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## UNIT 5 ROLE AND IMPORTANCE OF AGRICULTURE IN INDIAN ECONOMY

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### 5.0 OBJECTIVES

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After going through this unit you will be in a position to:

- assess the role of agriculture in Indian economic development;
- identify the criteria for assessing the role of agriculture;
- examine the linkages between agriculture and non-agricultural sectors; and
- explain some of the important features of Indian agriculture.

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### 5.1 INTRODUCTION

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Agriculture occupies a key position in all economies irrespective of their level of development. It satisfies certain basic needs of human beings by fulfilling their food and non-food demands. It supplies: i) *foodgrains* such as rice, wheat, coarse cereals and pulses, ii) *commercial crops* such as oilseeds, cotton and sugarcane, iii) *plantation crops* such as tea and coffee, and iv) *horticultural crops* such as fruits, vegetables, flowers, spices, cashewnut and coconut. In addition to these, certain *allied activities*

such as milk and dairy products, poultry products and fishery are included in the agricultural sector.

Most of the developed and industrialised countries received their initial spurt for industrial advancement from agriculture.

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## **5.2 IMPORTANCE OF AGRICULTURE**

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To make an assessment of the role and importance of agriculture it is necessary to examine its contribution to development of the economy. Such contribution may be measured in terms of its share in Gross Domestic Product (GDP), employment generation, exports, etc. Another dimension of the role of agriculture is the support it renders to the industrial sector by supplying raw materials on the one hand and food for the workforce engaged in this sector on the other. Moreover, it generates demand for the industrial products. All these aspects have to be studied in order to analyse the role and importance of agriculture in an economy.

### **5.2.1 Contribution to GDP**

Agriculture has been observed to contribute a very large share to GDP of most of the economies before industrial development takes place in them. As the process of industrial development accelerates, the share of non-agricultural sectors in GDP tends to increase steadily. Simultaneously, the relative share of agriculture shrinks and yields place to that of manufacturing and services sectors. This does not imply that the agricultural production does not increase. It only implies that the growth in the production of industrial and services sectors is faster than the growth in agricultural sector. This process of change is the consequence of a change in the structure of the economy which steadily becomes more industrialised. Quite often such a change in the composition of GDP is cited as an indicator of economic development.

### **5.2.2 Contribution to Employment**

An equally relevant criterion for examining the role of agriculture is its share in the total workforce. Number of workers engaged in agriculture is usually very high before industrial development takes place in an economy. This share tends to decline with industrialisation of the economy as employment opportunities grow rapidly in sectors other than agriculture. Steady changes in the occupational distribution of workforce have been observed in most economies as they experience industrial growth and diversification. Generally, the trend is towards a steady decline in the share of workforce engaged in agriculture and an increase in the proportion of workforce engaged in manufacturing and services sectors.

### **5.2.3 Contribution to Exports**

Another indicator of the role of agriculture in an economy is the contribution it makes to exports. As industrial growth takes place and there is a steady change in the composition of exports, in favour of manufactures and services. The share of agriculture in the exports of the economy undergoes a decline.

### **5.2.4 Contribution to Other Sectors**

An equally significant criterion to gauge the role and importance of agriculture is the contribution it makes to the growth of the non-agricultural sectors. As it is the source of raw materials for a number of industries and also supplier of food for the workers who are engaged in non-agricultural sectors, agricultural sector becomes crucial for industrial growth and expansion. As a major sector of an economy, it plays an important role in generating demand for the products of the other sectors. The extent

of dependence of the other sectors of the economy on agriculture is a vital criterion for assessing the role of agriculture in an economy.

### 5.2.5 Comparison with Other Countries

A comparison between the relative share of agriculture in the GDP of India and those of some other countries can be quite instructive. Table 5.1 gives data for such a comparison.

