

# Growth and Development of Agricultural Economy and Indian Economy

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**Abstract – India is mostly an agricultural economy. Approximately 50% of India's labor force is occupied in agricultural practices that make a significant contribution to its economy. This article describes key economic trends in the agricultural sector & Indian economy. Agriculture is an essential part of the development of India. The Indian economy has seen significant growth over the last decades. Agriculture & associated practices have often been adapted to reach global requirements, and shipments of different food goods have seen an growing rise, leading to economic development. India has become among the highest growing & most developed nations in the world. Our nation has made strong strides in various sectors in the last few years, and this has led to its economic development. A number of potential large-scale & small-scale industries have been developed in recent times & have also proven to have a positive impact on the Indian economy.**

**Key Words – Indian Economic, Agriculture Economic, Growth of Economic**

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## INTRODUCTION

India's economy may well be represented in two terms – both built and mixed. Evolving the country implies that it is also evolving and not as stable as the economies of some of the industrialized western countries. Mixed economy, on the other hand, applies to the market system & amalgamation between private and public companies. The Indian economy is rising at a strong rate. The agriculture, manufacturing & service sectors in our country are growing and developing over time, leading to its economic development.

However, As other developed nations, India's economy is also facing a variety of challenges. Corruption, poverty & massive political, social & economic disparities beyond its countries are among the big problems facing the Indian economy.

India is primarily an agricultural economy. Roughly 50% of India's labour force is involved in agricultural activities which make an important contribution to its economy. Agriculture is not only about growing for selling crops, but often includes poultry, fishing, cow raising & animal husbandry, among other related practices. People in India gain their livelihood by participating in many of these practices. Such operations are important to our economy.

Next falls the industrial sector. There have been many factories in our nation as the Industrial Revolution. In fact, the manufacturing sector has seen a rise over the last several decades. We have

large-scale industries, including the iron & steel industry, the nuclear industry, the sugar industry, the cement industry & the shipbuilding industry, which make a significant contribution to the economy of the country. They also have small-scale businesses like the clothing industry, the fabrics industry, the jute & paper industry, the food processing industry & toy industry. Our small-scale businesses are still offering the economy a strong lift.

Besides this, we have a retail industry that is another link to the Indian economy. It field covers the finance, casino, telephone, insurance, transport & other industries. Professionals such as architects, physicians and teachers are all part of this field.

## STATE OF AGRICULTURE IN ECONOMY

Over the years, the share of agriculture in GDP has been slowly increasing. This was again illustrated at this year's Economic Survey 2013-14, which fell by 6.4% in 8 years from 2000 to 2008.

Because the agricultural sector offers a backward connection to agro-based sectors, it must be perceived critically as a cohesive farm-to-fork value chain, including production, whole-saling, warehousing, distribution, manufacturing & wholesaling, such as exports.

- Nearly 60 per cent of the global output of food grains & oilseeds occurs throughout the Kharif season.
- Nearly 35% of the arable land is irrigated, Indian agriculture is still heavily based on rainfall.
- The south-western monsoon (from June to September) accounts for about 75% of the overall annual rainfall in India.
- Horticulture output is forecast at 265 million tons in 2013 and has surpassed the output of food grains and oilseeds for the first time.
- An improvement of 40 lakh ha in total food grain region size in 2013 relative to the previous year. As well as a peak food grain production of 264.4 million tons is expected in 2013-14. This difference is due to: (a) expansion in the area; (b) an increase in MSPs of selected food crops has created an opportunity for cultivation.

Sector	2007-08	2008-09	2009-10	2010-11	2011-12 (2R)	2012-13 (1R)	2013-14 (PE)
Agriculture, forestry, & fishing	5.8	0.1	0.8	8.6	5.0	1.4	4.7
Mining & quarrying	3.7	2.1	5.9	6.5	0.1	-2.2	-1.4
Manufacturing	10.3	4.3	11.3	8.9	7.4	1.1	-0.7
Electricity, gas, & water supply	8.3	4.6	6.2	5.3	8.4	2.3	5.9
Construction	10.8	5.3	6.7	5.7	10.8	1.1	1.6
Trade, hotels, transport, storage, & communication	10.9	7.5	10.4	12.2	4.3	5.1	3.0
Financing, insurance, real estate, & business services	12.0	12.0	9.7	10.0	11.3	10.9	12.9
Community, social, & personal services	6.9	12.5	11.7	4.2	4.9	5.3	5.6
GDP at factor cost	9.3	6.7	8.6	8.9	6.7	4.5	4.7

Source: CSO.

