



Indian Agriculture: Growth, Problem and Policy Measures

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India is mainly agricultural economy. Agriculture and its allied sectors still remain an important sector because of its continued role in employment, income and most importantly in national food security. Agriculture is the main and important occupation in the country as more than two third people depends on agriculture for their livelihood. The share of agriculture in total GDP of country is decreasing due to increase in contribution of industrial and service sector to GDP. In spite of this agriculture is playing important role in the country. Agriculture contributes to India's export through export of food and agricultural products. Despite of the achievements, agriculture sector in India is facing many problems. Due to the problems the agriculture sector in India not contributing adequately to development of the country. There is a need to frame the policies for the development of agriculture and welfare of the famers and agricultural labourers in country.

The main objective of this research paper is to review the policies needed for the development of Indian Agriculture. Accordingly the paper is divided into three parts. In the first part agriculture growth in India is given. The second part is devoted to problems of Indian agriculture. The third part deals with policy measures for growth of Indian agriculture.

I

Agriculture Growth in India

The present paper reviews the recent trend in growth of Indian agriculture. Since the inception of economic reforms, Indian economy has achieved a remarkable rate of growth. This remarkable performance, to a large extent, was driven by service sector and improvements in the secondary sector. However, this growth process bypassed the agricultural sector. In the post reform period, the growth was mainly driven by the exceptional growth in service sector. But the performance of agriculture in terms of its growth rates has been disappointing. The growth of agriculture started declining since the reforms. The growth of agriculture has come down from 3.62 in 1990-91 to 2.1 by 2017-18 and the share of agriculture in the gross domestic product has registered a steady decline from 36.4 per cent in 1982-83 to 17 per cent in 2018-19.

Agriculture and its allied sectors still remain an important sector because of its continued role in employment, income and most importantly in national food security. According to Government of India, Economic Survey 2019-20 the share of agriculture and allied sectors in

the Gross Value Added (GVA) of the country at current prices has declined from 18.2 per cent in 2014-15 to 16.5 per cent in 2019-20. The share of agriculture and allied sectors in the total GVA of the country has been declining on account of relatively higher growth performance of non-agricultural sectors. Proportion of Indian population depending directly or indirectly on agriculture for employment opportunities is more than that of any other sector in India. As high as 70 percent of its rural households still depend primarily on agriculture for their livelihood, with 82 percent of farmers being small and marginal.

Share of Agriculture in Gross Value Added:

There is a declining trend in share of agriculture in Gross Value Added. Recent trend in share of agriculture in Gross Value Added is given in Table 1.

Table 1: Share of Agriculture and Allied Sectors in total GVA of the Country at Current Prices

Source : Government of India, Economic Survey 2019-20, Tab. 1, P.194

Note: **As per the press note on Provisional Estimates of Annual National Income 2018-19 and Quarterly Estimates of Gross Domestic Product for the Fourth Quarter (Q4) of 2018-19 released by CSO on 31st May 2019.

Item	Year					
	2014-15	2015-16*	2016-17#	2017-18@	2018-19**	2019-20\$
GVA of agriculture and allied sectors (` in Crore)	2093612	2227533	2496358	2670147	2775852	3,047,17
Share of GVA of agriculture & allied sectors in GVA of total economy (per cent)	18.2	17.7	17.9	17.2	16.1	16.5
Share of crops	11.2	10.6	10.6	10.0	-	-
Share of livestock	4.4	4.6	4.8	4.9	-	-
Share of forestry & logging	1.5	1.5	1.4	1.2	-	-
Share of fishing	1.0	1.1	1.1	1.1	-	-

@ As per the First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation for 2017-18 released on 31st January, 2019. # Second Revised Estimate.

* Third Revised Estimate , \$ First Advance Estimate 2019-20.

The share of agriculture and allied sectors in the Gross Value Added (GVA) of the country at current prices has declined from 18.2 per cent in 2014-15 to 16.5 per cent in 2019-20. During 2014-15 to 2017-18 the share of crops in the Gross Value Added (GVA) of the country at current prices has declined from 11.2 per cent in 2014-15 to 10.0 per cent in 2019-20. The share of agriculture and allied sectors in the total GVA of the country has been declining on account of relatively higher growth performance of non-agricultural sectors.

