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An Analytical study of Contribution of Agriculture Sector in growth of Indian Economy

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Abstract

Abstract: Agriculture sector referred as primary sector. it is very important for economic growth of any country. It emerged as an essential-growing sector within the world economy. This sector contributes huge part of Indian GDP and occupy first place in employment provider. 58% of India's population is depends upon Agriculture. Gross Value Added (GVA) by agronomy, forestry and trawling was estimated at Rs. 19.48 lakh crore (US\$ 276.37 billion) in FY20 (PE). GVA Growth in agriculture and related sectors stood at 4% in FY20. Essential agricultural commodities export for the April-September period of 2020 enlarged by 43% to Rs. 53,626 crore (US\$ 7.3 billion) over Rs. 37,397 crore (US\$ 5.1 billion) in the same period last year. Its respectable share in foreign direct investment (FDI) inflows similarly as in total exports makes it the engine of economic process. Keeping in higher than scene, the current study makes an analysis of agriculture sector in Indian economy. The study shows that agriculture sector has achieved incredible growth over the year in Indian economy. Besides, their contributions in value, employment and exports are rising significantly. To take care and accelerate the expansion & contributions of this sector & to develop it as a real engine of economic process.

Keywords: Indian Economy, GVA, Foreign Direct Investment.

Introduction:

Agriculture considered as a Primary sector. It makes direct use of natural resources. It is contrasted with secondary sector (manufacturing manufactured & different processed goods) & the Tertiary sector (producing services). This sector usually most significant in less developed countries & typically more modest in industrial countries. Till the economic revolution, overwhelming majority of human population

labored in agriculture. Pre Industrial agriculture was usually subsistent during which farmers raised most of their crop for his or her own consumption rather than crop for trade. A stimulating shift in agriculture practices has occurred over the past century in response of recent technology & the event of world market.¹ This additionally led to technological enhancements in agricultural techniques. Now, Agriculture with its allied sector is certainly the biggest living supplier in Asian nation, additional therefore within other countries. It additionally contributes a big figure to GDP.² Most of the industries additionally rely upon agriculture sector for his or her raw materials. The planned approach to development has helped the country to succeed in a stage wherever the country is independent in food grains and includes a comfy buffer stock. These achievements are attainable principally through the favorable policy framework. The policy of Indian Agriculture was to attain food security by providing incentive for growth beside just access to food. As a result terrible famine shave become events of the past and therefore the agricultural production doesn't show massive variation even within the event of adverse climatically condition.³

Accomplishments:

As of 2011, Asian nation had an outsized and various agricultural sector, accounting, on average, for regarding Sixteen Personality Factor Questionnaire of GDP and ten you look after export earnings. India's cultivatable estate of 159.7 million hectares (394.6 million acres) is that the second major within the world, after the United States.⁴ Its gross irrigated crop space of 82.6 million hectares (215.6 million acres) is that the largest within the world. Asian nation has grown up to become among the highest 3 international producers of a broad vary of crops, as well as wheat, rice, pulses, cotton, peanuts, fruits, and vegetables.⁵ Worldwide, as of 2011, Asian nation had the biggest herds of buffalo and bovine, is that the largest producer of milk, and has one in all the biggest and quickest growing poultry industries.⁶

The following table shows the twenty most important agricultural products in India, by economic value. Comprised in the table is the regular output of India's farms for each produce. For perspective and comparison, included is the average of the most productive farms in the world and name of country where the most productive farms existed. Below table suggests India has big potential for additional accomplishments from productivity increases, in increased agricultural productivity and agricultural incomes.⁷

