

AGRICULTURE SECTOR IN INCLUSIVE GROWTH

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ABSTRACT: *Inclusive growth approach came into being since the launching of the 11th five year plan and is going to stay as a critical aspect determining the sustainability of future agricultural growth in India. Agricultural development is an important component of inclusive growth approach. The broad objective of this paper is to link agriculture development and inclusive growth through farm sector growth driven rural transformation. It has found that agricultural sector growth has increased at a higher rate in Gujarat during 2001-02 to 2010-11 than the India. The growth has been sown higher production of cotton and wheat. It has also influenced some exogenous factors i.e. increased gross cropped and net irrigated area, increase in fertilizer consumption and more use of modern agricultural implements etc. The overall analysis on the growth performance of agriculture and allied activities of Gujarat and India, it seems that Gujarat has facilitated inclusive development in agriculture through the path of livestock and horticulture sector in the view of increasing farm income and farm sector growth.*

The concept of 'Inclusive Growth' finds place more frequently in the debates and discussions at different forums. The Government aimed at promoting 'inclusive growth' as it recognized that high national income growth alone did not address the challenge of employment promotion, poverty reduction and balanced regional development or improving human development. The subject of inclusive growth has been in the spotlight recently, for very obvious reasons.

This orientation is most visibly manifested in the theme of the Eleventh Five-Year Plan. The theme is 'towards faster and more inclusive growth,' which clearly reflects the need to find a sustainable balance between growth and inclusion. Many people view 'inequality' and 'exclusiveness' as being the same thing. The Eleventh Plan defines inclusive growth to be "a growth process which yields broad-based benefits and ensures equality of opportunity for all". The inclusive growth and development vision as envisaged in the Five Year Plan also reflected the budgetary and political commitment of the government. Though, efforts and progress in the direction of inclusive growth and development appears to be quite satisfactory, however, challenges, problems and constraints in achieving the goals of inclusive planning have emerged that require multiple approaches and strategies to address them effectively and efficiently. The present paper attempts to examine the emerging challenges in achieving inclusive development and growth in India.

Keywords: *Agriculture, Economic Growth, Inclusive Growth, Farm Sector, Non-Farm Sector*

Introduction:

Inclusive growth is a major concern for human development in India with rising inequalities. Despite tremendous growth of economy, failure on distributive front has aggravated the progressive journey towards collective well-being. Inclusive growth has become the buzzword in policy-spheres with recent phenomenon of rapid growth with characteristic patterns of exclusion. Exclusion continued in terms of low agriculture growth, low quality employment growth, low human development, rural-urban divides, gender and social inequalities, and regional disparities etc. The spectral, social and spatial inequalities have raised questions about welfare approaches of Government planning, and emphasized the role of the private sector in addressing development issues in the country. Employment generation, social and developmental infrastructure, health-care and rural diversification are some

of the major concerns. Due to faulty approaches and often politically motivated policies, growth has generated inequalities. It is imperative for the planners and policy-makers to make growth inclusive through adoption of pragmatic policies. The journey towards balancing the outcome of economic growth involves many challenges. The dominant challenges include the imperative of maintaining the acceleration of economic growth without compromising on human development and sustainability.

Review of Literature:

According to Sharma et al., (2010) examines that the inclusive growth is essential to develop agriculture on sustainable manner by reducing disguised unemployment in the farm sector in the way of shifting labor to the non- farm sector and increase average size of land holding resulting marginal productivity of labor and land increases. Birthal et al., (2012) examined that diversification of the agriculture through livestock production will accelerate the agriculture growth and it provide livelihood support to the small and marginal land holders. Agriculture growth and rising farmers income is important aspect for inclusive growth in agriculture sector.

Objectives of the Study

To study Agriculture sector in inclusive growth .

Hypothesis of the Study

Agriculture sector inclusive growth is being positive.

