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B.A. Economics  
B.A. Part - 3  
Paper - 8 (Group -B) Agricultural Economics  
Topic - **Role of Agriculture in a developing economy ( with reference to India)**  
Date: 07/02/2024

### **Role of Agriculture in a developing economy ( like India)**

#### **1. Contribution to National Income:**

Agriculture plays a most significant role in a developing economy like India. Since any developing country totally depends on agriculture, in these countries , agriculture is a major contributor in 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, 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, whereas in U.K. and U.S.A. agriculture contributes only 3 per cent to the national income of these countries.

#### **2. Source of Livelihood:**

In India over two-thirds of our working population are engaged directly on agriculture and also similarly depend for their livelihood. According to an estimate, about 66 per cent of our working population is engaged in agriculture at present in comparison to that of 2 to 3 per cent in U.K. and U.S.A., 6 per cent in France and 7 per cent in Australia. Thus 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 is providing regular supply of food to such a huge population of our country. It has been estimated that about 60 per cent of household consumption is met by agricultural products.

#### **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) and agro-based cottage industries are also regularly collecting their raw materials directly from agriculture.

About 50 per cent of income generated in the manufacturing sector comes from all these agro-based industries in India. Moreover, agriculture can provide a market for industrial products as increase in the level of agricultural income may lead to expansion of market for industrial products.

### **5. Commercial Importance:**

Indian Agriculture is playing a very 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 nearly 70 per cent of India's exports are originated from agricultural sector. Further, agriculture is helping the country in earning precious 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. The Government is getting a substantial income from rising land revenue. Some other sectors like railway, 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 much on the 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 a total depression in business of the country, which ultimately leads to a failure of economic planning. Thus the agricultural sector is playing a very important role in a country like India and the prosperity of the Indian 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.