



Full Length Research Article

AGRICULTURE SECTOR AND FARMERS BOTH ARE IMPORTANT TO INDIAN ECONOMY

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ABSTRACT

Lateral India is bestowed with abundance of nature in terms of rainfall, rivers, a variety of climate zones and soil needed to grow a wide range of crops etc. Indian economy is still primarily an agriculture oriented economy. Nature plays a significant role in the addition of value in this sector that is why it has been a way of life of the Indian people. Mostly farmers in our country are either small farmers or marginal farmers. There has always been a gap between the expenditure of the farmers and income to be received in future. Expenditure is regular and certain, but income to be received is uncertain (dependent on a number of factors including natural factors). Loans from an unorganized sector has become a practice of farmers. The opportunity cost of a crop failure has been watched by a non-stopping situation of farmers' suicide and on an average one farmer saying 'Good Bye' to agriculture by selling his agriculture land due to drastic fall in the income of Indian farmers as per estimate given by 59th round of NSS. Outstanding farm loans have increased and the result of the Socio-Economic Caste Census released in the month of July 2015 tells us that in 3 out of 4 rural household no one earns more than Rs. 5,000/- in a month and more than 9 out of 10 have no earning over Rs. 10,000/- a month. Survey also tells that 56 % of the rural household owns no land, meaning most of them have been pushed into the ranks of agriculture labour. On the other hand huge bad debt provisioning due to rising NPA and that too on account of willful defaulters has created a big question mark on the functioning of public sector banks (the main objective of nationalization of commercial banks was to establish a socialistic pattern of society with equity and social and economic justice) The Outcome has been a paradoxical situation: poverty amidst plenty.

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INTRODUCTION

Indian economy is primarily an agriculture oriented economy. Agriculture has been the primary occupation of the people in our country right from the days of early civilization. Agriculture is called the spinal cord or backbone of Indian economy because this sector provides the means of subsistence to the people, besides the produce obtained from land, is used as a raw material for a large number of manufacturing industries. Agriculture has enjoyed this place of pride since times immemorial. Agriculture has been termed as soul of India. Agriculture continues to be the largest high risk economic activity of the economy. About 53% of the arable land is rain fed. But due to structural changes in Indian economy, the share of agriculture in GDP has gone down from 57% in 1950-51 to a figure of 13% in 2014-15, but half of India population is still dependent of farms. It means the dependency ratio has not been responding correspondingly, now 13% of the cake is to be distributed amongst half of the population of the country.

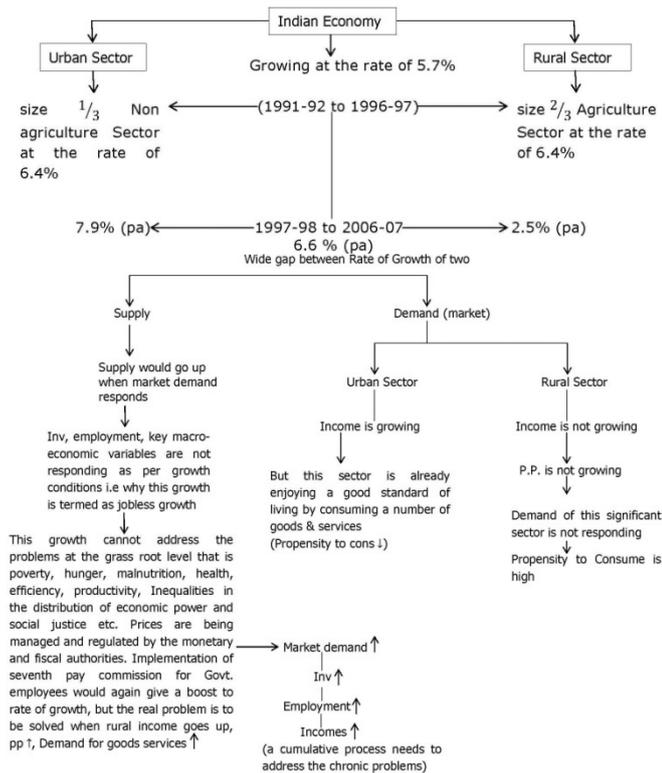
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This is a serious question to be solved by the planners and policy makers of our country. The agriculture growth maintained at an average rate of about 4% up to 8th five year plan period. It then declined to an average at about 3% per annum during 9th to 11th five year plan period. The present trend shows that agriculture growth rate would achieve at an average of about 1.5% in the first four years of 12th five year plan against a target of 4%. The neglect and poor growth in agriculture is resulting in distress in rural sector by way of diminishing income of farmers. The crop failure due to natural calamities and pest attacks have further aggravated the problem and created an agrarian crisis. Indian agriculture is facing challenges of deterioration of soil health, aberrant weather condition due to climate change or otherwise depleting water resources and imbalanced use of plant nutrients. Agriculture has grown by 1.1% in 2015-16 after -0.2% growth in 2014-15 with food grains production stagnating at around 250 million tonnes for the past two years. It means agriculture has remained the most unreformed sector in the last 25 years. Majority of the farmer's families cannot even feed themselves. The annual average rate of population change in India has been 1.26% against 0.52% in china during 2010-15. This creates a gap between demand and supply in the

