

Impact of Agriculture on Rural Development in India: Implications for Employment and Growth

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Abstract

India is predominantly a rural country with two third population and 70% workforce residing in rural areas. Rural economy constitutes 46 per cent of national income. Despite the rise of urbanisation more than half of India's population is projected to be rural by 2050. Thus growth and development of rural economy and population are a key to overall growth and inclusive development of the country. Traditionally, agriculture is the prime sector of rural economy and rural employment. The transition in composition of output and occupation from agriculture to more productive non-farm sectors is considered as an important source of economic growth and transformation in rural and total economy. However, no serious attempt has been made to analyse and understand the transition in India's rural economy. Economic studies on rural India have focused mainly on changes in rural employment, by gender and at broad sectoral aggregation between agriculture and non-agriculture.

The present study examines long term changes in (i) sectoral composition of rural output and employment, (ii) their relationships and implications for output growth and employment and (iii) income inequalities across sectors and between rural and urban sectors. The findings of the study are used to suggest strategy for future development of India's rural economy.

The study highlights the profound changes experienced by India's rural economy which have not been reckoned. Contrary to the common perception about predominance of agriculture in rural economy, about two third of rural income is now generated in non agricultural activities. Similarly, it looks amazing to find that more than half of the value added in manufacturing sector in India is contributed by rural areas. However, the impressive growth of non agricultural sector in rural India has not brought significant employment gains or reduction in disparity in worker productivity. This underlines the need for a new approach to direct the transition of rural economy.

Key words: Impact of Agriculture on Rural development in India: Implications for Employment and Growth

Introduction:

Accelerating economic growth, transition from an agrarian economy to an industrial or modern economy would depend on how well the agricultural sector enables this transition. Recognizing that the majority of workers are employed in agriculture where labour productivity is low, a faster growth of agriculture is necessary to make employment more remunerative. While no significant increase in the number of workers can be expected in Indian agriculture, greater use of underemployed and unemployed persons becomes important. Taking this into consideration, the present paper examines the employment dynamics in agriculture by looking at the trends in growth and empirically estimates the effects of determining factors by using the data from 1972–73 to 2009–10. Considering the Keynesian theoretical explanation about the change in employment which depends on expected output or change in output, the empirical estimations corroborate the view that performance of agriculture determines the capacity to generate employment in the sector where employment is positively influenced by High Yielding Varieties (HYV), terms of trade and public investment and variables like non-agricultural output and productivity have a negative relation with labour in the sector. It is necessary for the agricultural sectors to absorb the underemployed and unemployed persons so as to induce the technology, investment and favourable terms of trade.



India is predominantly a rural country. As per the 2011 Census, 68.8 per cent of country's population and 72.4 per cent of workforce resided in rural areas. However, steady transition to urbanization over the years is leading to the decline in the rural share in population, workforce and GDP of the country. Between 2001 and 2011, India's urban population increased by 31.8 per cent as compared to 12.18 per cent increase in the rural population. Over fifty per cent of the increase in urban population during this period was attributed to the rural-urban migration and re-classification of rural settlements into urban (Pradhan 2013). Population projections indicate that India will continue to be predominantly rural till the year 2050 after which urban population is estimated to overtake rural population (United Nations 2012). It is often felt that unplanned rural to urban migration, particularly in search of better economic opportunities, is putting severe pressure on urban amenities and forcing a large number of low wage migrants from rural areas to live in unhygienic and deprived conditions. Thus, to

check unplanned migration from rural to urban areas and to improve socio economic conditions of vast majority of population in the country, there is a need to make rural economy stronger and create employment opportunities in rural economic activities.

Review of Literature:

The improvement in economic conditions of rural households is also essential for reducing the disparity in per capita rural and urban income which has remained persistently high. This requires significantly higher growth in rural economy as compared to urban India. Traditionally, agriculture is the prime sector of rural economy and rural employment. The transition in composition of output and occupation from agriculture to more productive nonfarm sectors is considered as an important source of economic growth and transformation in rural and total economy. Several scholars have observed that such transition is taking place in Indian economy (Aggarwal and Kumar 2012; Maurya and Vaishampayan 2012; Papola 2012) but at a very slow pace. This paper examines the nature of changes in rural economy and analyses its effect on job creation and occupation structure spanning over a period of the last four decades. An attempt is made to identify the reasons for mismatch in growth in output and employment in various non-farm activities. The findings are used to suggest pro employment rural growth strategy.