Note: 2R: second revised, 1R: first revised, PE: provisional estimate.

**Figure: Role of agriculture in GDP growth at the Constant Cost Factor (2004-05)**

## FOOD INFLATION

It was a product of systemic & seasonal causes in 2013-14, with various things affecting it at various periods. Initially-cereals and fats, then-oignon sp. vegetables. In comparison, inflation improved for Protein-based goods due to increasing income rates and resulting rise in consumption.

### Three wide explanations for inflation in food:

- Food loss in the supply chain owing to inefficiencies in the procurement systems of government.
- APMC The laws of state governments impede the development of fair requirements for the sale of commodities. No rivalry contributes to inefficiency. This stopped the

growth of a regional market for agricultural products.

- Many levels of immediately in the delivery of agricultural goods also driven up market prices.

## CONCERNS REGARDING AGRICULTURE

- The degree of production in Indian agriculture is also much smaller than global levels. The production rates of rice & wheat did not improve substantially after the 1980s. While cotton yields have taken a massive leap in the last decade, thanks to Bt cotton.
- Depletion of soil due to increasing productivity in the usage of fertilizers.
- Disturbing water table reduction, particularly in the states of Punjab & Haryana, owing to their inadequate crop pattern.
- The Nutrient-Based Subsidy (NBS) program may not include "urea" within its purview and is utilized rather than the others, meaning that the subsidy gain will not hit the correct recipient.
- The prevalence of marginal & scattered agricultural properties in India, with restricted availability of resources, hinders development in farm mechanization.
- Domestic & foreign marketing of agricultural goods requires urgent attention, but previous policy action to open up the sector has only produced further obstacles to trade. There is also a need to popular these inequalities in the sector.

## GOVERNMENT POLICIES FOR INDIA'S ECONOMIC GROWTH

The management of the country's economic circumstance was among the key problems confronting the newly established Indian government. In order to ensure the upward graph, the following policies have been developed:

- Ample implies of livelihood for the people of the region.
- Equal compensation for fair jobs without racial inequality.
- Enhancement of general safety & quality of living;
- Eliminate capital accumulation.

- Transfer of the possession of the natural capital of the group.
- Fair salaries for employees such as manage a good quality of life.
- Promotion by nature of the cottage industry.

## **ECONOMIC GROWTH OF INDIA**

The sacrifices of the Government of India and the diligent work of the general populace have paying off. India is among the fastest rising & most industrialized countries in the world. Our nation has made good gains in a variety of industries over the past few decades, and has contributed from its economic prosperity. Digital technology, telecommunications, hospitality, financial services, transportation & healthcare are including the industries that have experienced a significant rise in recent years. We are rising at a fast rate and make a significant contributor to the country's economic development.

Our country's real GDP is about 7%. India is the seventh biggest economy in the world in terms of GDP. Yet just though India has achieved this level, the picture is not always rosy. The biggest issue in our world is the uneven sharing of income. Although a decent proportion of our populace is making strong money and contributing to the country's economic development, many people are still unable to make their ends meet. There are so many person survive beneath the poverty line in our world. The rapid prosperity in our world is not a positive development because such widespread deprivation continues.

## **INDIAN ECONOMY AFTER DEMONETIZATION**

The citizens in rural areas that did not have links to the Internet & plastic money were the most impacted. Most big and medium companies in the world have been heavily impacted. As a consequence, most of them were shut down. Although the short-term consequences of demonetization were catastrophic, this move had a lighter side of it when seen from a long-term perspective. Taking a peek at the positive & negative impact of demonetization on the Indian economy:

### **Positive effect of demonetisation on the Indian economy**

These are the forms during which demonetization has positively influenced the Indian economy:

- Breakdown of Black Capital – Black wealth production has a detrimental effect on the economy of the world. Several providers in India are running on the strength of black money. Demonetization assisted to shut

these companies and to kill the black money collected by the citizens of India, thereby having a positive effect on their economy.