market. Incomes of India's 833 million mostly rural population are barely rising causing a concern for a huge potential market for goods and services. (e.g. semidurable and durable goods and services like education, health, telecommunications, entertainment, tourism etc.) Without rural prosperity, the government plans firing on all cylinders will be easier than done. Market is not responding to production because of sliding rural demand, even when Indian economy has that tag of fastest growing economy of the world in 2015-16.

Ref: Daily H.T [Dec 02, 2015, p-17] FAI Annual Seminar 2015.



Big Objectives

Education for all, health for all, food for all, jobs for all (eligible) demographic dividend, sanitation, cleanliness, pollution free environment, employability, drinking water for all, housing for all, balanced diet, social and economic-welfare and justice. These objectives cannot be fulfilled without rural prosperity (Agriculture, cottage, small scale and household industries, development of handicrafts and skills for their Up gradation for income-generating activities and soon a cumulative process again) for success-of these all programmes. Awareness about planned size of the family, it is estimated that 52% of the 90 million rural agriculture household are under debt. Agriculture labourers, who eke out a living on someone else land commit suicides in a large number. There have been gaps in the efforts to disburse agricultural credit to its target audience-small and marginal farmers. Now let us examine the other side of the coin that is the picture of public sector banks in our country. India nationalized commercial banks in 1969 with the specific objective of removing concentration of economic power and control from the hands of a few. The number of PSB branches multiplied tenfold-farm 8000 in 1969 to about 87000 today. According to the central bank financial stability report released on 28-06-2016 (a bi-annual document that provides an

assessment of the risks to the Indian Banking sector has increased sharply in the last six months.

Ref: (Daily HT, 29-06-2016, p-17).

Public Sector banks, already sitting on a pile of Non-Performing Assets (NPA)-Loans that turn unproductive have reported fresh slippages of around Rs. 99609 Crore in the first quarter of the current fiscal, double of what was reported in the corresponding period of the previous year. According to official data, gross NPA of these banks increased to Rs. 5.59 lakh Crore (-11.24% of the total advances as on 30-06-2016). It was 12% rise from Rs. 5.02 lakh Crore or 9.84% in March 2016. Credit growth, too is a challenge and banks are becoming averse to lending with the rising NPA situation. India's banking sector is moving fast the worst of its asset quality down cycle and the outlook is likely to be stable over the next 12-18 months. As a result, public sector banks are in dire need of more funds according to the set norms. Some industrialists are playing the game of willful defaulters. They can even digest even the hard earned PF of their employees and there has not been a single case of suicide of big business magnets, who have not repaid their loans and debt servicing charges.

Ref: Daily Hindustan Times Sep 20, 2016, p-13.

Literature Review

As regards economic activities, Adam Smith gave a high place to agriculture. His leaning towards agriculture seems to be the result of his influence of his predecessors, the physiocrats, who were the ardent supporter of Naturalism and optimism. Natural order was the providential order. In this connection, he wrote that no equal Capital put into motion a greater quantity of productive labour than that of the farmer. He added that not only his labouring servants but his labouring capitals were productive labourers. In agriculture too, nature laboured along with man and the most expensive workman. He gave preference to agriculture over other economic activities. In order to dispel the illusions of writers, regarding the unproductive nature of industry and commerce, he emphasized the interdependence of different economic activities of men. Agriculture and allied occupations like animal husbandry, forestry, fishery etc. contributes a lot and therefore, is the backbone of the Indian economy. The share of agriculture in the GDP is no doubt has been declining with the acceleration of the secondary and tertiary sectors in the economy due to the planned development of our economy.

All leading industries in our country still depend on agriculture for their raw materials requirements. It is suggested by a number of eminent economists of the world that the agriculture backwardness is not the cause but the effect of economy's backwardness. Agriculture should occupy a predominant place in the economic development of our country because peasant's prosperity is the prosperity of whole nation. Since food and agriculture constitutes the pivot of Indian social and economic life, a setback in this sector spells danger to our political stability. Agriculture is the main stay of the Indian economy. This sector cannot be ignored even if our basic issues are to be addressed e.g poverty, hunger inequalities, social welfare, unemployment, equity and justice etc. India had expected that with the dismantling of domestic support in developed countries and widespread reduction in export subsidies by

these countries as a part of their commitment under WTO, market access for Indian agriculture products in developed countries would expand. However, the developed countries have played their cards cleverly and have taken effective steps to block agriculture exports from developing countries including India behind various loopholes in other agreements related to agriculture and allied activities. To protect the Indian agriculture and Indian farmers from foreign competition it is therefore, imperative for the governments to lay down priorities for action. Farmers are in general cash starved. On other hand the top 100 borrowers of banks accounted for 19.3% of bad loans a surge from just 2.9% in Sept 2015. The cleanup process initiated by RBI has resulted in the bad loan stock of bank^s rising to a record of Rs. 5.8 Lakh Cr. (about 5% of our GDP as on March 31, 2016) (1). According to finance ministry, PSB^s required Rs. 1.8 Lakh Crore by 2018 to meet global Basel III or Capital adequacy norms. Lenders look to exit insurance biz as bad loans bite. Could this be called as a business model, this gap is to be examined.