Materials and Methods

The data for the present study collected from only secondary sources. The sources are be as below:

1. Various magazines
2. News papers
3. Research articles
4. Referred journals
5. References books
6. Various Reports
7. Internet Web Sites

Inclusive Growth in India:

While it is quite evident that inclusive growth is imperative for achieving the equity objective, what is, perhaps, not so obvious is, why inclusive growth is now considered essential even to sustain the growth momentum. Majority population living in rural areas, it is often identified with the agriculture sector. However, it is the unorganized non-farm sector that is increasingly absorbing most of the labour force. This sector has huge potential for growth once there is sufficient investment in infrastructure ensuring linkage to markets and easier access to assets and skills. Infusion of appropriate technology, skills, and easier access to credit, especially start-up capital, apart from facilitating market development, can make this segment an expanding base for self-sustaining employment and wealth generation and also foster

a culture of creative and competitive industry. Entrepreneurial development has to be encouraged by having an enabling competitive environment and easy availability of finance for newer projects and enterprises. In Prof. C. K. Prahalad's words, "If we stop thinking of the poor as victims or as a burden, and start recognising them as resilient and creative entrepreneurs and value conscious consumers, a whole world of opportunity will open up." Thus, there are several factors to be considered for inclusive growth. Uppermost among these, is the need for raising the allocative efficiency of investment and resource use across different sectors of economy – this can be met by addressing two basic supply-side issues viz. (i) effective credit delivery system to facilitate productive investment in employment impacting sectors especially, agriculture, micro, small and medium enterprises and (ii) large scale investment in infrastructural facilities like irrigation, roads, railways, communication, ports, power, rural/ urban reconstruction and in social infrastructure such as health care, education and sanitation.

From an annual average growth rate of 3.5 per cent during 1950 to 1980, the growth rate of the Indian economy accelerated to around 6.0 per cent in the 1980s and 1990s. In the last four years (2003-04 to 2006-07), the Indian economy grew by 8.8 per cent. In 2005-06 and 2006-07, the Indian economy grew at a higher rate of 9.4 and 9.6 per cent, respectively and now at around 8%. Reflecting the high economic growth and a moderation in population growth rate, the per capita income of the country also increased substantially in the recent years. An important characteristic of the high growth phase in recent years is its resilience to shocks. The Indian economy, for instance, successfully avoided any adverse contagion impact of the East Asian crisis, sanctions like situation post-Pokhran nuclear test, and border conflict with a neighboring country during May-June 1999 and recent economic crisis in USA.

Despite the impressive numbers, growth has failed to be sufficiently inclusive, particularly after the mid-1990s. Agricultural sector which provides employment to around 60 per cent of the population lost its growth momentum from that point, though there has been a reversal of this trend since 2005-06. The percentage of India's population below the poverty line has declined from 36 per cent in 1993-94 to 26 per cent in 1999-2000. The approach paper to the Eleventh Plan indicated that the absolute number of poor is estimated to be approximately 300 million in 2004-05. Concerns about financial exclusion, especially in rural areas have surfaced in India in recent years following the results of the NSSO's All-India Debt and Investment Survey (AIDIS), 2002. According to the Survey results, though the share of non-institutional sources of credit for the cultivator households had declined from 92.7 per cent in 1951 to 30.6 per cent in 1991, it had increased to 38.9 per cent in 2002 mainly due to increase in moneylenders' share. Simultaneously, the share of institutional sources such as commercial banks, co-operative societies, etc. increased from 7.3 per cent in 1951 to 66.3 per cent in 1991, before declining 61.1 per cent in 2002. It is expected that the doubling of agriculture credit and other measures since 2004 would have led to some improvement in the share of institutional sources.

Agriculture the backbone of Indian economy and food security:

India is principally an agricultural country. The agriculture sector accounts for about 18.0% of the GDP and employs 52% of the total workforce. There is a continuous steady decline in its contribution towards the GDP, and the agriculture sector is losing its shine and anchor position in Indian economy. The problems with which the Indian agricultural scenario is burdened in present times are many but this in no way undermines the importance of the sector, and the role it can play in the holistic and inclusive growth of the country. Agriculture is fundamental for sustenance of an economy as is food for a human being. It contributes significantly to export earnings and is an important source of raw materials for many industries. Its revival is being taken on priority, through various interventions at different levels, because of its potential in reducing poverty and food insecurity. The global experience of growth and poverty reduction shows that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture. Agriculture is and will continue to be the engine of the national growth and development.