Table 1 Agriculture in India, largest crops by Economic value

Rank	Produce	Economic Value	Unit price	Average yield, India (2017)	World's most productive farms (2017)	
		Value (US\$, 2016)	(US\$ / kilogram)	tonnes per hectare	(tonnes per hectare)	Country
1	Rice	\$70.18 billion	0.27	3.85	9.82	Australia
2	Buffalo milk	\$43.09 billion	0.4	2.00[73]	2.00[73]	India
3	Cow milk	\$32.55 billion	0.31	1.2[73]	10.3[73]	Israel
4	Wheat	\$26.06 billion	0.15	2.8	8.9	Netherlands
5	Cotton (Lint + Seeds)	\$23.30 billion	1.43	1.6	4.6	Israel
6	Mangoes, guavas	\$14.52 billion	0.6	6.3	40.6	Cape Verde
7	Fresh Vegetables	\$11.87 billion	0.19	13.4	76.8	United States
8	Chicken meat	\$9.32 billion	0.64	10.6	20.2	Cyprus
9	Potatoes	\$8.23 billion	0.15	19.9	44.3	United States
10	Banana	\$8.13 billion	0.28	37.8	59.3	Indonesia
11	Sugar cane	\$7.44 billion	0.03	66	125	Peru
12	Maize	\$5.81 billion	0.42	1.1	5.5	Nicaragua
13	Oranges	\$5.62 billion				
14	Tomatoes	\$5.50 billion	0.37	19.3	55.9	China
15	Chick peas	\$5.40 billion	0.4	0.9	2.8	China

16	Okra	\$5.25 billion	0.35	7.6	23.9	Israel
17	Soybeans	\$5.13 billion	0.26	1.1	3.7	Turkey
18	Hen eggs	\$4.64 billion	2.7	0.1[73]	0.42[73]	Japan
19	Cauliflower and Broccoli	\$4.33 billion	2.69	0.138[73]	0.424[73]	Thailand
20	Onions	\$4.05 billion	0.21	16.6	67.3	Ireland

Source: <http://agricoop.nic.in/>

As per FAOSTAT data, India produces various agriculture products in following values.

Number	Item	Production (in tonnes)
1	Apples	2316000
2	Bananas	30460000
3	Beans, green	725998
4	Carrots and turnips	
5	Cashew nuts, with shell	743000
6	Castor oil seed	1196680
7	Cauliflowers and broccoli	9083000
8	Cherries	11107
9	Chick peas	9937990
10	Chillies and peppers, dry	1743000
11	Chillies and peppers, green	81837
12	Coconuts	14682000
13	Coffee, green	319500
14	Cucumbers and gherkins	199018
15	Garlic	2910000
16	Ginger	1788000
17	Grapes	3041000
18	Lemons and limes	3482000
19	Mangoes, mangosteens, guavas	25631000
20	Melons, other (inc.cantaloupes)	1266000
21	Mushrooms and truffles	182000
22	Oilseeds nes	42000
23	Onions, dry	22819000
24	Oranges	9509000
25	Papayas	6050000
26	Peaches and nectarines	
27	Pears	300000
28	Pineapples	1711000
29	Potatoes	50190000
30	Rice, paddy	177645000
31	Soybeans	13267520
32	Sugar cane	405416180
33	Sweet potatoes	1156000
34	Tea	1390080
35	Tobacco, unmanufactured	804454
36	Tomatoes	19007000
37	Watermelons	2495000
38	Wheat	103596230

Source: <http://statisticstimes.com/economy/country/india-gdp-sectorwise.php>

Investments

Conferring to the Department for Promotion of Industry and Internal Trade (DPIIT), the Indian food processing industry has cumulatively concerned Foreign Direct Investment (FDI) equity inflow of about US\$ 10.15 billion between April 2000 and June 2020.⁸

Some major funds and growths in agriculture are as follows:

- The first large-scale fertilizer producer in the nation crossed 1 million manufacture and sales mark, in March 2020.
- Nestle India will participate Rs. 700 crore (US\$ 100.16 million) in building of its ninth factory in Gujarat.
- In November-2019, Haldiram come into an agreement for Amazon's global marketing program to E-tail its delicacies in the United States.

- In November-2019, Coca-Cola hurled 'Rani Float' fruit juices to step out of its trademark fizzy drinks.
- Indian Council of Agricultural Research (ICAR) has launched Two diagnostic kits developed - Indian Veterinary Research Institute (IVRI) and the Japanese Encephalitis IgM ELISA were launched in October 2019.⁹
- In India, Investment worth Rs. 8,500 crore (US\$ 1.19 billion) have been announced for ethanol production.¹⁰

Importance of Agriculture:

Agriculture plays a vital role within the lifetime of Associate in nursing economy. It's the backbone of our national economy. Agriculture not solely provides food and stuff however conjointly employment opportunities to a really massive proportion of population. The subsequent facts clearly highlight the importance of agriculture during this country.