Objectives of the study:

1. To study the impact of agriculture on Improving the quality of life of the rural population.
2. To improve the infrastructure of the rural areas.
3. To reduce unemployment by providing opportunities for employment. To provide clean water, education facilities, electricity and proper communication.

An examination of India's agricultural development since Independence brings to light the structural and institutional reforms that have been effected. The most significant advances were: consolidation of land holdings, public investment in agriculture and major and medium irrigation systems, improved price and procurement policies and regulated marketing of agri-produce. In addition, the availability of institutional credit improved as a result of changes in the financial architecture comprising commercial banks, regional rural banks and cooperatives.

The Food Corporation of India (FCI) enabled easy procurement of wheat and paddy at pre-announced minimum support prices (MSP) while the establishment of regulated wholesale markets facilitated the sale of produce under the Agriculture Produce Market Committee (APMC) Act, 1966. Stocking limits for cereals and pulses prescribed under the Essential Commodities Act (ECA), 1955 helped check hoarding. The government also enlisted agri-input companies for uninterrupted supply of seeds, fertilizer, pesticides and other inputs to farmers at prices lower than their existing market rates, assuring them timely payment and compensation for any loss incurred.

The political unanimity for a state-led model of development and the proactive interventionist policy of the Centre transformed Indian agriculture. Two northern states – Punjab and Haryana – were pioneers in the adoption of the High Yielding Varieties (HYVs) of seeds, and allocation of sizeable area to wheat and paddy during late 1960s and the 1970s. In due course, a few southern states, notably Andhra Pradesh and Tamil Nadu, also witnessed higher innovation, private investment and production of diversified and value-added products.

The Green Revolution took agriculture on to a higher growth path and India achieved the overriding goal of food security and self-sufficiency, which significantly contributed to lessen hunger and rural poverty. These achievements were followed by impressive successes in the White and Yellow Revolutions during the 1980s. Unfortunately, by that time, productivity growth in agriculture had started to decline due to the reduction in public investment on major and medium irrigation projects, delay in the completion of existing projects and the emergence of anti-dam movements.

The diminishing returns from public investment in irrigation also set in, along with an unsustainable use of natural resources. The government's efforts to support agriculture through subsidised inputs failed to accelerate productivity of land and provide alternative occupations to rural households. Even during the economic reforms of the 1990s, agriculture remained a neglected sector with insignificant policy interventions. It was only towards the end of the 1990s when the Centre gave handsome increases to the MSP of wheat and paddy and encouraged exports of rice and other commodities, that the terms of trade (agriculture price relative to industry price) became favourable to agriculture.

India's comparative advantage was identified in cotton, groundnut seed, soybean seed, protein meals, spices and basmati rice. To realise the potential of these crops in the global markets and be compatible with the stipulations under the Agreement on Agriculture (AoA) of the World Trade Organisation (WTO), the government reduced farm protection by lowering tariffs as well as non-tariff barriers. However, as envisaged, an increase in exports could not help revive agricultural growth. Cereals exports became uncompetitive owing to increase in their support prices. The exports were also affected by price volatility in the global markets, transboundary threats, surge in imports and higher competition.

Government intervention in this sector is considered necessary to boost production as well as to maintain supply in order to keep commodity prices at manageable levels. The Centre has spearheaded institutional reforms backed with a financial stimulus in order to reinvigorate private investment, infrastructure development and post-harvest technology. It has also passed three Acts with the objective of addressing the structural weaknesses inherent in the sale, marketing and stocking of agri-produce being governed under the state-run APMC markets. Since agriculture is a subject in the state list of the Constitution of India, it is important to consider how the states should amend their existing policies and institutions and adapt to the new Central laws so as to raise the income levels of farmers and ensure sustainable agriculture.

