrial products.
- ▣ **Contribution to International Trade:** Agriculture plays an important role in the international trade. Jute, tea, coffee and spices are the country's well known conventional exports, Fertilizers, harvesters and thrashers are the notable important items meant exclusively for agriculture sector of the economy.

Exports are a source of foreign exchange ,which India needs for the import of defence goods, crude oil etc.

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**Table 5: India's Export of Principal Agri and allied Commodities**  
(Value in ₹ '000' Crore & Quantity in Lakh Metric Tonnes)

Commodities	2016-17		2017-18		2018-19	
	Value	Qty	Value	Qty	Value	Qty
Rice -Basmati	21.51	39.85	26.87	40.57	32.80	44.15
Spices	19.11	10.14	20.08	10.96	23.22	10.92
Rice (Other than Basmati)	16.93	67.71	23.44	88.19	21.19	76.00
Cotton Raw Including Waste	10.91	9.96	12.20	11.01	14.63	11.43
Oil Meals	5.41	26.32	7.04	35.71	10.58	44.86
Sugar	8.66	25.44	5.23	17.58	9.52	39.88
Castor Oil	4.52	5.99	6.73	6.97	6.17	6.19
Tea	4.91	2.43	5.40	2.73	5.83	2.70
Coffee	5.65	2.89	6.25	3.18	5.72	2.83
Fresh Vegetables	5.79	34.04	5.30	24.48	5.67	29.33
Total Agri and allied exports	227.6		251.56		274.57	

Source: DAC&FW

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- ▣ **Importance in Trade and Services:** A major part of the trade and services in the country is supported by agriculture .Many services like transport,banking,storage,etc are dependent on agriculture.
- ▣ **Source of Government Revenue:** Agriculture is one of the major sources of revenue to both the central and State government of the country. The government is getting a substantial income from rising land revenue. Some other sector like railways, roadways are also deriving a good part of their income from the movement of agricultural goods.
- ▣ **Wealth of the Nation:** A significant component of the country's wealth belongs to agricultural sector .In terms of fixed assets ,land occupies the highest rank in India. Besides, capital worth crores of rupees stays invested in major and minor irrigation projects.
  
- ▣ Reference:Datt and Sundaram,'*Indian Economy*',S.chand and sons,NewDelhi
- ▣ Ministry of Finance,GOI,2020,"*Economic Survey,2019-20*"

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