1. **Contribution to National Income:** Agriculture is that the premier supply of our national income. In 1960-61, 52% per cent of value was contributed by agriculture and allied occupations. In 1976-77, this sector alone contributed 42.2% whereas in 1981-82, its contribution was to the tune of 41.8%. In 2001-02, it contributed around 32.4% of national income. This was more reduced to 28% in 1999-2000. Contrary to the current, the proportion of agriculture in U.K. is only 3.1, in USA. It's 3%, 2.5% in Canada, half dozen per cent in Japan, 7.6 per cent in Australia.¹¹
2. **Supply of Livelihood:** In Asian nation the most occupation of our operating population is agriculture. Regarding 70% of our population is directly engaged in agriculture. In advanced countries, this magnitude relation is incredibly little being 5% in U.K., four per cent in USA., 16% in Australia 14%t in France, 20% in Japan and 32% in Soviet Union. This high proportion in agriculture is because of the very fact that the non-agricultural activities haven't been developed to soak up the chop-chop growing population.
3. **Importance in International Trade:** It is the agricultural sector that feeds country's trade. Agricultural product like tea, sugar, rice, tobacco, spices etc. represent the most things of exports of Bharat. If the event method of agriculture is swish, export will increase and imports square measure reduced significantly. Thus, it helps to scale back the adverse balance of payments and save our exchange. This quantity are often well used to import alternative necessary inputs, raw-material, machinery and alternative infra-structure that is otherwise helpful for the promotion of economic development of the country.¹²
4. **Supply of Raw Material:** Agriculture has been the supply of raw materials to the leading industries like cotton and jute textiles, sugar, tobacco, edible and non-edible oils etc. of these rely directly on agriculture. Apart from this, several others like process of fruits and vegetables, decalitre edge, rice baring, Gur creating additionally rely on agriculture for their material. in keeping with world organization Survey, the industries with material of agricultural origin accounted for fifty per cent of the worth superimposed and 64% of all jobs within the industrial sector.
5. **Marketable Surplus:** The development of agricultural sector results in marketable surplus. As country develops additional and additional folks square measure to be engaged in mining,

producing and different non- agricultural sector of these folks depend on the food production that they will meet from the marketable surplus. As agricultural development takes place, output will increase and marketable surplus expands. This may be sold to different countries. Here, it's value mentioning that the event of Japan and different countries were created potential by the excess of agriculture. There's no reason why this might not be tired our own case.¹³

6. **Overall Economic Development:** In the course of economic development, agriculture employs majority of individuals. This implies raising the extent of the value and commonplace of living of the soul. The rapid rate of growth in agriculture sector provides progressive outlook and any motivation for development. As a result, it helps to make correct atmosphere for general economic development of the economy. Thus, economic development depends on the speed at that agriculture grows.¹⁴
7. **Supply of Saving:** Improvement in agriculture will go a protracted manner in increasing savings. It's seen that made farmers have started saving particularly when revolution within the country. This surplus quantity may be invested with in agriculture sector for further; development of the world. Saving potentials square measure giant in agriculture sector which may be properly broached for the event of the country.
8. **Supply of presidency Income:** In India, several state governments get sizeable revenue from the agriculture sector. Land revenue, agricultural taxation, irrigation tax and a few different forms of taxes square measure being levied on agriculture by the state governments. Moreover, significantly revenue is earned by manner of excise duty and tariff on agricultural merchandise. Dominion committee on Agricultural Taxation has prompt imposition of taxation on agricultural financial gain for raising revenue.¹⁵
9. **Basis of Economic Development:** Prof. Nurkse has arranged comfortable stress on the development of agriculture for a balanced growth of associate degree economy. The event of agriculture provides necessary capital for the event of different sectors like trade, transport and foreign trade. In fact, a balanced development of agriculture and trade is that the want of the day. From the on top of, rationalization it should be finished that agriculture occupies a vital place within the development of associate degree economy. It's in truth, a pre-condition for economic up liftment.
10. **Importance in Transport:** Agriculture is that the main support for railways and roadways that transport bulk of agricultural manufacture from farm to the mandies and factories. Internal trade is usually in agricultural merchandise. Besides, the finance of the government, also, to the big extent, depends upon the prosperity of agricultural sector.¹⁶
11. **Contribution to exchange Resources:** Agricultural sector constitutes a very important place within the country's export trade. In keeping with associate degree estimate, agricultural commodities like jute, tobacco, oilseeds, spices, raw cotton, tea and low accounted for concerning eighteen per cent of the full price of exports in Asian country. This shows that agriculture merchandise still still be vital supply of earning exchange.
12. **Immense Employment Opportunities:** The agricultural sector is critical because it provides bigger employment opportunities within the construction of irrigation comes, system and alternative such activities. With the quick growing population and high incidence of state and

