

AGRICULTURE GROWTH- A LIFE LINE TO INCLUSIVE GROWTH

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ABSTRACT

Basically India has predominantly been an agrarian economy with agriculture sector contributing a big share (18%) to Gross Domestic product (GDP) and employment about 52% of the population was dependent on the agriculture sector for their livelihood. So India's agriculture sector continues to be the life line of its people. In fact long term average growth in agriculture has been close to 2% and India's population has been growing at 1.4%. Consequently, India has just managed to maintain its per capita growth in food and non food crop production. In the post Independence era, stagnant production, low productivity, traditional technology, and poor rural infrastructure were the major challenges in Indian agriculture sector. To overcome these challenges agriculture development received the highest priority. The agriculture sector provides food security to 125 crore people in India. For inclusive growth and overall development of Indian economy agriculture growth is indispensable.

Key words: GDP, Productivity, per capita growth .inclusive growth.

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This paper analyses the need of development of agriculture sector for true inclusive growth. There is a link between agriculture and inclusive growth in driving economic growth in reducing poverty by providing productive employment.

At the time of independence the share of agriculture in total GDP was more than 55% and about 70% of the population was dependent on the agriculture sector for their livelihood. In the post independence era, stagnant production, low productivity, traditional technology and poor infrastructure were the major challenges in the agriculture sector. Not surprisingly food self sufficiency became a key national policy goal. In order to achieve this goal, agriculture development received the highest priority and in the first five year plan about 17.5% of the plan outlay was allocated and about 22% irrigation

The introduction of HYV high yielding varieties technology i.e Green Revolution in mid 1960's yielded outstanding results and the production of food grains increased. Subsequently the country which was threatened by hunger and high dependence on imports as late as in mid 1960's became one of the largest producers of many agricultural commodities such as rice, wheat, pulses, fruits and vegetables etc. thus being self sufficient in staple foods. Increase in demand for food due to increasing population, rising income levels, in agriculture production. In his introductory remarks during pre budget meeting with stakeholders from agriculture sector, Finance Minister Chidambaram said that agriculture and allied sectors are critical sectors for inclusive growth of India. He further said that we need sufficient agriculture production not only to meet our domestic requirement but also for exports.

Agriculture sector Back bone of Indian Economy: The agriculture sector accounts for about 18% of the GDP and employs 52% of the total work force. Agriculture is fundamental for sustenance of an economy as is food for human being. It contributes significantly to export earnings and is an important source of raw materials for many industries. The global experience of growth and poverty reduction shows that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture. Agriculture is and will continue to be the engine of the national growth and development.

Role of Agriculture for inclusive growth: Agriculture sector has a big share of GDP and stimulates “ structural transformation” the process whereby resources move from low productivity sectors and to higher productivity sectors within the agriculture sector and outside the agriculture sector. Without higher agriculture growth India's 10% economic growth target will be impossible to achieve. In addition to higher real incomes lead to higher food consumption, implying more pressure on demand. The Indian economy has undergone

structural transformation from an agriculture based to knowledge based services and industrial economy. The agriculture sector is still the mainstay as about half of India's population is significantly dependent on agriculture and allied activities for their livelihood. The dependence of work force on agriculture is high in rural areas as nearly 63% of the male workers are engaged in agriculture sector and dependence of female workers are much higher as nearly 79% of them are engaged in agriculture sector.

As per Bosworth and Collins agriculture in India played a positive role but not a leading role in driving overall growth. The productivity gains in agriculture releases resources and make available to other sectors. Agriculture can play in promoting inclusive growth by stimulating economic growth, reducing poverty and creating employment. Other important structural changes are under way in agriculture and in the economy in general. Higher disposable income levels, increasing urbanization, changing demographics and lifestyles and increase in availability of food have been accompanied by changes in the composition of diet. The value of output from the agriculture sector has diversified to comprise not only the traditional crops like rice and wheat but also high value commercial crops and live stock products. Although the share of agriculture exports in the total national exports has declined in the post reform period, the share of high value agriculture in the total agriculture exports has decreased overall. India experienced a trade surplus in agriculture and food products during the last decade. The share of high of value products in total agricultural exports in the country has also witnessed an increase during the last decade.

Agricultural production in the country has increased faster than population growth in recent decades, there by leading to a steady increase in per capita agricultural output. This output has been achieved mainly with technological change that led to an increase in yield through increased use of modern inputs such as improved seeds, irrigation water, fertilizers, and pesticides. So technological change has been a major production growth strategy in post green revolution period. The food grains production grew at about 2.64% per annum in the pre green revolution period and area growth contributed to the output growth.

Challenges of agriculture of Agriculture sector: India's area under cultivation has remained constant since the 1970's. Hence the two ways to improve productivity are yield management and irrigation. Performance on the yield front has been dismal. Yield growth in all major crops has been negligible. With an increase in population, the yield per persons has actually declined. On the irrigation front, the country should invest in building much more sustainable irrigation projects. These will not only help in easing drought conditions but also provide large scale

employment in rural areas. Another area which needs an urgent revamp is the supply chain. A huge amount of produce is wasted in the procurement process due to a lack of timely action. Inadequate storage systems further compound the waste. Many states are not able to lift their allocated quotas due to inadequate storage facilities and instant ad-hoc cash requirements. India should have hard targets to increase productivity in the farm sector. Better crop planning, demand estimation, transportation, warehousing facilities should be targeted and achieved. The major underlying objective of the Indian government's price policy is to protect both producers and consumers. One criticism of procurement policy is that it is limited to few crops and few states. The cost of cultivation is increasing due to increase in input prices. Another major reform needed in agriculture sector relates to reduction in subsidies and increases in investments. Agricultural subsidies are fiscally unsustainable and encourage misuse of resources, leading to environmentally malignant developments. Rise in public and private investment is crucial for enhancing agricultural growth. Climate change is reality. India has reasons to be concerned about climate change. Vast majority of population depends on climatic sensitive sectors like agriculture, forestry and fisheries for livelihood in the country.