This paper has done an in-depth analysis of four critical areas and attempted to unravel the governance issues under each: (a) Centre-state fiscal relations and shared responsibilities for agriculture development; (b) public expenditure policy to compare spending on investment and subsidies in agriculture relative to other economic sectors and the relationship between public investment in agriculture and private (farm household) investment; (c) interventions in the input and output subsidy regimes and the feasibility of replacing the existing price support system with direct income support to farmers; and (d) reforms in agriculture pricing and marketing and the implications of the three new Acts. The rest of the chapter is organised into four sections. Section II sets out India's federal structure, focusing on agriculture development and the Centre's role in the form of various schemes and grants.

Section III analyses public spending on capital formation and input subsidies in agriculture vis-à-vis other economic sectors and their relation with private (farm household) investment and national income. It also examines possible ways to augment private investment in 5 agriculture and rationalise input subsidies through alternate methods, including direct income support. Section IV analyses state intervention in transactions relating to agriculture output, focusing on procurement of grains at MSP. Finally, Section V sums up the chapter and suggests the way forward.

Role of Agriculture in the Indian Economy

The Indian Economy holds the sixth position in the world's top economies. The majority of the country's population depends on agriculture for their livelihood. The agriculture sector contributes roughly 14% of the country's total GDP. Although the agriculture sector plays a crucial role in the Indian Economy, there is a constant drop in this sector while the service sector is comparatively improving.

Agriculture Sector in Indian Economy

The Indian Economy is an Agro-Economy; the difficulty with such an agro economy is that the agriculture sector is highly dependent on the cycle of production, distribution, and consumption. Another problem with the Agro-economy is productivity. Currently, Indian Farmers produce 2.4 tonnes of rice per hectare of land, far behind its actual potential. On the other hand, China and Brazil produce 4.7 and 3.6 tonnes of rice per hectare. Despite so many disadvantages of the agriculture sector, it is still the most crucial sector for the Indian Economy.

Importance of Agriculture in the Indian Economy

Almost half of the population of India indulged in agriculture. The agriculture sector holds an important place in the economy. A few of the important points are:

Agriculture provides employment opportunities to rural agricultural and non-agricultural labourers.

It plays a significant role in international trade and import and export activities.

Role of Agriculture in the Indian Economy

The role of the agricultural sector in the Indian Economy is:

1.Contribution in GDP

Since the time of Independence, the agriculture sector has been the major contributor to the country's GDP. In the financial year 1950-1951, agriculture and other related activities had a share of 59% of the country's total GDP in that financial year. Although there is a constant drop in the agriculture sector, it is still one of the most crucial sectors in the Indian Economy. On the other hand, in developed countries such as the UK and USA, the agriculture sector contributes only about 3% of the country's total GDP.

2.Largest Employee Sector

In India, the agriculture sector has more than half of the total population of the country engaged, which makes it the sector with the most number of employees in the country. Comparing it with the developed nations, India has about 54.6% of the total population in the agriculture sector engaged, while in developed nations such as the UK, USA, France, and Australia, only 2%-6% of its total population is engaged in the agriculture sector.

3.Source of Food

India is the second-most populous country in the world. And to feed such a huge population, there is always a constant need for a supply of food. Therefore, there is a need for agriculture and a need for less dependency on the agriculture sector for the Economy.

4.Relation between Agricultural and Industrial sector

For the continuous manufacturing of products, there is a constant need for raw materials, and to fulfil this need, most of the industries in the country collect this raw material directly from the agricultural fields.

In India, around half of the income generated in the industrial sector comes from agricultural-based industries. Therefore, in India, the industrial sector is highly dependent on the agricultural sector.

5.Commercial Significance

Indian Agriculture is important for the industrial sector and trading purposes both internally and externally. Agro-products such as tea, coffee, sugar, cashew nuts, spices, etc., which are edible and textile products such as jute, cotton, and others contribute 50% and 20% respectively to the total export of the total country. These add up to around 70% of the country's total export and help the country in earning foreign exchange.

