

# EMERGING ISSUES ON THE ROAD MAP FOR A 5 TRILLION ECONOMY IN INDIA THEORETICAL ANALYSIS ON AGRICULTURAL INCOME AND ECONOMIC DEVELOPMENT

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## ABSTRACT

India is set to make strides in 2019 with the injection of funds into its failing infrastructure. The major engines of economic growth are private investments, exports, private consumptions and major problems are population growth and corruption. Agriculture is now again in the headlines because higher food price are increasing food insecurity and poverty, in the upcoming years it will increase productivity and production in India. Agriculture may also be a source of the capital needed for industrial development to the extent that it provides a surplus that may be converted into the funds needed to purchase industrial equipment or to build roads and provides public services. For those reasons, a country seeking to develop its economy may be well advised to give a significant priority to agriculture; experience in the developing countries has shown that agriculture can be made much more productive with the proper investment in irrigation systems, research, fertilizers, insecticides and herbicides.

## INTRODUCTION

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India is set to make strides in 2019 with the injection of funds into its failing infrastructure. Investment combined with the application of new technologies and job creation will boost GDP and economic growth. However, problems such as population growth and corruption are likely to be items on the policy agenda for a long time to come. As a country develops economically, the relative importance of agriculture declines. The primary reason for that shown by the 19th-century German statistician Ernst Engel, who discovered that as incomes increase, the proportion of income spent on food declines. For example, if a family's income were to increase by 100 percent, the amount it would spend on food might increase by 60 percent; if formerly its expenditures on food had been 50 percent of its budget, after the increase they would amount to only 40 percent of its budget. It follows that as incomes increase, a smaller fraction of the total resources of society is required to produce the amount of food demanded by the population. Farming has long provided economists with their favorite example of a perfectly competitive industry. However, given the level of government regulation of and support for agriculture in most countries, farming also provides striking examples of the effects of price controls, income supports, output ceilings.

## LITERATURE REVIEW

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### 1. Agriculture and Development: A Brief Review of the Literature

After 20 years of neglect by international donors, agriculture is now again in the headlines because higher food prices are increasing food insecurity and poverty. In the coming years it will be essential to increase food productivity and production in developing countries, especially in Sub-Saharan Africa and with smallholders. This however requires finding viable solutions to a number of complex technical,

institutional and policy issues including land markets, research on seeds and inputs; agricultural extension; credit; rural infrastructure; storage; connection to markets; rural nonfarm employment and food price stabilization. This paper reviews what the economic literature has to say on these topics. It discusses in turn the role played by agriculture in the development process and the interactions between agriculture and other economic sectors; the determinants of the Green Revolution and discuss the foundations of agricultural growth; issues of income diversification by farmers; approaches to rural development; and finally issues of international trade policy and food security which are at the root of the crisis in agricultural commodity volatility in the past few years.

## **2. Impact of Agriculture Volatility on Economic Growth: A Case Study of Pakistan**

Agriculture plays a crucial role in the economy of developing countries, and it is the main source of food, income and employment for the rural population. So developing countries like Pakistan need to sustain growth of agriculture sector. But in past few decades huge variations occurred in agriculture production. Stability is an important objective for any economy because development requires sustain growth of different sectors. So this study is an attempt to view the nature of volatility of the agriculture sector in Pakistan and trying to find out that to what extent do volatility, production and employment in agriculture sector associated with the economic growth. In first step, Auto Regressive Conditional Heteroscedasticity (ARCH) family models applied to detect volatility of agriculture sector in Pakistan. In second step, augmented dickey fuller is applied for unit root and shows that all the variables are integrated of order one. In third step, Co-integration: Trace Statistics and Eigen Values Tests are used to capture the long term effect of these variables on economic performance. The Empirical results of co-integrating equation show that agriculture productivity and employment in agriculture sector and positively and significantly associated with economic growth. While agricultural volatility is negatively contributing in economic growth in case of Pakistan. On the basis of empirical findings of this study, it is suggested for long term and sustain economic growth is that Government should take widespread transparent programs for agriculture sector and rural development, so that agriculture volatility can be controlled.

## **3. Impact of Farmers' Training centers on Household Income: Evidence from Propensity Score Matching in Eastern Ethiopia**

In developing countries, agricultural advisory services (AASs) are regarded as a key component of economic development strategies in terms of improving productivity and livelihoods. Nevertheless, there is a dearth of empirical evidence on the impact of AASs in general and the Farmers' Training Centers (FTCs) in particular. In this article, we employ the propensity score matching procedure to estimate the impact of an FTC-based training on household farm income in eastern Ethiopia. The result indicates a significant average gain of annual farm income by participants of the training, ranging from Birr 9557 to Birr 10,388 per household.