Growth in Agriculture & Allied Sectors:

The growth of Gross Value Added (GVA) of agriculture and allied sectors has witnessed a fluctuating trend. Table 2 shows the growth of Gross Value Added of total economy and agriculture and allied sectors during 2013-14 to 2019-20.

Table 2: Agriculture sector – Key indicators of Growth at constant (2011-12) prices (in per cent)

Year	Growth of GVA of total economy	Growth of GVA of agriculture & allied sectors
2013-14	6.1	5.6
2014-15	7.2	-0.2
2015-16*	8.0	0.6
2016-17#	7.9	6.3
2017-18@	6.9	5.0
2018-19**	6.6	2.9
2019-20\$	4.9	2.8

Source: Government of India, Economic Survey 2019-20 table 2, P- 195.

Note: **As per the press note on Provisional Estimates of Annual National Income 2018-19 and Quarterly Estimates of GDP for Q4 of 2018-19 released by CSO on 31st May 2019.

@ As per the First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation for 2017-18 released on 31st January, 2019. # Second Revised Estimate. * Third Revised Estimate.

\$ First Advance Estimate 2019-20.

Table 2 shows that in 2013-14 the Gross Value Added of total economy was 6.1 percent and the Gross Value Added of agriculture and allied sectors was 5.6 per cent. GVA at constant (2011-12) prices for 2019-20 from 'Agriculture, Forestry and Fishing' sector is estimated to grow by 2.8 per cent as compared to growth of 2.9 per cent in 2018-19.

Gross Capital Formation (GCF) in Agriculture:

Gross Capital Formation (GCF) in Agriculture shows fluctuating trend during 2012-13 to 2017-18. It is given in Table 3.

Table 3: Gross Capital Formation (GCF) in Agriculture and Allied Sectors relative to Gross Value Added (GVA) at constant (2011-12) prices

Year	GCF of agriculture & allied sector (in Crore)	GVA of agriculture & allied sector (in Crore)	GCF of agriculture & allied sector as percentage of GVA (in percentage)
2012-13	2,51,094	15,24,288	16.5
2013-14	2,84,424	16,09,198	17.7
2014-15	2,72,663	16,05,715	17.0
2015-16*	2,37,648	16,16,146	14.7
2016-17#	2,67,836	17,17,467	15.6
2017-18@	2,73,755	18,03,039	15.2

Source: Government of India, Economic Survey 2019-20, Tab. 3, P.195

Note: @As per the First Revised Estimates of National Income, Consumption Expenditure, Saving and Capital Formation for 2017-18 released on 31st January, 2019.
Second Revised Estimate * Third Revised Estimate

The Gross Capital Formation (GCF) in agriculture and allied sectors relative to Gross Value Added (GVA) in this sector has been showing a fluctuating trend from 16.5 per cent in 2012-13 to 15.2 per cent in 2017-18

II

Problems of Indian Agriculture

The objective of inclusiveness in development has to be realized through a focus on rural development where agriculture can deliver significantly. For Government's focus on doubling farmers' income, a number of measures are being undertaken ranging from income support schemes, crop insurance, water conservation, waste management techniques to agriculture marketing reforms. Despite this, Indian agriculture is facing many problems. Problems of Indian agriculture are given below.

1. Sub-division and fragmentation of holdings: Sub-division and fragmentation of holdings is one of important problem of agriculture in India. There is continuous sub-division and fragmentation of land due to growing population in the country, the decline of joint family system, the decline of handicrafts and village industries and rural indebtedness. Growing population coupled with the system of inheritance has been responsible for small size of land holding in the country. Due to industrialization and growth of towns joint families have broken down. This has led to division and sub-division of holding in the country.

2. Cropping Pattern: Cropping Pattern shows the areas under different crops. Cropping Pattern is a indicator of development and diversification of sector. In India food crops and non-food crops are produced by the agriculture sector. Due to attractive prices of cash crop more land is diverted towards the production of food crops to cash crops. This resulted in food crisis in the country. During planning period country is failed to develop balanced cropping pattern.

3. Instability and fluctuation: Indian agriculture is facing the problem of instability and fluctuations due to its dependence on monsoon. It results in fluctuation of agricultural production, prices of agricultural crops and employment in agricultural sector. It also affects the income of farmers.