**Table 5.1**  
**Relative Share of**  
**Agriculture in GDP of Select Countries**

Country	Share in GDP (Percentage)		Workforce engaged in Agriculture (%)
	1980	1998	1990
World Average	7	5	49
India	36	24	69
Australia	5	3	6
Brazil	11	8	23
China	30	18	72
Japan	4	2	7
Mexico	8	5	28
Nepal	62	40	95
Pakistan	30	25	52
South Africa	7	4	14
United Kingdom	2	2	2
USA	3	2	3

**Source:** World Development Report 1999-2000

We make three observations from Table 5.1. First, we see that the share of agriculture is much higher in the case of developing economies than in developed economies. Second, there is a decline in the share of agriculture in GDP in most countries. Third, the workforce engaged in agricultural sector is much higher in the case of developing economies than in developed economies.

We observe from Table 5.1 that in developed economies such as the UK and the USA the relative share of agriculture in GDP is quite low. It is only 2 per cent, in both these countries in the year 1998. In the year 1980 this share was only slightly higher. Similarly in Australia and Japan also the contribution of agriculture to GDP in 1998 is 3 per cent and 2 per cent respectively. In these countries also there is a decline in the share in 1998 compared to 1980.

Some of the other countries which show a comparatively low contribution of agriculture to their GDP are South Africa, Mexico and Brazil. In the case of India the share of agriculture in GDP has declined from 36 per cent in 1980 to 24 per cent in 1998. The

situation in some of the other developing countries is also similar. In China this share declined from 30 per cent in 1980 to 18 percent in 1998. In Pakistan this share was 30 per cent in 1980 and has declined to around 25 per cent in 1998. In an industrially less developed economy such as Nepal the share of agriculture remained around 40 per cent in 1998 and has declined from 62 per cent in 1980. For the world as a whole the share of agriculture to GDP in 1998 is reported to be only 5 per cent. It is clear from this table that the share of agriculture is smaller for the more developed economies and larger for the less developed economies.

### **Check Your Progress 1**

- 1) Indicate whether the following statements are true or false:
  - a) Share of agriculture in GDP tends to increase as economic development takes place.
  - b) There is a change in the composition of GDP in favour of manufactured products as industrialisation takes place.

- 2) Identify five types of agricultural products used as raw material in industry.

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- 3) How will you assess the importance of agriculture in an economy?

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## **5.3 SHARE OF AGRICULTURE IN INDIAN ECONOMY**

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In the previous section we identified some criteria to assess the role and importance of agriculture in an economy. On the basis of these criteria now let us examine the trends that have emerged in the role of agriculture in India particularly since Independence.

### **5.3.1 Share in GDP**

Some broad estimates of the share of agriculture in GDP of India suggest that in the first quarter of the twentieth century (1901-1925) the share of agriculture in GDP was about two-third. At the time of Independence (1947) this share declined to nearly one-half. As expected, this share has steadily declined to about 24 per cent in 2000-01.

From Table 5.2 we see that there has been a steady decline in the share of agriculture in GDP. The figures for the manufacturing sector are also shown for a comparison. You may note that the share of the manufacturing sector has risen steadily since Independence. It must also be noted that even though value of agricultural production (at 1993-94 prices) has increased from Rs.69090 crore in 1950-51 to Rs.251713 crore in 2000-01 (about 3.5 times), the relative share of agriculture in GDP has decreased from 52.0 per cent to 23.8 per cent over the same period. At the same time value of output in the manufacturing sector increased 13.5 times and its share in GDP has gone up from 8.8 per cent in 1950-51 to 14.9 per cent in 2000-01.

**Table 5.2**  
**Agricultural and Manufacturing Sectors : Value of Output and Share in GDP**

Year	Agricultural Sector		Manufacturing Sector	
	Value of output in Rs. Crore at 1993-94 prices	Percentage share	Value of output in Rs. Crore at 1993-94 prices	Percentage share
1950-51	69090	52.0	11665	8.8
1960-61	94857	49.1	19853	10.3
1970-71	117235	43.0	31688	11.6
1980-81	136262	37.6	46159	12.7
1990-91	194847	31.3	98081	15.7
2000-01	251713	23.8	157806	14.9

**Source:** National Accounts Statistics of India, EPW Research Foundation, 2002.

### 5.3.2 Share in Workforce

Agriculture in India absorbs a very large proportion of the labour-force. The proportion of workforce engaged in agriculture in India even in the 1990s is more than 60 per cent. According to the 1991 population census 67 per cent of the workforce was engaged in agriculture. This proportion was marginally lower than the earlier census figure which was 72 per cent.