- Decline in Fake Currency Notes – A variety of fraudulent currency notes have been circulating in a world with a detrimental effect on the economy. Demonetization aimed to eradicate high value fraudulent currency notes.
- Rise in bank deposits – With immediate effect, the sale of old currency notes has been forbidden. All those who had these currency notes had to deposit them in the banks so that their capital would not be lost. Money worth trillions worth rupees has been invested in Indian accounts, which has contributed to an rise in the country's GDP.
- Real Estate-Real Estate is an business that is primarily focused on black capital. Demonetization decreased the amount of black money into the real estate sector to ensure adequate play.
- Raise in Digital Transactions – Cash crunch in the economy has motivated people to engage in digital transactions. Every shop / clinical / institute in the country has built debit / credit card machines. Over time, people have become more used to seeing plastic money. This is a perfect way to track tax evasion and improve the company's economy.
- Cutting Monetary Funds for Terrorism Activities – Anti-nationals help militant acts in the world by offering direct assistance to terrorist organizations. This money is used to buy weapons and to organize terrorist attacks in various parts of the world. Demonetization also contributed to reduce the volume of monetary funding given to militant organizations to a significant degree. It thus encouraged stability and led the nation to flourish at different stages.

### **Negative Impact of Demonetization on Indian Economy**

Some of the beneficial results of demonetization are assumed to be long-term. We can begin to see the economic development of our country with either the huge changes brought by demonetization in a few years' time. Nevertheless, the detrimental effect of demonetization on the Indian economy has been immense.

Many of our businesses are cash-driven, & sudden demonetization has left all these businesses

starving. Most of our small-scale & large-scale industrial sectors have experienced tremendous setbacks, adversely impacting the country's economy. A number of warehouses & stores needed to be shut down. This has not only had an effect on the companies, but also on the staff working there. Many people, particularly the staff, have lost their employment. The agriculture industry, the manufacturing sector and also the retail sector have been heavily impacted by demonetisation.

## LITERATURE REVIEW

Garg and Pandey (2007) indicates that India has some of the most robust financial networks made up of banks, microfinance organizations and self-help organisations. There were more than 30,775 local branches of national commercial and municipal banks. Rural cooperatives have a broad presence, with 1,08,779 main agricultural cooperatives (PACs). In contrast to that 2.24 million self-help groups (SHGs) with bank credit ties are also participating in India. In addition, the number of users of the Kisan Credit Card (KCC) has rose to 59.09 million. Compared to other developed countries, India is much better positioned in terms of both the geographical region protected and the total population served per bank branch.

Sahu (2007) claimed in his report that the key purpose of the nationalization of banks was to make credit simpler for farmers who had not been well served before. Commercial banks, including Regional Rural Banks and Co-operative Banks, were directed to extend their rural branch networks and improve their lending to the target sector after the nationalization of major banks in India with a "financial and growth banking" strategy. The key purpose of this program was to include I banking facilities in historically unbanked or under-banked rural areas; (ii) sufficient credit for particular operations, including cultivation and cottage industries; and (iii) credit to other vulnerable classes.

Khankhoje and Sathye (2008) investigated whether the 1993-94 reform of the regional rural bank in India has managed to increase the profitability of RRBs, an significant source of the rural credit network in India. This study showed that the performance of RRBs improved dramatically between 1990 and 2002. Assuming, thus, that the government's reform strategy for the RRBs has demonstrated promising effects and this report suggests that it be pursued.

Shetty (2008) identified the idea of microcredit as a recent introduction to India's poverty alleviation strategy. However, a conceptual change from credit (only) services to microcredit (payment and services) services has been made. This study explored the potential of the microfinance (institution) system for the (financial) inclusion of disadvantaged and vulnerable people, who have been excluded from structured credit markets for a long time. The research also emphasizes the favorable association

between "credit plus programs" and the effect of benefits on the vulnerable. Access to "cash plus facilities" of the microfinance system has increased the wages, jobs, savings, household spending, housing and empowerment of the people. Government proposals involve offering cash and programs to the disadvantaged and impoverished people at a reduced rate that would have a positive effect on the socio-economic well-being of the people.

Shah (2009) found out in his report that agricultural marketing has contributed to an rise in demand for agricultural financing in India. It is the duty of agricultural financial institutions to imperative role in fulfilling the growing capital requirements of agricultural credit to farmers in order to make sure the timely supply of various agricultural inputs. The period of reforms the financial sector, the organizational performance, competitiveness and survival of rural financial institutions are main issues that need to be discussed when addressing agricultural finance. Rising non-performing assets (NPAs) are the major issues in different states such as Maharashtra, Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Orissa and Tripura.