6.Contribution to the Government's Revenue

Agriculture is the most significant source of income for the central and state governments. The government of the country has substantial revenue from rising land revenue. Also, the movement of agricultural goods helps generate revenue for the Indian railways, which helps the government in revenue generation.

7.Economic Planning and Agriculture

India's planning prospects are also heavily reliant on the agriculture sector. A good harvest always offers momentum to the country's projected economic growth by improving the business climate for the transportation system, manufacturing sectors, internal commerce, and so on.

A successful harvest also means that the government will have enough money to cover its budgeted expenditures. Similarly, a bad harvest causes a total depression in the country's business, which eventually leads to a collapse of economic planning. Thus, in a country like India, the agricultural sector plays a critical role, and the Indian economy's prosperity is still heavily reliant on it. As a result of the above study, it is clear that agricultural growth is a necessary precondition for sectoral diversity and economic development.

Policy Measures for Post harvest Management

In the changing scenario of Indian agriculture, with reforms taking place in agricultural marketing, the extension system is likely to undergo changes: Knowledge:- Apart from the production technologies, the extension worker now, have to get equipped with market information which requires further training for skill up-gradation in the field of agricultural marketing.

Information System: Strong network of marketing extension is very much necessary at District/block/Village level to effectively advise farmers on various aspects of marketing, advice on product planning, marketing information, securing market for farmers, advice on improved market practices and advice on post harvest management practices. Public Marketing

Extension Network: Marketing Extension Network is required to be formed by integrating the extension network already available with Agriculture Department. Officers of Agriculture, Horticulture and Agricultural Marketing departments should be given training on various aspects of Agricultural Marketing for the purpose of carrying out extension works effectively and efficiently. This will help in minimizing the postharvest losses to a considerable extent. Enhanced roles of Agricultural Extension personnel in light of Market-led Extension:

- SWOT analysis of the market: Strengths (demand, high market ability, good price etc.), Weaknesses (the reverse of the above), Opportunities (export to other places, appropriate time of selling etc.) and Threats (imports and perishability of the products etc.) need to be analyzed about the markets. Accordingly, the farmers need to be made aware of this analysis for planning of their production and marketing.
- Organization of Farmers' Interest Groups (FIGs) on commodity basis and building their capabilities with regard to management of their farm enterprise.
- Supporting and enhancing the capacities of locally established groups under various schemes / programmes like watershed committees, users groups, SHGs, water users' associations, thrift and credit groups. These groups need to be educated on the importance, utility and benefit of self-help action.
- Enhancing the interactive and communication skills of the farmers to exchange their views with customers and other market forces (middlemen) for getting feedback and gain 4 the bargaining during direct marketing ex.

Rythu Bazaars, Agri-mandi and Uzavar Santhaigal etc. • Advice on product planning: selection of crops to be grown and varieties suiting the land holding and marketability of produce will be the starting point of agri-enterprise. Extension system plays an important role in providing information in this regard

- Educating the farming community: to treat agriculture as an entrepreneurial activity and accordingly plan various phases of crop production and marketing
- Capacity building of FIGs in terms improved production, post harvest operations, storage and transport and marketing
- Acquiring complete market intelligence regularly on various aspects of markets
- Regular usage of internet facility through computers to get updated on market intelligence
- Publication of agricultural market information in newspapers, radio and Television besides internet
- Organization of study tours of FIGS: to the successful farmers/ FIGs for various operations with similar socio-economic and farming systems as the farmers learn more from each other
- Production of video films of success stories of community specific farmers
- Creation of websites of successful FIGs in the field of agribusiness management with all the information to help other FIGs achieve success.

Immediate challenges:

In spite of all these measures and in view of continuing restrictions on movements of people and vehicular traffic, concerns have been on the farm economy. This is the peak of rabbi season in India and crops like wheat, gram, lentil, mustard, etc. (Including the paddy in irrigated tracts) are at harvestable stage or almost reaching maturity. This is also the time when the farm harvests reach the mantis (market yards) for assured procurement operations by designated government agencies.