Role of Agriculture in Growth

1. Two reasons why agriculture is considered central to growth

- It has a big share of GDP, and/ or
- It stimulates —structural transformation— the process whereby resources move from low productivity sectors to higher productivity sectors.

2. Two possibilities for structural transformation -

- It can be driven by productivity improvements within the agricultural sector
- It can be driven by productivity improvement outside the agriculture sector

3. There is no agreement which underlying process drives the structural transformation in general - Without higher agriculture growth, India's 10% economic growth target will be impossible to achieve. In addition, higher real incomes lead to higher food consumption, implying more pressure on demand. Historically, India's agriculture growth has lagged growth in the overall economy. In fact, long-term average growth in agriculture has been close to 2%. India's population has been growing at 1.4%. Consequently, India has just managed to maintain its per capita growth in food and non-food crop production.

Given such a precarious demand-supply position, one year of drought leads to food prices shooting up. This is what we are seeing at this time of the year. With growth in per capita incomes, the supply constraints will hit India even harder in the future.. What are the steps required? To begin with, agriculture has received only 7% of budgetary allocation in the recent past, down from about 20% in the 1980s. Considering the demand-supply imbalances and its importance as a source of livelihood for the rural economy, the budgetary allocation to agriculture should improve. On top of this, investment in the agriculture sector is 2.3% of gross domestic product. With an investment-to-GDP ratio in the country of more than 35%, the

Finance Minister has to engage the private and public sector in higher investments in agriculture. The long-term target should be close to 4%. The central government has limited scope to contribute to agricultural reforms through the budget as agriculture is largely a state subject. However, it can certainly take certain concrete steps. With the focus on long-term growth, the principal focus areas for increased outlay should be:

- Increased spending in agricultural research and farm extension practices to improve yield and production
- Better supply chain management in both procurement and distribution cycles through improvements in public distribution systems.

India's area under cultivation has remained constant since the 1970s. Hence, the two ways to improve productivity are: Yield management and irrigation. Performance on the yield front has been dismal. Yield growth in all major crops has been negligible. Over the last decade, wheat yields in the country have grown at 0.1% and rice at 1.3% per annum. Crops like pulses and sugar have actually witnessed a decline in yields to the tune of 0.2% and 0.4%, respectively.

Policies for Raising Agricultural growth:

There are three goals of agricultural development. These are: (a) achieve 4% growth in agriculture and raise incomes by increasing productivity (land, labour), diversification to high value agriculture and rural non-farm by maintaining food security; (b) sharing growth (equity) by focusing on small and marginal farmers, lagging regions, women etc.; (c) third is to maintain sustainability of agriculture by focusing on environmental concerns. What are the policies needed to achieve the above goals? There are basically seven factors which need focused reforms in the short and medium terms. These are: (a) price policy; (b) subsidies and investments; (c) land issues; (d) irrigation and water management (e) research and extension; (f) credit; (g) domestic market reforms and diversification. Institutions have to be developed in all these aspects .

(a) Price Policy:

The major underlying objective of the Indian governments price policy is to protect both producers and consumers. Currently, food security system and price policy basically consists of three instruments: procurement prices/minimum support prices, buffer stocks and public distribution system (PDS). One criticism of procurement policy is that it is limited to few crops and few states. Our field visits to different states reveal the following farmers' perceptions about agricultural prices. The cost of cultivation is increasing due to increase in input prices. Particularly agricultural wages have increased due to National Rural Employment Guarantee Scheme (NREGS) in several states. They want to resort to mechanization due to labour shortages in peak season. Farmers respond to prices as shown by increase in yields of wheat in Punjab and other states with significant increase in MSP. Farmers have to undergo distress sales due to lack of procurement in states like Bihar, parts of UP, M.P. and Orissa. If rice production is to be shifted to Eastern region, rural

infrastructure including procurement centres has to be improved. Pulses production can be enhanced in several states with higher MSP and procurement. Provision of electricity has to be raised in order to exploit ground water in Eastern region. In the context of globalization, tariff policy becomes important for agricultural commodities. In other words, it is important to monitor exports, imports, global supply and demand and fix tariffs accordingly. There is a need to balance between producer prices and consumer prices by careful calibration of minimum support prices and tariff policy (import duties).

b) Subsidies and Investments in Agriculture:

