

Role of Agriculture in Indian Economy

1. Contribution to National Income:

From the very beginning, agriculture is contributing a major portion to our national income. In 1950-51, agriculture and allied activities contributed about 59 per cent of the total national income. Although the share of agriculture has been declining gradually with the growth of other sectors, but the share still remained very high as compared to that of the developed countries of the world. For example, the share of agriculture has declined to 54 per cent in 1960-61, 48 per cent in 1970-71, 40 per cent in 1980-81 and then to 18.0 per cent in 2008-09.

2. Source of Livelihood:

In India over two-thirds of our working population are engaged directly on agriculture and depend for their livelihood. According to the 2019 census 50 per cent of our working population is engaged in agriculture. The employment pattern of our country is very much common to other under-developed countries of the world.

3. Source of Food Supply:

Agriculture is the only major source of food supply as it provides regular supply of food to the large population of our country.

4. Role of Agriculture for Industrial Development:

Agriculture in India has been the major source of supply of raw materials to various important industries of our country. Cotton and jute textiles, sugar, vanaspati, edible oil plantation industries (viz.

tea, coffee, rubber). Agro-based cottage industries depend on agriculture for their raw materials.

Agriculture can provide a market for industrial products as increase in the level of agricultural income will lead to expansion of market for industrial products.

5. Commercial Importance:

Indian Agriculture plays an important role both in the internal and external trade of the country. Agricultural products like tea, coffee, sugar, tobacco, spices, cashew-nuts etc. are the main items of our exports and constitute about 50 per cent of our total exports.

Besides manufactured jute, cotton textiles and sugar also contribute another 20 per cent of the total exports of the country. Thus, a large portion of India's exports comes from agricultural sector. Further, agriculture is helping the country in earning foreign exchange to meet the required import bill of the country.

6. Source of Government Revenue:

Agriculture is one of the major sources of revenue to both the Central and State Governments of the country. Other sectors like railways, roadways are also deriving a good part of their income from the movement of agricultural goods.

7. Role of Agriculture in Economic Planning:

The prospect of planning in India also depends on agricultural sector. A good crop always provides impetus towards a planned economic development of the country by creating a better business climate for the transport system, manufacturing industries, internal trade etc.

A good crop also brings a good amount of finance to the Government for meeting its planned expenditure. Similarly, a bad crop leads to depression in business of the country, which ultimately leads to the failure of economic planning.

Thus, the agricultural sector plays a very important role in a country like India where the prosperity of the economy still largely depends on the agricultural sector.

Thus, from the foregoing analysis it is observed that agricultural development is the basic precondition of sectoral diversification and development of the economy.

An increasing marketable surplus of agricultural output is very much essential in India for:

- Increasing supply of food and raw materials at non-inflationary prices.
- Widening the domestic market for industrial products through higher purchasing capacities in the rural sector.
- Facilitating inter-sectoral transfers of capital needed for industrial development along with infra-structural development.
- Increasing foreign exchange earnings through increasing volume of agricultural exports.