

# ESCALATING INCLUSIVE GROWTH THROUGH PRIMARY SECTOR

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## ABSTRACT

*Agriculture sector has been the mainstay of the Indian economy since independence in terms of its contribution to the GDP, exports, and employment. Agriculture is the primary source of livelihood for about 58 per cent of India's population. Gross Value Added by agriculture, forestry and fishing is estimated at Rs 17.67 trillion in 2018. The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year due to its immense potential for value addition, particularly within the food processing industry. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 8.80 and 8.39 per cent of Gross Value Added (GVA) in Manufacturing and Agriculture respectively, 13 per cent of India's exports and six per cent of total industrial investment. Moreover, this sector is a supplier of food, fodder, and raw materials for a vast segment of the industry. Hence the growth of Indian agriculture can be considered a necessary condition for "inclusive growth".*

**Key words:** *inclusive growth, agro based industries, agricultural prosperity etc.*

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### INTRODUCTION:

India lives in villages where agriculture is the primary occupation of rural people. 72 percent of our population lives in rural areas and better performance of agricultural sector is considered as vital for *inclusive growth* in our economy. India has 3 per cent of the world's arable land and is the second largest producer of wheat and rice in the world. It feeds 17 percent of the world's population. India is producing 12 per cent and 22 per cent of world's total wheat and rice respectively. Increasing profitability in agriculture through higher productivity has been an important goal in developing countries like India. A major theme emphasized by planning commission in its mid-term review of the tenth five year planning is "expanding inclusiveness of growth by creating market opportunities in the lagging sector of agriculture, in more and more states, and improving people's participation on more and more favourable terms in the market".

### MARKET SIZE:

During 2017-18, food grain production is estimated at record 284.83 million tonnes. In 2018-19, Government of India is targeting food grain production of 285.2 million tonnes. Milk production was estimated at 165.4 million tonnes during FY17, while meat production was 7.4 million tonnes. As of September 2018, total area sown with kharif crops in India reached 105.78 million hectares. India is the second largest fruit producer in the world. Production of horticulture crops is estimated at record 307.16 million tonnes in 2017-18 as per second advance estimates.

Total agricultural exports from India grew at a CAGR of 16.45 per cent over FY10-18 to reach US\$ 38.21 billion in FY18. In April-August 2018 agriculture exports were US\$ 15.67 billion. India is the largest producer, consumer and exporter of spices and spice products. Spice exports from India reached US\$ 3.1 billion in 2017-18. Tea exports from India reached a 36 year high of 240.68 million kgs in CY 2017 while coffee exports reached record 395,000 tonnes in 2017-18. Food & Grocery retail market in India was worth US\$ 380 billion in 2017.

**OBJECTIVES OF THE STUDY:**

1. To study the importance of agriculture in achieving inclusive growth in India.
2. To point out the various challenges faced by Indian agriculture in the way of inclusive growth.
3. To suggest some policy measures to make agriculture more viable for inclusive growth.

**ROLE OF AGRICULTURE:****Industrial Development:**

Indian agriculture has been the source of supply raw materials to our leading industries. Cotton and jute, textile industries, sugar, flour mills, vanaspathi and plantations etc, depend on agriculture directly. There are many other industries which depend on agriculture in an indirect manner. Many of our small scale and cottage industries like handlooms, oil crushing, rice husking, etc. depend upon agriculture for their raw material together they account for 50 per cent of income generated in the manufacturing sector in India. In recent years, the importance of food processing industries is being increasingly recognised both for generation of income and employment.

**Food Security:**

According to Food and Agricultural Organisation, India is a hunger affected country. 200 million people of the world under-nourished people live in India. The UN Hunger Task Force says that about 41 per cent of the world's underweight children are in India. This state of health of our people shows the insecurity of food. The percapita availability of food was 510.1 gms per day in 1991. This has declined to 442.8 gms per day in 2007. Percapita availability of edible oil is also declining. The "Hunger Index" shows that our country ranks 66<sup>th</sup> on a list of 88 hunger-prone countries. This hunger index calls for the necessity of increasing the production of food grains. Growth in food grain production and its access to people depend on the development of agricultural sector.

**Better Nutrition:**

Poverty is increasing due to malnutrition in India. More than 27 per cent of undernourished population globally live in India. 43 per cent of children with below 5 years in the country are underweight. Malnutrition accounts for nearly 50 per cent child deaths in our country. Provision of nutritious food is the only way to improve the health of our people. Consumption of rice provides 52 per cent and consumption of fish, eggs and milk provides remaining 48 per cent of nutrients required. Therefore, production and access of these agricultural products helps to replace the nutrition deficiency and provide complete food for our country.

**Effective Social Safety:**

In a predominantly rural and agricultural country like India, agricultural progress acts as an effective social safety net. Hunger and poverty can be reduced if crop and animal husbandry, fisheries and agro-forestry are encouraged at household level. They provide income and employment opportunities immediately for the poor in rural areas. Alleviation of poverty becomes easy when Green Revolution, Blue Revolution and White Revolution go hand in hand.