Moreover, any severe disruptions to the supply of perishable fruits and vegetables, dairy products, fish etc. having mobilized to meet the increasing demand from bulging middle class as well as urban and rural consumers, may create irreparable damage to all actors in the supply chain. The migration of workers from few parts to their native place has also triggered panic buttons, as they are crucial for both harvesting operations and post-harvest handling of produce in storage and marketing centers.

The Union Home Ministry, in a very significant move, has notified to exclude movement of farmers, farm labourers and harvesting and sowing the related machines from the purview of lockdown. Making the food grains, fruits and vegetables and other essentials items available to consumers, both in rural and urban areas, is the most critical challenge for Government machinery during the lockdown period. Smooth functioning of the supply chain, with the adequate safety measures for the people involved, is of paramount importance. Transportation of public distribution system (PDS) items to be ensured by respective Government agencies. Distributions of the commodities to vulnerable population, while maintaining prescribed guidelines and protocol, particularly of social distancing, must be effectively monitored.

As the ongoing lockdown coincides with the rabbi harvesting season, farmers across the country look up to the Government to ensure uninterrupted harvesting of the crops as well as the smooth procurement operations. The Union Home Ministry's circular waving restrictions on inter –state movements of farmers or labourers as well as harvesting and related farm machines, is indeed a step in right direction. While ensuring availability of labourers for critical farms operations, their safety and welfare must be prioritized by the government systems. The sale of dairy products, fish, poultry, etc. has also been hit during the lockdown period as the uptake by the organized industry plays has been affected due to shortage of workforce and transport issues. As weather has been very erratic over past few months in many parts, harvested produce must also be protected from such risk.

Role of agriculture
1. A major portion of National income comes from agriculture.
2. Agriculture provides raw materials to industries.
3. It creates employment opportunities.
4. Agriculture plays a crucial role in our international trade.
5. It creates the infrastructural facilities.
6. Importance for industrial development.
7. Agriculture feeds the large population for our country.

Government support to the Indian Agricultural sector:

- Government to expend Rs.15 lakh Crore amid farmer as ascribe for the year 2020-21.
- Renouncing the blue print of National bank for agriculture and Rural Development (NABRD) will be more expanded.
- Reassuring states to initiate agricultural laws, measures for the 100 water underline districts, PM Kusum scheme and equitable use of fertilizer.
- Krishi UDAAN game plan will be by Aviation Ministry.
- Horticulture zone with its current produce outstrip production food grains.
- Augmentation in the milk production of 5.3 million tons to 103 million tons.
- Government will embroil youth in fishery sector.
- One product One District for immense spotlight to give strength to horticulture.
- Artificial insemination for domestic to be increased to 70% from the present 30% times

Conclusion

The Indian economy is an agro-economy and depends highly on the agricultural sector. Despite just supporting the Indian Economy, the agricultural sector also supports the industrial sector and international trade in imports and exports. Although the contribution of the Agricultural Sector to the Indian Economy is reducing, it is the sector with the most number of people working in it around the country.

Conclusions and Strategic Options for Pro-Employment Growth The empirical evidences on the changes in rural economy during the past four decades lead to following conclusions and strategic options to promote pro-employment and equitable growth in the rural areas.

- About half of the national income and more than two third of the total employment is generated in rural areas. Apart from producing almost all agricultural output, rural areas contributes about half of the manufacturing and construction sectors output and one quarter of the services sectors output in the country. The rural areas are characterized with the low level and wide disparity in worker productivity.
- The declining rural share in national output without a commensurate decline in its share in total employment during the past four decades implies that a much faster growth in capital-intensive sectors in urban areas did not generate adequate employment to absorb rural labour.
- The higher dependency on rural areas for employment is a major reason for low level of per worker income. Temporally, contribution of rural areas in total output and employment registered striking changes across different sectors.

The production base of manufacturing sector shifted to rural areas significantly, but without a commensurate increase in rural employment during the past forty years preceding 2011-12. The services sector lost heavily to urban areas both in terms of output and employment. It was only the construction sector where rural share in both output and employment improved and employment grew at a faster rate as compared to output. Although construction activities improve rural infrastructure and have a multiplier effect on the economy, proportionately less output growth than the employment indicates a limited productive employment generation capacity in this sector.

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