disguised state in backward countries, it's solely agriculture sector that provides a lot of employment possibilities to the labour force. during this means, significance of agriculture emerges a lot of and a lot of.¹⁷

Issues and challenges faced by agriculture sector:

Three agriculture sector challenges are going to be necessary to India's overall development and therefore the improved welfare of its rural poor:

1. Raising agricultural productivity per unit of land: Raising productivity per unit of land can get to be the most engine of agricultural growth as nearly all tillable land is farmed. Water resources are restricted and water for irrigation should modify increasing industrial and concrete wants. All measures to extend productivity can would like exploiting, amongst them: increasing yields, diversification to higher worth crops, and developing worth chains to cut back selling prices.¹⁸
2. Reducing rural poorness through a socially inclusive strategy that includes each Agriculture furthermore as non-farm employment: Rural development should additionally profit the poor, landless, women, scheduled castes and tribes. Moreover, there square measure sturdy regional disparities: the bulk of India's poor square measure in rain-fed areas or within the Japanese Indo-Gangetic plains. Reaching such teams has not been simple. whereas progress has been created - the agricultural population classified as poor fell from nearly four-hundredth within the early Nineteen Nineties to below half-hour by the mid-2000s (about a tenth fall per year) – there's a transparent would like for a quicker reduction. Hence, poorness alleviation may be a central pillar of the agricultural development efforts of the govt. and therefore the International Bank for Reconstruction and Development.¹⁹
3. Making certain that agricultural growth responds to food security needs: The sharp rise in food-grain production throughout India's revolution of the Seventies enabled the country to attain independency in food-grains and debar the threat of famine. Agricultural intensification within the Seventies to Eighties saw associate degree increased demand for rural labor that raised rural wages and, alongside declining food costs, reduced rural poorness. but agricultural growth within the Nineteen Nineties and 2000s caught up, averaging regarding three.5% once a year, and cereal yields have increased by only one.4% once a year within the 2000s. The slow-down in agricultural growth has become a serious cause for concern. India's rice yields square measure third of China's and regarding half those in Vietnam and state. a similar is true for many different agricultural commodities. Policy manufacturers can so got to initiate and/or conclude policy actions and public programs to shift the arena far from the prevailing policy and institutional regime that seems to be now not viable and build a solid foundation for a way a lot of productive, internationally competitive, and heterogeneous agricultural sector.²⁰

Priority area for support of agriculture:

1. Impoverishment alleviation and community actions: While agricultural growth can, in itself, give the bottom for increasing incomes, for the a hundred and seventy million approximately rural persons that square measure below the poverty level, extra measures square measure needed to create this growth comprehensive. For example, a rural livelihoods program that empowers communities to become self-directed has been found to be notably effective and well-suited for scaling-up. This program promotes the formation of aid teams, will increase community savings, and promotes native

initiatives to extend incomes and employment. By federating to become larger entities, these establishments of the poor gain the strength to barter higher costs and market access for his or her merchandise, and additionally gain the political power over native governments to produce them with higher technical and social services. These aid teams square measure notably effective at reaching ladies and impoverished families.²¹