**Contribution to Foreign Trade:**

Importance of Indian agriculture also arises from the role it plays in India's trade. Agriculture products like tea, sugar, oil seeds, tobacco, spices, etc. constituted the main items of exports of India. Indian agriculture accounts for about 14.7 per cent of the total export earnings. Besides, goods made with raw material of agriculture sector also contribute about 20 per cent in Indian exports. In other words, agriculture and its related goods contribute about 38 per cent in total exports of the country.

**Capital Light Industry:**

Agriculture has low capital output ratio, in other words it requires lesser capital per unit of output produced compared with the industries. A capital poor economy like India can make efforts to develop this sector which long with increase in production could increase employment opportunity in the rural areas and could help in solving problem of urban congestion and pollution in the cities.

**Contribution to government revenue:**

The government revenue also depends a great deal on agricultural prosperity. The direct contribution of agricultural taxes to the revenues of the centre and the state is not significant but indirectly agriculture has a considerable influence on the revenues of the central and state government. Particularly, when due to agricultural droughts, the revenue suffers a setback, government expenditure on relief, etc., goes up a great deal leading to heavy deficit in government budget.

**Checks the Urban Congestion and Brain Drain:**

Migration from rural areas to urban area and metropolitan cities has created a dual problem, on the one hand, it has deprived areas of skilled and educated persons and, on the other hand, it has created the problem of urban congestion. If agriculture is on the road to prosperity and is in a position to absorb fruitfully the growing talent in rural areas, the dual problem of urban congestion and rural brain drain will be solved.

**Other Benefits:**

Agricultural products create demand for transportation facilities, by transporting the agricultural goods transport sector develops and earns income. Bank financing is essential to create warehouses, cold storages etc., in rural areas and generate incomes to the farmer community. It leads to the development and expansion of banking sector. This sector is also playing a major role in protection of bio diversity, development of Farm Tourism, checking migration etc.

**CHALLENGES:****Slow and uneven growth:**

The growth of agricultural sector is not sufficient to meet the rising demands of fast growing population. While the population is growing at a rate of around 2 per cent per annum, food grain production has increased at an annual rate of 2.24 per cent. Low yield per unit area almost all crops has become a regular feature of Indian agriculture. There are regional imbalances in the spread of growth. The growth has confined to certain areas like Punjab, Haryana and Western Uttar Pradesh. Till very recently, the attention and resource allocation for animal husbandry, fisheries and forestry is not at required level.

**Flaws in Land Reforms:**

The legislation measures on land management have not been completed in all the states. There are snags in legislation on issues like personal cultivation, tenants, land ceiling etc.

**Promise and Performance:**

Farmers across states have made several investments on the basis of promises made by the government. Such investments suffered when the promises were not fulfilled. Often, subsidies delivered after considerable lapse of time. Similarly, delayed supply of seeds and fertilizers is commonplace that affects crop output and profitability. Non maintenance of infrastructure created a dampening effect of assured availability of services like power, irrigation, market etc.

**Marketing Problems**

Markets have been the weakest link in the chain that connects the farmers with income. Lack of aggregation mechanism for produce and lack of marketing mechanism have prevented the small farmers from realising the best prices for their produce. The support prices combined with procurement have distorted the market and have reduced the income realisation in the hands of farmers.

**SUGGESTIONS/RECOMMENDATIONS:**

- Agriculture is too vital for India's economy to be put on the back-burner. It needs to be freed from the discriminatory policies, and resurrected with necessary incentives and safe guards, and provided with benefits similar to those of industries such as easy availability of inputs, credit and infrastructural facilities.
- The government should strive to channelize greater private and public investment in areas of infrastructural development, research and development, marketing and processing etc., leading to higher productivity and greater efficiency in agricultural production, which raises the disposal incomes in the rural household.
- The agricultural research and extension system need to be strengthened to improve access to productivity enhancing technologies. It is most essential to introduce regionally differentiated strategies, with a strong focus on the lagging states.
- Over the long term, a more holistic approach to land administration policies, regulations and institutions is necessary to ensure tenure security, reduce costs, and ensure fairness and sustainability of the system.
- It would require improving the performance of regional rural banks and rural credit cooperatives by enhancing regulatory oversight, removing the legal control and ownership, and strengthening the legal framework for loan recovery and the use of land as collateral.
- The efforts and community development approaches of governments of respective states are more essential to scale up livelihood and build social capital in the poorest as well as to expand saving mobilisation, promote productive investment, social mobilisation and particularly the empowerment of women in rural areas.
- There is a need to develop marketing infrastructure, storage, warehousing, cold chains and spot markets that are driven modern technology.
- Public investment in rural infrastructure must not only be enhanced but also made very efficient. This results in reducing the cost of agricultural operations and widening the market.
- It is required to increase investment in projects like irrigation, watershed development in rain fed areas, rail road connectivity and rural electrification.
- The government should focus on moving knowledge deficit and improving technology, enhancing productivity of farm incomes, improving marketing, evolving viable packages for industrial agro climatic zones and removing distortions in farm subsidies.
- Public investment in rural infrastructure must not only be enhanced but also made very efficient. This results in reducing the cost of agriculture operations and widening the market

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