We have given in Table 5.1 the figures relating to the percentage share of workforce engaged in agriculture in different countries. The table shows that in the year 1990 this proportion was only 2 to 3 per cent in industrially developed economies like UK and USA. It was 7 per cent in Japan and about 6 per cent in Australia. Among the low income economies Nepal had nearly 95 per cent of its workforce engaged in agricultural activities while China had nearly 72 per cent and Pakistan about 52 per cent. The average share of agriculture in the workforce in the year 1990 for the world as a whole was around 49 per cent. Once again it is evident that with industrial development of an economy, the proportion of workforce engaged in agriculture declines. In the case of Indian economy however, there is only a weak indication of such a tendency.

### 5.3.3 Share in Exports

Agricultural sector has been a major contributor to India's export earnings. For a long time the agro-based products namely tea, cotton textiles and jute textiles accounted for more than 50 per cent of the export earnings of the country. By adding to the list other products like spices, coffee, tobacco, cashew, sugar, etc., the share of agriculture in total exports was almost 70 per cent. This share has, however, declined over time with economic growth and diversification of the economy. For example, the share of agriculture and allied products in the total exports in 1960-61 was nearly 44 per cent. It has continued to decline and for the year 2000-01 this share was only 13.5 per cent.

### 5.3.4 Assessment of the Trends

A review of the direct contribution of agriculture to GDP, to employment and to exports reveals that agriculture is a very important sector of the Indian economy. Even though the share of agriculture in GDP, employment as well as export earnings has declined over time, agriculture continues to remain a crucial sector in terms of its contribution to the economy. We may note that while a steady and significant decline in the contribution of agriculture to GDP and export earnings of India has taken place, the fall in the share of workforce engaged in agriculture has not been as significant.

#### Check Your Progress 2

- 1) Indicate whether the following statements are true or false:
  - i) While the value of output in agriculture in India increased by nearly 3.5 times between 1950-51 and 2000-01 that of manufacturing sector increased by nearly 13.5 times.
  - ii) The share of agriculture in GDP of India has remained unchanged
  - iii) The share of agriculture in GDP is smaller for the less developed countries and more for the industrially advanced countries.
  - iv) Proportion of workforce engaged in agriculture in India in the year 1991 was much more than that in 1951.
- 2) Comment on the trend in the share of agriculture in India's GDP.