2. **Up Water Resources and Irrigation/Drainage Management:** Agriculture is India's largest user of water. However, increasing competition for water between business, domestic use and agriculture has highlighted the necessity to set up and manage water on a geographic region and multi-sectoral basis. As urban and different demands multiply, less water is probably going to be offered for irrigation. ways in which to fundamentally improve the output of irrigation ("more crop per drop") ought to be found Piped conveyance, higher on-farm management of water, and use of a lot of economical delivery mechanisms like drip irrigation square measure among the actions that might be taken. There's additionally a necessity to manage as opposition exploit the utilization of groundwater. Incentives to pump less water like levying electricity charges or community observance of use haven't however succeeded on the far side periodic initiatives. Different key priorities include: (i) modernizing Irrigation and emptying Departments to integrate the participation of farmers and different agencies in managing irrigation water; (ii) up value recovery; (iii) rationalizing public expenditures, with priority to finishing schemes with the very best returns; and (iv) Allocating adequate resources for operations and maintenance for the property of investments.²²
3. **Facilitating agricultural diversification to higher-value commodities:** Encouraging farmers to diversify to higher worth commodities are going to be a big issue for higher agricultural growth, notably in rain-fed areas wherever impoverishment is high. Moreover, sizable potential exists for increasing agro-processing and building competitive worth chains from producers to urban centers and export markets. Whereas diversification initiatives ought to be left to farmers and entrepreneurs, the govt. will, initial and foremost, liberalize constraints to selling, transport, export and process. It can even play a tiny low restrictive role, taking tutelage that this doesn't become Associate in Nursing impediment. Promoting high growth commodities: Some agricultural sub-sectors have notably high potential for enlargement, notably farm.4 The ethereal mammal sector, primarily thanks to farm, contributes over 1 / 4 of agricultural GDP and could be a supply of financial gain for seventieth of India's rural families, largely people who square measure poor and headed by ladies. Growth in milk production, at regarding four-dimensional every year, has been brisk, however future domestic demand is anticipated to grow by a minimum of five-hitter every year. Milk production is forced, however, by the poor genetic quality of cows, inadequate nutrients, inaccessible veterinary care, and different factors. A targeted program to tackle these constraints might boost production and have sensible impact on impoverishment.²³
4. **Developing markets, agricultural credit and public expenditures:** India's bequest of intensive government involvement in agricultural selling has created restrictions in internal and external trade, leading to cumbersome and high-cost selling and transport choices for agricultural commodities.²⁴ Even so, non-public sector investment in selling, worth chains and agro-processing is growing, however abundant slower than potential. Whereas some restrictions square measure being raised, significantly a lot of has to be done to modify diversification and minimize shopper costs. Up access

to rural finance for farmers is another want because it remains troublesome for farmers to urge credit. Moreover, subsidies on power, fertilizers and irrigation have more and more come back to dominate Government expenditures on the arena, and square measure currently fourfold larger than investment expenditures, state of affairs out prime priorities like agricultural analysis and extension.²⁵

5. Enhancing agricultural productivity, aggressiveness, and rural growth Promoting new technologies and reforming agricultural analysis and extension: Major reform and strengthening of India's agricultural analysis and extension systems is one among the foremost necessary wants for agricultural growth. These services have declined over time thanks to chronic underfunding of infrastructure and operations, no replacement of aging researchers or broad access to progressive technologies. Analysis currently has very little to produce on the far side the time-worn packages of the past. Public extension services square measure troubled and provide very little new data to farmers. There's deficient association between analysis and extension, or between these services and therefore the non-public sector.²⁶
6. Sustaining the atmosphere and future agricultural productivity. In components of Asian nation, the over-pumping of water for agricultural use is resulting in falling groundwater levels. Conversely, water-logging is resulting in the build-up of salts within the soils of some irrigated areas. In rain-fed areas on the opposite hand, wherever the bulk of the agricultural population live, agricultural practices want adapting to cut back eating away and increase the absorption of precipitation.²⁷ Overexploited and degrading forest land want mitigation measures. There square measure proved solutions to almost all of those issues. The foremost comprehensive is thru watershed management programs, wherever communities interact in land designing and adopt agricultural practices that shield soils, increase water absorption and lift productivity through higher yields and crop diversification. At issue, however, is a way to rescale such initiatives to hide larger areas of the country. Temperature change should even be thought of. a lot of extreme events – droughts, floods, erratic rains – square measure expected and would have greatest impact in rain-fed areas.²⁸ The watershed program, allied with initiatives from agricultural analysis and extension, is also the foremost suited agricultural program for promoting new sorts of crops and improved farm practices. However dissimilar drives, like the livelihoods program and development of off-farm employ can also be key.²⁹

