

Role of Agriculture in the Economic Development of a Country

Agricultural sector plays a strategic role in the process of economic development of a country.

It has already made a significant contribution to the economic prosperity of advanced countries and its role in the economic development of less developed countries is of vital importance.

In other words, where per capita real income is low, emphasis is being laid on agriculture and other primary industries.

The history of England is clear evidence that Agricultural Revolution preceded the Industrial Revolution there. In U.S.A. and Japan, also agricultural development has helped to a greater extent in the process of their industrialisation. Similarly, various under-developed countries of the world engaged in the process of economic development have by now learnt the limitations of putting over-emphasis on industrialisation as a means to attain higher per capita real income. "Thus industrial and agricultural developments are not alternatives but are complementary and are mutually supporting with respect to both inputs and outputs."

It is seen that increased agricultural output and productivity tend to contribute substantially to an overall economic development of the country; it will be rational and appropriate to place greater emphasis on further development of the agricultural sector.

According to Prof. Kinderberger, Todaro, Lewis and Nurkse etc., agriculture makes its contribution to economic development in several ways, viz.,:

(1) By providing food and raw material to non-agricultural sectors of the economy

(2) By creating demand for goods produced in non-agricultural sectors by the rural people on the strength of the purchasing power earned by them on selling the marketable surplus

(3) By providing investable surplus in the form of savings and taxes to be invested in non-agricultural sector

(4) By earning valuable foreign exchange through the export of agricultural products

(5) Providing employment to a vast army of uneducated, backward and unskilled labour. As a matter of fact, if the process of economic development is to be initiated and made self-sustaining, it must begin from the agricultural sector

Role of Agriculture in Economic Development

1. Contribution to National Income

The lessons drawn from the economic history of many advanced countries tell us that agricultural prosperity contributed considerably in fostering economic advancement. It is correctly observed that, “The leading industrialized countries of today were once predominantly agricultural while the developing economies still have the dominance of agriculture and it largely contributes to the national income.

2. Source of Food Supply

Agriculture is the basic source of food supply of all the countries of the world—whether underdeveloped, developing or even developed. Due to heavy pressure of population in underdeveloped and developing countries and its rapid increase, the demand for food is increasing at a fast rate. If agriculture fails to meet the rising demand of food products, it is found to affect adversely the growth rate of the economy. Raising supply of food by agricultural sector has, therefore, great importance for economic growth of a country.

3. Pre-Requisite for Raw Material

Agricultural advancement is necessary for improving the supply of raw materials for the agro-based industries especially in developing countries. The shortage of agricultural goods has its impact upon industrial production and a consequent increase in the general price level. It will impede the growth of the country's economy. The flour mills, oil & dal mills, bread, meat, milk products sugar factories,

wineries, jute mills, textile mills and numerous other industries are based on agricultural products.

4. Provision of Surplus

The progress in agricultural sector provides surplus for increasing the exports of agricultural products. In the earlier stages of development, an increase in the exports earning is more desirable because of the greater strains on the foreign exchange situation needed for the financing of imports of basic and essential capital goods.

5. Shift of Manpower

Initially, agriculture absorbs a large quantity of labour force. In India still about 31% labour is absorbed in this sector. Agricultural progress permits the shift of manpower from agricultural to non-agricultural sector. In the initial stages, the diversion of labour from agricultural to non-agricultural sector is more important from the point of view of economic development as it eases the burden of surplus labour force over the limited land. Thus, the release of surplus manpower from the agricultural sector is necessary for the progress of agricultural sector and for expanding the non-agricultural sector.

6. Creation of Infrastructure

The development of agriculture requires roads, market yards, storage, transportation railways, postal services and many others for an infrastructure creating demand for industrial products and the development of commercial sector.

7. Relief from Shortage of Capital

The development of agricultural sector has minimized the burden of several developed countries that were facing shortage of foreign capital. Agriculture sector requires less capital for its development thus it minimizes growth problem of foreign capital.

8. Helpful in reducing Inequality

In a country which is predominantly agricultural and overpopulated, there is greater inequality of income between the rural and urban areas of the country. To reduce this inequality of

income, it is necessary to accord higher priority to agriculture. The prosperity of agriculture would raise the income of the majority of the rural population and thus the disparity in income may be reduced to a certain extent.

9. Based on Democratic Notions

If the agricultural sector does not grow at a faster rate, it may result in the growing discontentment amongst the masses which is never healthy for the smooth running of democratic governments. For economic development, it is necessary to minimize political as well as social tensions. In case the majority of the people have to be kindled with the hopes of prosperity, this can be attained with the help of agricultural progress. Thus development of agriculture sector is also relevant on political and social grounds.

10. Create Effective Demand

The development of agricultural sector would tend to increase the purchasing power of agriculturists which will help the growth of the non-agricultural sector of the country. It will provide a market for increased production. In underdeveloped countries, it is well known that the majority of people depend upon agriculture and it is they who must be able to afford to consume the goods produced.

Therefore, it will be helpful in stimulating the growth of the non-agricultural sector. Similarly improvement in the productivity of cash crops may pave the way for the promotion of exchange economy which may help the growth of non-agricultural sector. Purchase of industrial products such as pesticides, farm machinery etc. also provide boost to industrial production.

11. Helpful in Phasing out Economic Depression

During depression, industrial production can be stopped or reduced but agricultural production continues as it produces basic necessities of life. Thus it continues to create effective demand even during adverse conditions of the economy.

12. Source of Foreign Exchange for the Country

Most of the developing countries of the world are exporters of primary products. These products contribute 60 to 70 per cent of

their total export earnings. Thus, the capacity to import capital goods and machinery for industrial development depends crucially on the export earning of the agriculture sector. If exports of agricultural goods fail to increase at a sufficiently high rate, these countries are forced to incur heavy deficit in the balance of payments resulting in a serious foreign exchange problem.

13. Contribution to Capital Formation

Underdeveloped and developing countries need huge amount of capital for its economic development. In the initial stages of economic development, it is agriculture that constitutes a significant source of capital formation.

(i) Agricultural taxation

(ii) Export of agricultural products

(iii) Collection of agricultural products at low prices by the government and selling it at higher prices. This method is adopted by Russia and China

(iv) Labour in disguised unemployment, largely confined to agriculture, is viewed as a source of investible surplus

(v) Transfer of labour and capital from farm to non-farm activities etc.

14. Employment Opportunities for Rural People

Agriculture provides employment opportunities for rural people on a large scale in underdeveloped and developing countries. It is an important source of livelihood.

15. Improving Rural Welfare

Rural economy depends on agriculture and allied occupations in an underdeveloped country. The rising agricultural surplus caused by increasing agricultural production and productivity tends to improve social welfare, particularly in rural areas. The living standard of rural masses rises and they start consuming nutritious diet including eggs, milk, ghee and fruits.

16. Extension of Market for Industrial Output

As a result of agricultural progress, there will be extension of market for industrial products. Increase in agricultural productivity leads to increase in the income of rural population which in turn leads to more demand for industrial products, thus development of industrial sector.

Conclusion

Agricultural progress is essential to provide food for growing non-agricultural labour force, raw materials for industrial production and saving and tax revenue to support development of the rest of the economy, to earn foreign exchange and to provide a growing market for domestic manufactures.