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## 5.4 LINKAGES BETWEEN AGRICULTURE AND NON-AGRICULTURE SECTORS

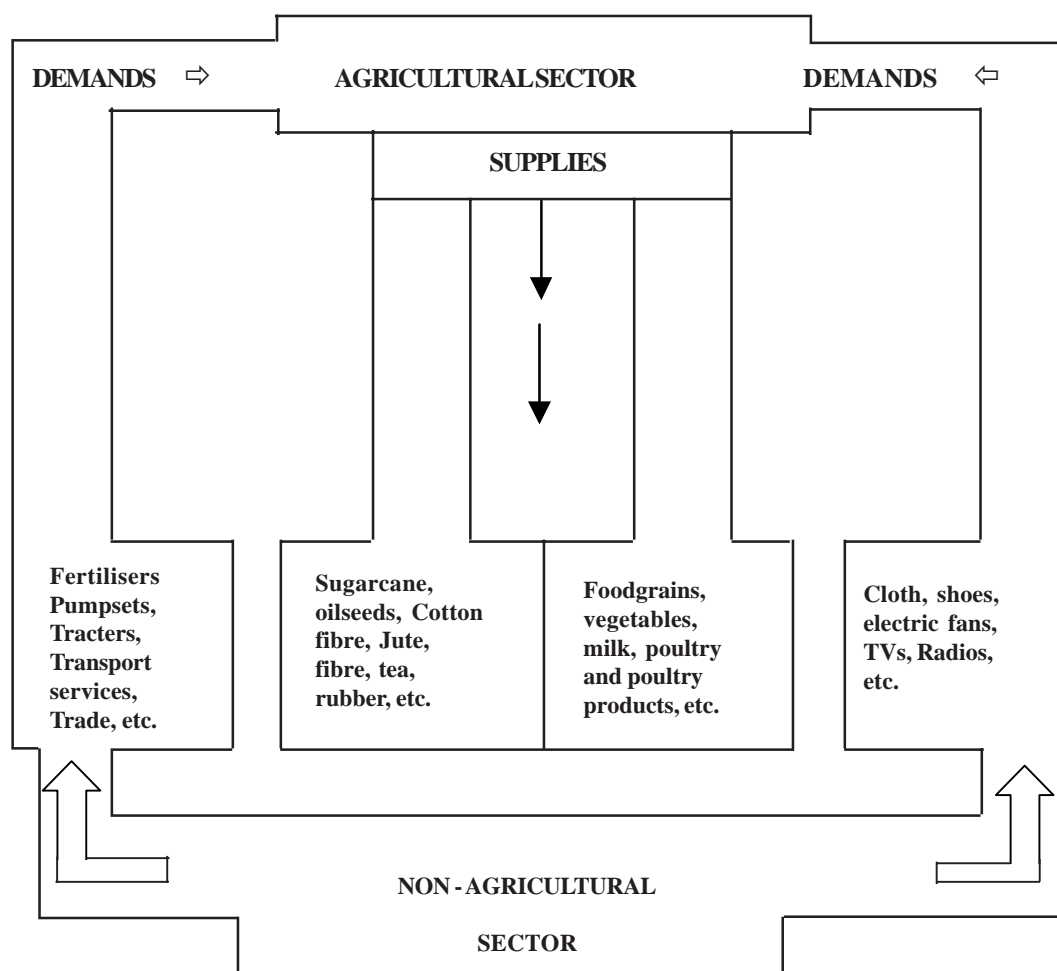
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In the previous section we learnt about the extent of contribution of agricultural sector to the economy of India directly. It contributes a fairly large share to to employment and to the foreign exchange earnings. In addition to direct contribution, the agricultural sector in India has a considerable indirect influence on the economy through its impact on the non-agricultural sectors.

### 5.4.1 Nature of Linkages

We may formulate an outline of this relationship between the agricultural and the non-agricultural sectors by studying the flow diagram given in Fig.5.1.

The flow diagram shows that the agricultural sector has two main categories of supplies to the non-agricultural sector. These are: i) supply of raw materials such as sugarcane, oilseeds, cotton and jute fibres, tea and rubber, and ii) supply of foodgrains, vegetables, dairy and poultry products, etc. Thus agricultural sector provides inputs for agro-based industries and fulfills the demand of the workforce engaged in non-agricultural sector for foodgrains and other food products.



**Fig. 5.1 : Flow Diagram of Linkages between Agricultural and Non-agricultural Sectors**

The agricultural sector generates demand for the products of non-agricultural sector. Such demand can take two forms. First, agricultural sector requires inputs such as fertilizer, pump sets, tractor and transport services, which are supplied by the non-agricultural sector. Second, the workforce engaged in agricultural sector demands for the output of the industrial and services sectors. Persons working in agricultural sector require consumer goods like cloth, shoes, medicines and several types of consumer durable goods. Higher agricultural production creates higher demand for goods and services produced by non-agricultural sector.

Thus we see that agricultural and non-agricultural sectors have two types of linkages, namely (a) supply linkages and (b) demand linkages. Let us examine the important features of these linkages.

### 5.4.2 Supply Linkages

These linkages imply the interdependence between agricultural and non-agricultural sectors of the economy with agriculture acting as the supplier of raw materials as well as food to other sectors. Some of the major industries in India are cotton textiles, vegetable oils, sugar. These industries constitute a large part of the Indian economy. Sugar, cotton textiles, vegetable oil industries depend directly on the agricultural sector for the supply of raw material. The performance and growth of these industries depend upon the availability of raw material from agriculture.