4. Unfair distribution of agriculture land: There is inequality in the distribution of agricultural land in India. It has not been unfairly distributed. There is a considerable degree of concentration of land holding among the rich landlords, farmers and money lenders. Most of small farmers own a very small and uneconomic size of holdings, resulting low productivity.

5. Conditions of Agricultural Labourers: In India agricultural labourers are unorganized and the conditions of most of the agricultural labourers are not satisfactory. Because of the problem of disguised unemployment the wage rates are low. They are poor and their standard of living is low. Though recently, there is a improvement in the situation but still economic exploitation of these workers continuous.

6. Traditional farming Techniques: The farmers in India have been adopting traditional and ineffective method and technique of farming. Recently the Indian farmers have started to adopt improved equipment like steel ploughs, seed drills, barrows, hoes etc. to a limited extent only. Most of the farmers were relying on old outdated equipments. There is inadequate use of

efficient farm equipments. Use of traditional farming Techniques resulted in low agricultural productivity in the country.

7. Inadequate Irrigation Facilities: Inadequate irrigation facilities in the country are one of important problem of Indian agriculture. Indian farmers mostly depends on rainfall which irregular and uneven. The total water potential in the country is more than adequate. But the problem is to discover cheap and easy methods of utilizing these huge supplies of water. Therefore, in the absence of assured and controlled water supply, the agricultural productivity in India is low.

8. Agricultural Indebtedness: Growing indebtedness is also the problem of Indian agriculture. The farmers are borrowing a heavy amount of loan regularly for meeting their requirements needed for production, consumption and also for meeting their social commitments. Thus the debt passes from generation to generation. Indian farmers fall into the debt trap as a result of crop failure, low income, low prices of crops, high rate of interest and unproductive use of loan. Thus the debt of farmers steadily increases and creates the problem of rural indebtedness in our country. Thus it is quite correct to observe that “Indian farmer is born in debt, lives in debt and dies in debt.”

9. Fluctuation in the prices of agricultural products: Indian agriculture faces the problem of fluctuation in the prices of agricultural products. In India abandon crop results in fall in income of farmers as it leads to fall in prices. For the stability of the farmers income, the Government should frame and implement the policy of agricultural price support and provide incentives to increase production. Price stability is important for the farmers as well as consumers, exporters, agro-based industries.

10. Lack of sufficient credit and marketing facilities: Lack of sufficient credit and marketing facilities is also the problem of Indian agriculture. Due to this the farmers are not able to invest sufficient resources in agriculture. This is also one of the important cause of low productivity of agriculture in India. If the government can revive the credit cooperative societies and regional rural banks to grant more credit to the small farmers, the level of productivity can certainly increase.

III

Policy Measures for Growth of Indian Agriculture

During post-reform period and particularly since the mid 1990s agricultural growth in India declined. As the agricultural sector is one of the most important sectors in India there is a need of fast growth of this sector. Proper policy measures are needed for achieving growth rate of 4 per cent in agriculture and increase in incomes of farmers. These policy measures are given below.

1. Price Policy: The main objective of the Indian government’s price policy is to protect both producers and consumers. Procurement prices or minimum support prices, buffer stocks and public distribution system (PDS) are the three instruments of food-security system and price policy of Government of India. The Commission for Agricultural Costs and Prices (CACP) recommends MSP taking into considerations Cost of production, Changes in input prices, Input-output price parity, Trends in market prices, Demand and supply etc. Among these factors, cost of production is the important factor in determining minimum support prices. In order to maintain food security and increase incomes of farmers, there is a need to provide remunerative prices to farmers.

2. Pro-poor Macro Policies: The macro policies in India have not in favor of employment and in favor of poor in the post-reform period. There is a need to have macro policies in favor of poor. Fiscal policy and monetary policy should be in favor of poor. Fiscal policy should increase tax/GDP ratio, improve expenditures on agriculture and rural development, infrastructure and other capital expenditures. Monetary and financial liberalization policies in should be in favor of poor and for that it should advance agricultural credit to small and marginal farmers and also to informal sector. Monetary policy should contain inflation particularly food prices and also reduce spread between lending and deposit interest rates. Trade liberalization and exchange rate policies are needed in favor to promote employment through labour-intensive exports and also measures to reduce price instability due to globalization. Thus, priority should be given to the policies that improve quality and quantity of employment growth. Priority to public investment in irrigation, roads, communications, transport, electricity, health, education, etc. is considered one of the important factors responsible for inclusive growth. Rapid growth in agriculture and rural non-farm sector are important for poverty reduction in India.