Growth rates in agriculture states domestic product were high for many states during the period 1984 to 1995. The deceleration is the highest in the states with greater proportion of rain fed. According to the expert group of financial Inclusion only 27% of farmers have access to institutional credit. This is because decline in credit deposit ratios of rural and semi urban branches, increase in the share of indirect credit in total agricultural credit and significant regional inequalities in credit. The average growth rate of agriculture and non agriculture GDP during the last three decades clearly show that in post reform era, the the growth rate of real agricultural GDP decelerated from 6.3% in the 6th five year plan to about 2.5% in the 10th plan.

Policies for agriculture growth that stimulates to Inclusive Growth: There are three goals of agricultural development. These are 1. Achieve 4% growth in agriculture and raise incomes by increasing productivity (land and labor) diversification to high value agriculture and rural nonfarm by maintaining food security. 2. Sharing growth by focusing on small and marginal farmers lagging regions, women 3. maintain sustainability of agriculture by focusing on environmental concerns. The following factors need focused reforms in the short and medium terms.

Price policy: The major objective of agricultural price policy is to protect both producers and consumers. Particularly agricultural wages have increased due to MGNREGS in several states. The cost of cultivation is increasing due to increase in input prices. If rice production is to be

shifted to Eastern region, rural infrastructure including procurement centers has to be improved. Pulses production can be enhanced in several states with higher MSP and procurement. There is a need to balance between producer prices and consumer prices by careful process of minimum support prices.

Investments in agriculture: One major reform needed in agriculture sector relates to reduction in subsidies and increase in investments. There is a tradeoff between subsidies and investments. Public investment declined from 3.4% of agriculture GDP in the early 1980s to 1.9% in 2001-03. Rise in public and private investment is crucial for enhancing agricultural growth. Public sector investment has

increased significantly during 2004-05 to 2007-08. However we need 16% agriculture GDP as investment in order to get 4% growth in agriculture sector.

Land issues: Small size of farm is not a constraint for low productivity of agriculture, If farms should be assisted to buy land through the provision of institutional credit on a long term basis, at a low rate of interest and by reducing stamp duty. At the same time they should be enabled to enlarge their operational holdings by liberalizing the land lease market. The two major elements of such a reform are; security of tenure for tenants during the period of contract and the right of the owner to resume land after the period of contract is over. There are some emerging land issues such as increase in demand for land for non agricultural purposes including special economic zones, displacement of farmers, tribals and others due to development projects. There is a need for careful land acquisition.

Irrigation and water management: Water is the leading input in agriculture. Development of irrigation and water management are crucial for raising levels of living in rural areas. The major areas of reforms needed in irrigation are stepping up and prioritizing public investment, raising profitability of ground water exploitation and augmenting ground water resources, rational pricing of irrigation water and electricity, involvement of user farmers in the management of irrigation systems and making ground water markets equitable. Water shed development and water conservation by the community is needed under water management. The implementation has to be stepped up in order to obtain benefits in rain fed areas.

Credit: According to the expert group on Financial Inclusion only 27% of farmers have access to institutional credit. But there has been some improvement in flow of farm credit in recent years. The government has to be sensitive to the four distributional aspects of agricultural credit. These are not much improvement in the share of small and marginal farmers, decline in

credit deposit ratios of rural and semi urban branches, increase in the share of indirect credit in total agricultural credit and significant regional inequalities in credit.

Climate change: India has reasons to be concerned about climate change. Vast majority of population depends on climatic sensitive sectors like agriculture, forestry and fisheries for livelihood in the country. So India has prepared a document namely the National Action Plan on climate change to prevent adverse effect which provides a direction for changes of the national level policy, planning and public private partnerships and lays out a global vision for modifying longer time trends for sustainable development.

Conclusion: Major savings need to be diverted towards the development of agriculture. In increasing spending, the government needs to think beyond short term populist measures and implement programs that would lead to the long term growth in agriculture in the country. India should have hard targets to increase productivity in the farm sector. At the same time wastage should be removed. It would be a good idea to have a national distribution channel. However for this private sector capital and technology should be encouraged. Budgetary allocation has declined from 20% to 7%, considering the demand supply imbalances and its importance as a source of livelihood for the rural economy, the budgetary allocation to agriculture should improve. On top of this investment in the agriculture sector, is 2.3% of gross domestic product. With an investment to GDP ratio in the country of more than 35%, the private and public sector in higher investments in agriculture. The long term target should be close to 4%. The central government has limited scope to contribute to agricultural reforms through the budget as agriculture is largely a state subject. However it can certainly take certain concrete steps. With the focus on long term growth, the principal focus areas are increased spending in agricultural research and farm extension practices, better supply chain management in distribution system.

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