An equally important aspect of the supply side linkage between the agricultural and non-agricultural sectors is the food needed for the sustenance of the labour-force engaged in the non-agricultural sector. Agriculture has to produce enough food not only for the workforce engaged in agriculture but also for the workers working in the



non-agricultural sectors. The food supplied to the non-agricultural sectors is called *food surplus* because it is over and above the food requirement of the workers engaged in the agricultural sector itself. Unless this food surplus increases, the employment in the non-agricultural sector cannot increase. As the non-agricultural sectors tend to grow there is not only an increased demand for raw materials in these sectors but also an increased demand for food for the workers working in these sectors.

Agricultural sector in India has contributed considerably to the growth of non-agricultural sectors. The growth of cotton textile industry, sugar industry, vegetable oil industry, jute textiles, plantation products have been sustained by the increasing supply of raw materials.

The agricultural sector has contributed to the growth of the economy as a whole by increasing the supply of food surplus. In the initial stages of growth of the Indian economy there was a massive dependence on the imports of food grains. Without such imports the expansion of the industrial sector would have been much slower. However, since the beginning of the decade of 1970s, this dependence on the imports of foodgrains has steadily decreased. Indian economy is now in a position not only to meet its food requirements but also to export foodgrains.

### **5.4.3 Demand Linkages**

Agricultural sector is not merely a source of supply of raw materials and food to other sectors of the economy. It also generates demand for the products and services of the other sectors. Transport sector in India, be it railways or roadways carries a large bulk of agricultural products. Growth in agricultural production leads to the growth of demand for transport services. Similarly, trading and marketing of agricultural products constitutes a major economic activity in the Indian economy. Agricultural growth automatically generates growing demand for trading activity in agricultural products.

Agricultural sector also generates a demand for some of the industrial products like chemicals, fertilizers, tractors, pumpsets for irrigation, pesticides and insecticides. Increase in agricultural production, over time, has been accompanied by an increase in the demand for such inputs from the industrial sector.

Incomes generated in the agricultural sector also result in the generation of demand for industrial products like cloth, vegetable oils, toilet soap, washing soap and electric bulbs, besides the demand for other consumer durables. Thus, growth of income and output in the agricultural sector generates growth impulses for the industrial sector through demand linkages.

In the recent years the interest of industrial sector in the agri-linked ventures particularly those related to food processing and export has increased. This is because of growing demand for such products both within the economy as well as in the rest of the world.

It should be evident that there is a strong linkage between agricultural and industrial growth. Industrial growth is dependent on agricultural growth not only for the increased supply of raw materials but also food surplus to meet the food requirements of the labour-force engaged in industry. At the same time increased production and income in the agriculture sector has been made possible by the increased use of inputs such as fertiliser, pesticides, tractors and pumpsets. This increase in production and income has also generated increased demand for trade and transport services as well as for consumer products from the industrial sector.

### **Check Your Progress 3**

- 1) State whether the following statements are true or false:



- a) Agricultural sector is linked to the industrial sector only because it supplies raw material to industry.
  - b) Agricultural sector in India has not contributed to the growth of industrial sector.
  - c) Growth in agricultural production automatically leads to the growth in demand for trade and transport services.
  - d) There is no interest of the industrial sector in the agricultural sector at present.
- 2) Briefly comment on the nature of linkages between agricultural and the non-agricultural sectors in India.

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- 3) Explain the demand linkages between agricultural and non-agricultural sectors of the Indian economy.

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#### **5.4.4 Changing Nature of Agriculture-Industry Linkages**

One important aspect of the linkages between agricultural and non-agricultural sectors needs to be noted. As the industrial sector expands, there is a considerable diversification in this sector. There is a steady change in the nature of industries. The dependence of some of the industries on the agricultural sector is not of the same genre as some of the agro-based industries like sugar, cotton textile, jute and textiles. Industries such as steel, aluminum, automobiles and the like do not draw raw materials from agriculture—in any case not as much as in the case of agro-based industries.