3. Land relations: Land relations are extremely complex and this complication has contributed significantly to the problems facing actual cultivators. Unregistered cultivators, tenants, and tribal cultivators all face difficulties in accessing institutional credit and other facilities available to farmers with land titles. One priority is to record and register actual to ensure that they gain access to institutional credit and other inputs. Small and uneconomic holdings are the of the important cause of slow agricultural development and low farmers' incomes in India.

4. Rural Infrastructure: Investment in rural infrastructure is important for agricultural growth. The role of public and private investments in infrastructure becomes vital in this situation. The rural infrastructure plays an important role in both input and output sides. It helps to ensure timely and adequate delivery of inputs to the farmers and on the output front, integrating local markets with national and international markets.

5. 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. Around 40% of country's cultivated area is irrigated. The ultimate irrigation potential of the country has been assessed at around 140 million hectares– 58.46 million hectares from major and medium irrigation and 81.42 million hectares from minor irrigation, of which 64.09 million hectares is from groundwater sources. Nearly 37% of the available irrigation potential from major and medium irrigation projects in the country still remains to be exploited. Over 400 such projects were in the pipeline at various stages during the Ninth Plan period. When these on-going projects are completed, bulk of the remaining irrigation potential would have been exploited. Decline in public investment and the thin spread of resources over a large number of projects are responsible for the delay in completion of these projects.

6. Agricultural Credit: A large number of small and marginal farmers and other vulnerable groups are deprived from the opportunities and services provided by the financial sector. Efforts should make to increase sufficient institutional credit at cheaper rate.

7. Research and Extension: Technology plays an important role in improving the yields. There is a need to shift away from individual crop-oriented research focused essentially on irrigated areas towards research on crops and cropping systems in the dry lands, hills, tribal and other marginal areas. Progress in post-harvest technology is essential to promote value addition

through the growth of agro-processing industry. Private sector participation in agricultural research, extension and marketing is becoming increasingly important.

8. Diversification by Maintaining Food Security: There is a growing demand for non-food grain items in India. The expenditure elasticity for non-cereal food items is still quite high in India. Per capita consumption of fruits and vegetables showed the highest, growth followed by edible oils. Diversification to high-value crops and allied activities is one of the important sources for raising agricultural growth. Since risk is high for diversification, necessary support in infrastructure and marketing is needed. Price policy should also encourage diversification.

9. Marketing: For small and marginal farmers, marketing of their products is the main problem apart from credit and extension. The small and marginal farmers have problems in getting inputs, credit, extension and marketing. The services provided by the contract farming companies would thus be useful for small-scale agriculture. In recent years, there has been some form of contract arrangements in several agricultural crops such as tomatoes, potatoes, chilies, gherkin, baby corn, rose, onions, cotton, wheat, basmati rice, groundnut, flowers, and medicinal plants. The contract farming arrangements have to be strengthened in order to help the small farmers.

10. Institutional Reforms and Sustainable Agriculture: Institutional reforms are important, particularly in the field of public systems for sustained technical progress and output growth in agriculture. There is a limited scope for privatizing irrigation, research and extension and other infrastructural facilities. All of these will continue to be mainly the responsibility of public sector. Unless the public sector's efficiency in mobilizing resources and managing these facilities is vastly improved, trade and price policy reforms will not make a significant difference to the pace of agricultural growth.

Conclusion:

Agriculture and its allied sectors still remain an important sector because of its continued role in employment, income and most importantly in national food security. The growth of agriculture has come down from 3.62 in 1990-91 to 2.1 by 2017-18 and the share of agriculture in the gross domestic product has registered a steady decline from 36.4 per cent in 1982-83 to 17 per cent in 2018-19. Recently there is a decline in Gross Value Added and Gross Capital Formation. Indian agriculture is facing many problems. To increase the growth rate of agriculture sector it necessary to solve the problems. Government should make necessary policy measures to increase agricultural production and income of farmers and rural development.

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