## **EMERGING ISSUES ON INDIAN ECONOMY**

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### **Population Growth**

India ranks second after China in total population. Its population has grown 20% per decade, leading to problems that include food deficits, sanitation deterioration, and pollution. Although economic growth numbers look promising, the living standards of most citizens are not changing. Indians live below the poverty line. Malnutrition is a severe problem in India that is causing childhood stunting, anemia in women of reproductive age, and overweight adult women, according to The Hindu Business Line. Only 6% of India's poor have access to tap water versus 33% of the non-poor. Sanitation is a massive ongoing

problem that the government has been unable to address. For example, 21% of India's poor has access to toilets versus 62% of the non-poor. Most of those without access are people who live in urban slums and rural areas. A large populace in the rural areas still defecates in the open. China, the United States, and India are the three most egregious environmental polluters in the world in that order. India uses coal for 75% of its power requirements, and it has been slow to transition to cleaner energy sources. New Delhi and other cities in India are among the most polluted in the world, and car emissions in these urban areas are creating breathing and other health problems.

### **Deteriorating Infrastructure**

India has struggled to improve its deteriorating infrastructure in business, education, and healthcare. India's power grid is overstressed, and power failures have been daily occurrences in the most developed areas of Delhi, Mumbai, and Bangalore. The need for generators to provide power and air conditioning during power failures results in additional costs that businesses must subsume. Public transportation and roadways have not kept pace with population growth, and the education infrastructure is backward with a literacy rate of 72%. India's healthcare infrastructure is in need of reform. India provides healthcare to all its citizens, but the 90% who must use public health services and do not have private insurance through an employer receive poor care in substandard facilities.

### **Corruption**

The Corruption Perceptions Index (CPI) ranks 180 countries and territories by their perceived levels of public sector corruption among experts and businesspeople. It rendered India the 78th most corrupt country in the world in 2018. The CPI states that efforts to curb corruption in the Asia-Pacific are having little effect, and countries in the region are experiencing decreasing press freedoms and shrinking civil society. Transparency International found India to be one of the worst offenders. Doing business in a corrupt country is difficult because there is little respect for the rule of law, there are competing government bureaucracies, and there are often unclear and unfair regulatory and taxation systems.

### **Agricultural Crisis**

Math has to be made farmer friendly

The farm sector employs half of India's workforce even as its contribution to GDP has slipped to under 18%. In 2014, the NDA government aspired to double farm income. Instead, 2018-19 could be the worst for farmers' income in almost two decades. Farmers are reeling under inflation asymmetry. Due to disinflation in farm-gate prices, they are selling their farm produce cheaper but are buying other things at higher prices. "So, the terms of trade for agriculture has become the worst since the 1960s" says who heads emerging market economics at JP Morgan. The agricultural sector faces serious structural challenges. Between 1970-71 and 2015-16, the number of farms has doubled to 145 million, even as average farm size has more than halved to 1.08 hectares. While India has pushed reforms in key economic sectors, agriculture remained ignored after the Green Revolution. Production rose but farm-gate prices have declined. Most policy initiatives from minimum support price (MSP) and fertiliser subsidy to farm loan waivers have been flawed, geographically uneven and mostly band-aid solutions. Despite last year seeing the highest MSP since 2014 and loan waivers, farmer protests and suicides have surged. Last November, 200 farmer groups organised protest marches, demanding Better prices policy must focus on boosting agri workers productivity. This will be more sustainable than raising farm income.

### **Role of Agriculture in the Economic Development of a Country**

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Some of the major role of agriculture in economic development of a country is as follows: 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.

“Increase in agricultural production and the rise in the per-capita income of the rural community, together with the industrialisation and urbanisation, lead to an increased demand in industrial production”-Dr. Bright Singh.

Agriculture makes its contribution to economic development in several ways,

- (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.

**Therefore, the role of agriculture for the development of an economy may be stated as Increase in demand for food in an economy is determined by the following equation:**

1. Contribution to national income
2. Source of food supply
3. Pre requisite for raw material
4. Provision of surplus
5. Shift of man-power
6. Creation of infrastructure
7. Relief from shortage of capital
8. Helpful to reduce inequality
9. Based on democratic notions
10. Create effective demand
11. Helpful in phasing out economic depression
12. Source of foreign exchange for the country
13. Contribution to capital formation
14. Employment opportunity for rural people
15. Improving rural welfare
16. Extension of market for industrial output

**AGRICULTURAL SECTOR PROVIDES FUNDS FOR CAPITAL FORMATION IN MANY WAYS AS,**

1. Agricultural taxation.
2. Export of agricultural product
3. Collection of agricultural product at low price by the government and selling it at higher price. This method is adopted by Russia and china

4. Labour in disguised unemployment largely confined to agriculture is viewed as source of irresistible surplus.
5. Transfer of labour and capital from form to non-form activities etc

**CONCLUSION:**

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Agricultural development is necessary for the economic development of a country. Even developed countries lay emphasis on agricultural development agricultural progress is essential to provide food for growing non-agricultural labour force raw material 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.

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- <file:///C:/Users/Vijayakumar>

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