



# Significance of Agriculture in Economy

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## DESCRIPTION

Agriculture is an important sector of the Indian economy as it accounts for about 17% of total GDP and employs more than 60% of the population. Agriculture's contribution to GDP was 48-60% in the first 20 years. In 2001, this contribution was reduced to about 26%. In India, at least two-thirds of the working population makes living from agriculture. In India, other sectors have been unable to provide many of the employment opportunities offered by the growing workforce. Agriculture provides food to an increasing population. Food production is increasing rapidly due to excessive pressure from surplus labor and rising food demand in economies such as India. Current food consumption in these countries is very low, capita income has increased slightly, and food demand has increased sharply.

As the country develops economically, the relative importance of agriculture diminishes. The main reason for this was given by the German statistician Ernst Engel in the 19th century. He found that as income increased, the proportion of income spent on food decreased. For example, if a family's income increases by 100%, food spending can increase by 60%. If spending on food used to be 50% of the budget, it will be 40% of the budget after the increase. As a result, as income grows, we need a small portion of the total social resources needed to produce the amount of food that the population demands.

Looking back on the history of developed countries, we can see that agriculture has played an important role in the process of their affluence. On the other hand, when development takes place, agriculture must be able to produce surplus food to maintain a growing non-agricultural workforce. Food is more essential to life than the services offered by merchants, bankers and factories, so unless sufficient food is available to barter and assist stakeholders, the economy will do so. Unless food can be procured through international trade, the country will usually not develop industrially until agricultural land can supply the city with food in exchange for factory production.

## Significant aspects of agriculture

**Agricultural influence on national income:** Agriculture's contribution to gross domestic product was 48-60% in the first 20

years. From 2001 to 2002, this contribution was reduced to about 26%.

**Agriculture plays vital role in generating employment:** In India, at least two-thirds of the working population makes a living from agriculture. In India, other sectors have been unable to provide many of the employment opportunities offered by the growing workforce.

**Agriculture makes provision for food for the ever increasing population:** Food production is growing rapidly due to excessive pressure on the population and the rapid increase in food demand due to surplus labor in economies such as India. Existing food consumption in these countries is very low, and a slight increase in capita income will lead to a sharp increase in food demand (that is, the income elasticity of food demand in developing countries will be very high). Therefore, a crisis is threatened if agriculture cannot continually increase the surplus of food grains on the market. Many developing countries have gone through this stage and agriculture has been developed to meet growing food demand.

**Contribution to capital formation:** There is an agreement on the need for capital formation. Agriculture plays an important role in facilitating capital formation, as it is the largest industry in developing countries like India. If this does not happen, the whole process of economic development will suffer a setback.

**Supply of raw material to agro-based industries:** Agriculture supplies raw materials to various agriculture-based industries such as sugar, jute, cotton textiles and the vanaspati industry. The food industry also depends on agriculture. Therefore, the development of these industries is entirely dependent on agriculture.

**Market for industrial products:** With two-thirds of India's population living in villages, increasing purchasing power in rural areas is urgently needed for industrial development. After the Green Revolution, the purchasing power of large holders increased due to their increased income and their negligible tax burden.

**Influence on internal and external trade and commerce:** India's agriculture plays an important role in the country's domestic and foreign trade. Domestic trade in grains and other agricultural products has contributed to the expansion of the service sector.

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**Contribution in government budget:** From the first five-year plan, agriculture is already the most important source of income for both central and state budgets. However, the government generates enormous income from related activities such as agriculture, cattle rearing, animal husbandry, poultry farming, and fishing. Indian railways and state transportation systems also generate significant income for agricultural freight, both semi finished and finished ones.

**Need of labour force:** A large number of skilled and unskilled labourers are required for the construction works and in other fields. This labour is supplied by Indian agriculture.

**Greater competitive advantages:** Agriculture in India has low labor costs and a self-sufficient supply of inputs, which is a cost advantage for some agricultural raw materials in the export sector.