As the industrial sector expands, there is a tendency for diversification. Such diversification is accompanied by growth of metal-based industry, capital goods industry and consumer durables industry. The raw material or the supply with agricultural sector linkage becomes less significant as the share of such industries increases in proportion to the agro based industries. In the case of the Indian economy, the growth of chemical based industries, electrical goods industries as well as industries manufacturing electronic goods has reduced the raw material linkage between the industrial sector as a whole and the agricultural sector.

It would be useful to look upon the industry-agricultural linkage in terms of their *growth effect* as distinct from the *diversification effect*. While growth effect is positive, the diversification effect is negative. As the industrial sector expands there is some diversification but it is also accompanied by the growth of existing industries. For example, emergence of electronic goods industries in recent years may not result in the increased demand for raw materials from agriculture but higher growth in the cotton textile industry (even though cotton is being displaced by polyester fibre) leads to some growth in the demand for raw materials from agriculture.

The food supply linkage, however, behaves differently. Food requirements of the industrial sector continue to grow with the growth as well as diversification of the industrial sector. As the income in the non-agricultural sector increases, the food requirement of the labour-force engaged in this sector also increases. It may, however, be noted that the demand for food does not increase proportionately with the increase in income in the non-agricultural sector. It increases less than proportionately. Due to expansion there is increase in employment in the non-agricultural sector which also adds to the demand for food.

Similar is the case for the demand linkage. The demand for industrial inputs into the agricultural sector as well as the demand for consumer goods produced in the industrial sector does not expand proportionately. While the demand for some of the inputs from industry into agriculture increases as the land use improves and more fertiliser, pump sets, harvester combines, diesel for tractors, etc. are demanded by the agricultural sector. Yet it does not increase proportionately to the increase in production. It must be clear that there is a limit to the use of such inputs on a given cultivated area. Hence the demand for such inputs tends to increase only slowly and less than proportionately.

As the agricultural income increases, the demand for consumer goods increases. However, the pattern of this demand undergoes a change. There is a diversification in the demand for the consumer products. Consumers in the agricultural sector demand new consumer products such as electrical goods, travel services, educational services, in addition to the consumer goods like cloth, shoes and vanaspati.

We can, thus, conclude that the agriculture-industry linkage in a growing economy does not remain static. It undergoes a change. Some linkages become weak, particularly those of the raw material supply from agriculture to industry. Other linkages, however, do not become weak because of the expansion of the industrial sector. Food linkage tends to become stronger. Even though the demand for food in the industrial sector increases less than proportionately to the increase in income, it continues to increase. Similarly the demand for industrial inputs into agriculture also tends to slacken but the demand for consumer goods tends to become diversified. On the whole, the agriculture industry growth linkages are fairly strong and they each other.

As pointed out earlier, investment by the industrial sector in the agricultural sector to meet the requirement of growing demand for food processing and exports of agricultural products has further strengthened the industry-agriculture linkage in the Indian economy. As the industrial sector tends to invest in the agricultural sector, there is a likelihood of greater integration of the industrial and agricultural sectors.

#### Check Your Progress 4

- 1) Fill in the blanks to complete the following statement with words given at the end.

Even though the demand for ..... declines as the industrial sector diversifies, the ..... for food for the workforce engaged in industry continues to ..... There is a .....

of the raw material linkage but the food supply .....  
remains ..... On the whole, however, agriculture-industry  
linkages are fairly ..... in the Indian economy.

(strong, rise, decline, raw material, weakening, supply, linkage, strong, demand,  
weak)

- 2) Explain the nature of changes in the agriculture-industry linkages as the economy tends to grow.

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- 3) Industrial diversification inevitably leads to weakening of agriculture-industry linkage. Do you agree? Explain briefly.

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## 5.5 IMPORTANT FEATURES OF INDIAN AGRICULTURE

We discuss some of the features peculiar to Indian agriculture. This will enable us to form an idea of its prospects and performance capabilities.