One major reform needed in agriculture sector relates to reduction in subsidies and increase in investments. Agricultural subsidies are fiscally unsustainable and encourage misuse of resources, leading to environmentally malignant developments. There is trade-off between subsidies and investments. Public investment declined from 3.4% of agri.GDP in the early 1980s to 1.9% in 2001-03. At the same time subsidies increased from 2.9% to 7.4% of agri.GDP (GOI, 2007). Rise in public and private investment is crucial for enhancing agricultural growth. Fortunately, gross capital formation in agriculture has increased from 12% of agricultural GDP in 2004-05 to 14.2% of GDP in 2007-08. Public sector investment has increased significantly during this period. However, we need 16% agricultural GDP as investment in order to get 4% growth in agriculture. In this context, the announcement of Bharat Nirman Program in 2005 by the Government of India in order to improve agriculture and rural infrastructure is in the right direction. However, the pace of this program has to be improved.

(c) Land Issues:

Some argue that small size of farm is responsible for low profitability of agriculture. Chinese and the experience of other East Asian countries show that it is not a constraint. On land market, the Report of the Steering Committee recommended the following. —Small farmers should be assisted to buy land through the provision of institutional credit, on a long term basis, at a low rate of interest and by reducing stamp duty. At the same time, they should be enabled to enlarge their operational holdings by liberalizing the land lease market. The two major elements of such a reform are: security of tenure for tenants during the period of contract; and the right of the land owner to resume land after the period of contract is over (GOI, 2007). Basically, we have to ensure land leasing, create conditions including credit, whereby the poor can access land from those who wish to leave agriculture. There are some emerging land issues such as increase in demand for land for non-agricultural purposes including special economic zones, displacement of farmers, tribal's and others due to development projects. There is a need for careful land acquisition. Land alienation is a serious problem in tribal areas.

(d) 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. Major areas of

concern in irrigation are: decline in real investment, thin spread of investment, low recovery of costs, decline in water table, wastages and inefficiencies in water use and, non-involvement of users Both investment and efficiency in use of water are needed. Major areas of reforms needed in irrigation are: stepping up and prioritizing public investment, raising profitability of groundwater exploitation and augmenting ground water resources, rational pricing of irrigation water and electricity, involvement of user farmers in the management of irrigation systems and, making groundwater markets equitable (Rao, 2005). In a recent study, Shah et al (2009) indicates that the impact of the drought of 2009 is expected be less severe than the drought of 2002 due to ground water recharge in the last few years. Ground water can be exploited in a big way in Eastern region. Watershed development and, water conservation by the community are needed under water management. New watershed guidelines based on Parthasarathy Committees recommendations were accepted by the Central Cabinet in March 2009. The implementation has to be stepped up in order to obtain benefits in rainfed areas. National Rainfed Area Authority has big responsibility and, water conservation by the community are needed under water management.

(e) Credit:

According to the expert group on Financial Inclusion (GOI, 2008) only 27% of farmers have access to institutional credit. It is true that there have been some improvements in flow of farm credit in recent years . However, the Government has to be sensitive to the four distributional aspects of agricultural credit. These are: (a) not much improvement in the share of small and marginal farmers; (b) decline in credit-deposit (CD) ratios of rural and semi-urban branches; (c) increase in the share of indirect credit in total agricultural credit and; (d) significant regional inequalities in credit.

Conclusion:

In India, the Inclusive growth approach got currency ever since the launching of the 11th five year plan and it is quite likely that the approach is going to stay as a critical strategy of development driving the future growth and sustainability of agriculture in India. While the approach paper of the 11th five year plan (2007-08 to 2011-12) prepared by the Planning Commission had aimed at achieving faster and more inclusive growth, the 12th plan (2012-13 to 2017-18) approach paper aims at achieving faster, sustainable and more inclusive growth. The three key roles agriculture can play in promoting inclusive growth - stimulating economic growth, reducing poverty, and creating employment Ways in which agriculture can contribute to or pose a challenge to achieving more inclusive growth through any of these links vary - depends on country context, and within country over time. Stimulating economic growth, reducing poverty, and creating employment. Ways in which agriculture can contribute to or pose a challenge to achieving more inclusive growth through any of these links vary depends on country context, and within country over time.

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