Moreotra, N. (2011) indicated that Commercial Bank, Cooperative Banks & Regional Rural Bank (RRBs) are the main institutions that farmers rely on for access to institutional agricultural credit, this study also points out that traditionally Cooperative Banks and RRBs have found that they are better equipped to meet the credit requirements of small & subsidiary farmers than Commercial Banks, but have been classified.

Kalkoti G. In their report, et al (2012) noted that lending to agriculture by each public & private banks remained below the goal of 18%. However, the volume of deposits outstanding for agriculture, as a proportion of total bank credit, has steadily increased for both public & private sector banks at last era. In reference, the proportion of agriculture in GDP has declined over all the years, however the amount of citizens who depend on agriculture for their food & livelihoods has stayed the very same. RBI & Government have since taken a range of steps to improve the supply of finance to the agricultural sector. Under the Special Agricultural Credit Program [SCAP], banks are expected to set self-determined goals for success throughout the year [April-March]. In general, the expectations set by banks are between 20% and 25% higher than the allocation created in the previous year. With most of the initiation of SCAP, the distribution of credit to agriculture through public sector banks increased dramatically from 8.255 crore in 1994-1995 to Rs. 1, 65.198 crore in 2008-09, that was greater than the SCAP target of Rs. 1, 59.470 crore. In comparison to the target of '57,353 crore for the monetary year 2008-09, payments to agriculture by private industry banks



underneath the SCAP contributed to Rs. 63,755 crore.

Ahangar et al. (2013) claimed that the institution is very important for agricultural production in India. In specific, this literature review analyzes the rise of Schedule Commercial Banks in the distribution of agricultural financing in India. This study also reveals that the share of private banks in the case of commercial banks is slightly higher, while it is the smallest in the category of cooperative banks. Analogously, the total number of account holders rose from 5,841 to 30,538 for SCBs and the amount of support grew from 14,516 to 2,71,670 at the period. This report also highlights the significant increase in unpaid sums for private banks from 59310 to 583343 crores during the same period.

Kaur H (2015) found out that agricultural sector modernisation is a core aspect of agricultural growth. The credit for agricultural modernisation plays the most significant role. In India, agricultural credit is mainly issued by cooperative banks, commercial banks, national rural banks, etc.

Nerella (2015) pointed out that agricultural production is influenced by different factors such as finance, irrigation facilities and the economy. The main contribution for long-term sustainable agricultural production is credit from all variables. This analysis also indicates that the KCC system has also significant role in the activity and profit of farmers in the agriculture field. The existence of a crop loan has helped to obtain a better valuation per hectare of gross profit for the KCC beneficiaries of the crops under research. This research further illustrates the need to automate the method of opening bank accounts. This can be done by conducting village drives for the issuance of KCCs in the agricultural sector in India. Commercial banks given 629.94 KCCs in India as of 2012-13.

Pattanayak (2016) found that agricultural institutional credit needs to be extended to meet the demand for agricultural credit, but one of the key constraints of agricultural production is the diminishing size of agricultural assets in the region. Some cooperatives have been really successful, and the most popular success story has been Amul, a cooperative of dairy farmers in Gujarat. However, problems have emerged, and sometimes pressure attributable to corporate interests has been a significant cause of the collapse of many cooperatives. In comparison to cooperatives, the value of groupings or groups of producers as seen in western countries is immense. In addition to cooperatives, the idea of self-help groups (SHGs) as JLGs (Joint Responsibility Groups) has been very common and relevant in many practices. Although most SHGs were originally developed to encourage community lending, it was discovered that the benefits of SHGs could be applied to many areas of rural and agricultural development. However, these associations remain

mostly informal in nature and therefore beyond the reach of direct regulatory action. It is however challenging to maintain a close eye on the activities of these organizations in order to have them operate parallel to the structured institutional credit framework for offering financial assistance to agricultural farmers.

## CONCLUSION

India's agricultural sector is still very important to the Indian economy, although its share of the economy has decreased over the past 50 years. After independence, the Government of our nation has taken a range of steps to ensure sustainable growth & development. Most of these programs have proven to be successful and have added to the development of the country. Collectively, the sharp-mindedness of Indian youth & the multiple steps initiated by the Indian Government have led to economic development. Thus, demonetization has both a positive and a negative effect on the economy of the country. The application of this program is said to have been significantly faulty. If properly applied, less discomfort to the general population & higher economic prosperity should have been assured.

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