At the time of Independence, Indian agriculture was described as 'backward'. This was reflected in the low productivity per worker as well as per hectare of land. The backwardness of the agricultural sector was attributed to the outdated and traditional techniques and the land-relations system. By the land relations system we mean the relationship between the owners of land and the actual cultivators. This system was excessively exploitative at the time of Independence. Owing to the pressure of growing population and absence of adequate opportunities for employment outside agriculture, the demand for land was persistently on the rise. The landowners were, thus, able to charge high rents from the cultivators leaving very little for their subsistence. Improvements on land were not made by the landowners as their rents were on the rise and the cultivators were left with very little to make such improvements. Large cultivated area depended for water supply only on the rainfall. Thus, most of the land could be used for producing only one crop during the year. The overall impact of these conditions on the Indian agriculture was that it did not experience any significant growth of output. The average rate of growth of agricultural production during the first half of the twentieth century was only about 0.25 per cent per annum.

There has been significant improvement in the rate of growth of agricultural production since Independence. On an average, this rate has been estimated to be around 2.7 per cent per annum. However, the overall rate of growth is not uniformly spread across regions or crops. It has also not been stable over time. The Indian agricultural sector has some prominent features which are examined below:

### **5.5.1 Uncertainties and Fluctuations in Agricultural Production**

Agriculture in India continues to remain predominantly rainfed. The total area irrigated as a percentage of the gross cropped area (GCA) was only about 17 per cent at the beginning of the 1950s. It has gradually increased to around one third of the GCA in the decade of nineties. Thus, nearly two third of the cultivated area continue to depend upon rainfall for irrigation purposes.

Fluctuation in the quantity, frequency and timing of rainfall from year to year is a common feature in India. Thus there is some uncertainty in the availability of an essential input, i.e., water. The fluctuation in rainfall causes fluctuations in agricultural production and thereby in the GDP of India. Uneven spread of rainfall across regions further adds to these fluctuations. The economy often witnesses drought conditions in some regions while some other regions are devastated by floods in the same year.

### **5.5.2 Wide Diversities**

Indian agriculture is characterised by large diversities across regions. The climatic and soil conditions vary from the arid desert in Rajasthan to the high rainfall and extremely wet conditions in Assam and Meghalaya. There is, therefore, a multiplicity of crops and some degree of inter-regional specialisation in agricultural production. Furthermore, there are diversities in the productivity of land not only between regions but also within a region. Hill districts of Uttar Pradesh have agro-climatic conditions which are very different from that in the plains of the same state. Even within the plains there are wide differences in fertility and soil conditions between the eastern and the western parts of the state.

### **5.5.3 Predominance of Small Farmers**

A large number of cultivators are operating on very small or tiny farms. In the year 1990-91, about 60 per cent of the farms were of less than one hectare in size and almost 78 per cent of the farms were of 2 hectares or less in area. This is primarily attributed to the pressure of growing population on agriculture which causes subdivision and fragmentation of the farms. Many of these farms are inadequate to provide even subsistence to a small family.

### **5.5.4 Predominance of Subsistence Farming**

A large number of *small* and *marginal farmers* do not produce enough for the needs of the families working on them. They are known as subsistence farmers. Production for sale in the market is confined only to larger farms. There is, thus, a mixture of subsistence farming and commercial farming. Benefits of state policies like price support and subsidies are available to the large farmers who are engaged in commercial farming and not to the small farmers who are engaged in subsistence farming.

### **5.5.5 Inequalities in Agricultural Sector**

There are wide disparities in the size of farms. In India, almost 78 per cent of the farms are less than two hectares in area. Such farms constitute about 32 per cent of the total cultivated area. At the other end of the spectrum, large farms of size ten hectares and above constitute only 1.2 per cent of the total number of farms but

operate as much as 17 per cent of the cultivated area. Large farmers are able to get access to the financial and irrigation resources. They are, therefore, able to obtain much higher income than the small and marginal farmers.

### **5.5.6 Low Level of Productivity**

Low level of productivity has been one of the symbols of backwardness of Indian agriculture. Despite several technological improvements and spread of new agricultural technology the overall level of productivity has remained low. Compared to developed countries productivity per worker as well as per hectare in India is very low. For instance productivity per hectare in the case of rice, which is a major crop of India, was only 29 quintals in India as compared to 63 quintals in USA, 62 quintals in Japan, 61 quintals in China in the year 1998. For other major crops like wheat, groundnut and cotton, the situation is very much similar. Low productivity not only aggravates the pressure on land but also keeps the cost of production very high.