Government Policies Affecting Indian Agriculture

As a part of its national agriculture program, India is prioritizing crops that need vital intensification, particularly for fungicides. The main focus on additional sugarcane production, husbandry and continuing growth within the production of grains will result in a big boon for the crop protection trade. Some major recent trends include:

1. Agriculture Secretary Mr. P.K. Basu aforesaid that the Ministry of Agriculture is giving vital thrust to the husbandry sector. The year 2012-13 has been declared because the “Year of husbandry.”³⁰ Conferences square measure about to be organized throughout the year. the primary conference in February can specialize in planting, material improvement and crop management whereas the second conference in Nov are on post-harvest management and process. Throughout the year, exhibitions are command.³¹
2. Government of India seemingly to permit contemporary export of sugar: the govt. of India is

probably going to permit one million tons of contemporary sugar exports with AN aim to assist cash-strapped sugar mills benefit of the upper export value and repay farmers of previous cane purchases. In early January, the Supreme Court asked the mills to repay inside 3 months around rs. 9 billion (\$180 million) to farmers within the state of province for cane purchases created throughout 2006-2008.³²

3. Sponsored crop loans seemingly to be extended to farm equipment. The Ministry of Agriculture proposes to increase sponsored crop loan of four-dimensional for agriculture mechanization. At present, the loan at the sponsored rate is simply offered for crop-related inputs like seeds. Officers aforesaid the thought is to bring down farmers' labor prices that account for around twenty fifth of total prices.
4. Government of India to discontinue technological missions for cotton and jute: to allow priority to foodstuff production, the Union Ministry of Agriculture has set to finish the technological missions for cotton and jute starting in April. The move was partially prompted by farmers growing more money crops on the far side domestic demand. However, domestic demand isn't abundant. Now, producers eye export market and there's no reason why the govt. can fund a crop to fulfill overseas demand," a government official aforesaid.³³
5. The Indian Government buys rice, wheat and different crops from the farmers at a value called "minimum support price" (MSP). The Food Ministry introduces this year a thought to transfer the MSP on to the farmers' accounts or through account a check system, however it's run into roadblocks. The set up was powerfully opposed by the pool of middlemen and commission agents. Commission agents purchase grains from farmers at low rates and sell the turn out to Food Corporation of Bharat at MSP. If payments square measure created on to the farmers, the middlemen can lose their commission. Many states haven't nonetheless adopted a system to directly transfer cash to farmers for grains procured on behalf of Food Corporation of Bharat (FCI), creating the set up purposeless.³⁴

In Punjab, one among India's biggest contributors of grains, the govt. is facing the largest challenge in beginning the method of direct payment, because the state includes a well- established system of commission agents and middle men. The Food Corporation of Bharat had to discontinue the method of direct payment throughout the present season midway attributable to dispute between FCI and commission agents. The direct payment system may permit smallholders to raised manage input prices attributable to India's MSP foregone.³⁵

Conclusion:

Agriculture makes the very best contribution to India's GDP. More than 50% of the India's population are employed in Agriculture sector and contributed 17–18% to country's GDP, as per 2018, in 2016, agriculture and allied sectors accounted for 15.4% of the GDP (gross domestic product) with about 41.49% of the workforce in 2020. It's been seen within the previous couple of years that the input of the agriculture sector has been declining; however it's still the largest contributor. Agriculture occupies an outstanding position in Indian policy- creating not solely as a result of its contribution to GDP however additionally as a result of the massive proportion of the population that's captivated with the world for its support. But it's clear that India's agricultural sector has created vast strides in developing its potential. The revolution massively hyperbolic the assembly of significant food grains and introduced technological

innovations into agriculture. Training the farmers and educating them properly to alter their mental attitude and reorienting them to require up new activities or adopt foreign technology is of utmost importance. During this context, it's necessary to involve non-governmental organizations in coaching and mobilizing the agricultural poor to face the challenge of liberalization. Also, with domestic economic reforms, additional care has to be exercised to draw up state-specific alleviation measures to maximize their advantages. Lastly, within the implementation of those reforms for undefeated globalization, one crucial component, not entirely within control is the need for good governance and stability within the political and economic setting.

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