

# ROLE OF AGRICULTURE IN THE ECONOMY

*Sunanda Maurya*

*IIMT college of management, Greater Noida*

The agriculture sector plays a vital part in a country's economic growth cycle. This has already made a major contribution to advanced countries' economic growth, and its position in less-developed countries' economic development is vitally important. Over 7% of rural households depend on agriculture. Agriculture is a backbone of the Indian Economy as it contributes about 17% to the total GDP and provides employment to around 58% of the population. Indian agriculture has registered impressive growth over the last few decades. The food grain production has increased from 51 million tones (MT) in 1950-51 to 250 MT during 2011-12 highest ever since independence.

In the financial year 2016, the states of the U.P had the highest production of Cereals, lentils, and pulses growing over 44 million metric tons. The total production of food grains in the country amounted to about 252 million metric tons that year. The share of agriculture in GDP increased to 19.9% in 2020-2021 from 17.8% in 2019-20. The last time the contribution of the agriculture sector to GDP was 20% was in 2003-04.



**1. Providing Employment:** When there is an increase in the agriculture sector, its production, more employment opportunities will also be generated. Direct employment in the crop rising, agriculture expansion also provides work in the other sphere.

**2. Create effective demand:** Agriculture sector growth will tend to increase farmers' purchasing power which will help the country's non-agricultural sector expand. It will provide a more productive market. It is well recognized that the majority of people in underdeveloped countries rely on agriculture and it is they who must be able to afford to consume the goods produced. It will, therefore, help boost non-agricultural sector production.

Similarly, an improvement in cash crop productivity can pave the way for the promotion of the exchange economy that can help the growth of the non-agriculture sector. Agricultural goods such as chemicals, farm equipment, etc. also improve agricultural dead-outs.

**3. Stimulates industrial expansion:** Expansion in the agriculture sector also led to the expansion of the industrial sector. When agriculturalists have savings, they can buy consumer goods, and invest in industries. This result is an indirect expansion of the industrial sector.



**4. Supply of foreign exchange:** Agriculture can contribute greatly to earning foreign currency through exporting currency through the export of agriculture products.

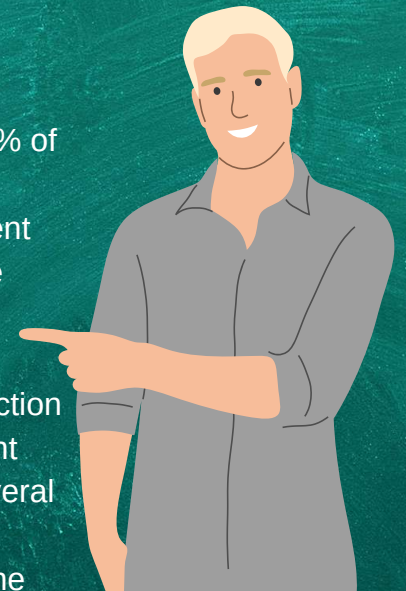
The requirements for the expansion of exports can be easily met by adding a crop or two within the existing crop pattern and that too with perhaps no additional capital investments. Further, since such exports have to cater to the existing and familiar international market, no additional costs are involved to discover or nurture a new market.

**5. Helpful to reduce Inequality:** In a country that is predominantly agricultural and overpopulated, there is greater inequality of income between the rural and urban areas of the country. To reduce this inequality of income, it is necessary to accord higher priority to agriculture. The prosperity of agriculture would raise the income of the majority of the rural population and thus the disparity in income may be reduced to a certain extent.



## FACTS

- It contributes 25% of India's GDP.
- It is still dependent principally on the monsoons.
- The growth in agriculture production has been stagnant for the earlier several years.
- The drought in the north and western parts in FY09 created shortages in the supply of food grains.



**6. Agriculture helpful in phasing out Economic Depression:** During the Depression, industrial production can be stopped or reduced but agricultural production continues as it produces necessities of life. Thus it continues to create effective demand even during adverse conditions in the economy.