### **Check Your Progress 5**

- 1) Indicate whether the following statements are true or false:
  - a) Indian agriculture was highly developed before Independence.
  - b) The average rate of growth of agricultural output since Independence has been nearly 27 per cent per annum and has been uniform over the years.
  - c) Fluctuations in rainfall and its uncertainties cause fluctuations in agricultural output.
  - d) Small and subsistence farms predominate the Indian agricultural scene.
- 2) Briefly discuss some of the main features of Indian agriculture.

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## **5.6 LET US SUM UP**

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Role and importance of agriculture in an economy can be measured by examining its share in the GDP, employment and international trade. It also has an indirect impact on the economy through its linkage with other sectors. Agriculture continues to remain a major sector of the Indian economy even though its share in GDP has declined from nearly 50 per cent in 1950-51 to about 24 per cent in 2001-02. However, the share in employment has declined only marginally and about two-third of the labour force are still engaged in the agricultural sector. The share of agriculture in exports has declined significantly but still continues to be fairly large. The agricultural sector contributes to the industrial growth in India through agriculture- industry linkage. Its raw material support to agro-based industries and food surplus supplies have remained sufficiently strong over time. It has also generated demand for the industrial products and services of transport and trading sectors. The large agricultural sector of the Indian economy is characterized by fluctuations in output, diversities as well as inequalities besides the predominance of small farms and low level of productivity.

There have been substantial developments in the agricultural sector since Independence. Measures to improve land relations in the form of land reforms and improvements in the sources of credit have borne some fruit. Marketing conditions, irrigation facilities and technology in general have undergone significant changes. The sector is however, still marked by uneven development and wide diversities, predominance of small farms, traditional and even primitive techniques co-existing with some of the modern techniques. Storage conditions for crops in rural areas are largely very primitive leading to loss of produce. On the whole, despite the developments in the agricultural sector, there is substantial scope for its modernisation and improvement.

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## 5.7 KEY WORDS

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<b>Agro-based industries :</b>	Industries which directly draw their raw materials from the agricultural sector.
<b>Gross Cropped Area :</b>	It is the total cultivated area plus that part of the area which is cultivated more than once.
<b>Gross Domestic Product:</b>	Refers to the value of goods and services produced within the economy without double counting and without deducting the depreciation of capital stock.
<b>Linkages :</b>	Refer to the interdependence between various segments through flows of output to each other.

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## 5.8 SOME USEFUL BOOKS

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Dev, S. M., 1998, *Regional Variations in Agricultural Performance in the Last Two Decades*, Indian Journal of Agricultural Economics, January-March.

Dhingra, I. C., 2003, *Indian Economy: Environment and Policy*, Sultan Chand and Sons, New Delhi.

Rao, V. M. and P. D. Jeromi, 2000, *Modernising Indian Agriculture,: Priority Tasks and Critical Policies*, DRG Study no. 21, Reserve Bank of India.

Sawant, S.D. and C.U. Achuthan, 1995, Agricultural Growth across Crops and Regions, Economic and Political Weekly, March 25, 1995.

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## 5.9 ANSWERS/HINTS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress 1

- 1) (a) F (b) T
- 2) Refer to Section 5.2
- 3) Refer to Section 5.2

### Check Your Progress 2

- 1) i) See Table 5.2  
ii) F  
iii) F  
iv) F
- 2) Read Sub-section 5.3.1 and answer

**Check Your Progress 3**

- 1) a) F  
b) F  
c) T  
d) F
- 2) Refer to Sub-section 5.5.1 and answer.
- 3) The nature of these tenures are discussed in Sub-section 5.5.3.

**Check Your Progress 4**

- 1) Raw material, demand, rise, weakening linkage, strong, strong.
- 2) Draw your answer from Section 5.6
- 3) Draw your answer from Section 5.6

**Check Your Progress 5**

- 1) a) F  
b) F  
c) T  
d) T