Ref: Daily H.T [June 29, 2016, p-17].

Objectives

The following are the two objectives of this research paper:

- To examine the trends of rural incomes and rural jobs and a mismatch between the overall growth rate of Indian economy and the growth in agriculture sector.
- To examine the trends in NPA and the Villain of piece of this dichotomy (willful defaulters and farmer's suicides).

MATERIALS AND METHODS

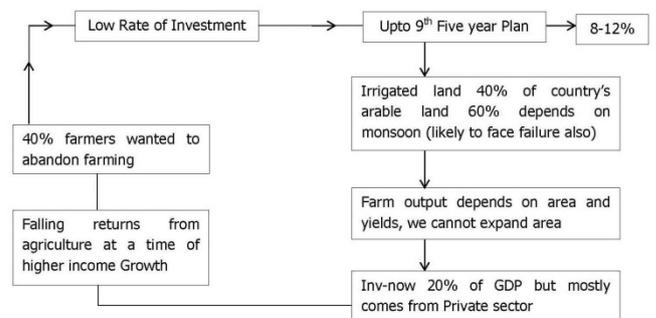
This paper has been written to probe the agrarian crisis and to examine a paradoxical situation between poverty and plenty India has gained the status of a fastest growing economy of the world but farmer's suicides have become non-stopping situation. The methodology on which the two objectives mentioned above have been analyzed is based on secondary data obtained from standard sources e.g. Government bulletin, magazines economic surveys – conducted and presented by GOI in the parliament, daily newspapers, standard research papers and published material by RBI and Non-Govt. organization conducting the analysis of data and then publishing it. Statistical techniques have also been applied in support of analysis of data and its interpretation for drawing conclusions and inferences. The basic purpose is to draw the attention of policy makers and planners.

Content Analysis

Farm growth cuts poverty twice as fast as industrial growth-a 1% rise in agriculture output-raises industrial production by 0.5% and national income by 0.7%. It means country's fortunes are structurally tied to its farmers. Two thirds of Indians rely on a farm based income. Agricultural output is dependent on good weather conditions. During 1965-66 and 1966-67, food output dropped 36% due to severe drought conditions and Indian planners had to declare a plan holiday by launching three Annual plans after five year plan. All through the 40^s, 50^s and 60^s famines were common and more over population was rising faster that food output, in other worlds a horror of Malthusian theory of population was

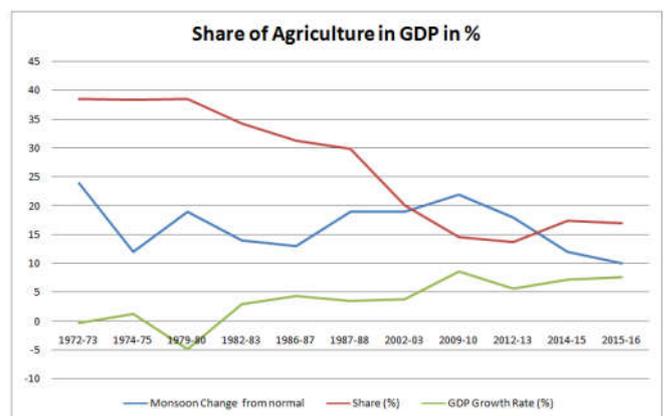
observed. To solve the problem, India began putting together a policy framework that resulted into a breakthrough in the name of Green Revolution (was actually a wheat revolution) but signs of the Green Revolution diminishing emerged in mid 1980^s when yield again began falling. The rate of investment in agriculture in the 80^s and 90^s was between 8-12% along with input subsidies, farm growth hobbled at 2.4% or so (focusing on subsidies at the cost of investment).

A VICIOUS CIRCLE BETWEEN HIGH GROWTH AND FALLING RETURNS IN AGRICULTURE.



Share of agriculture in GDP (%)

Year	Monsoon Change from Normal	Share (%)	GDP Growth Rate (%)
1972-73	24	38.6	-3
1974-75	12	38.5	1.2
1979-80	19	38.6	-4.9
1982-83	14	34.3	2.9
1986-87	13	31.4	4.3
1987-88	19	29.9	3.5
2002-03	19	20.1	3.8
2009-10	22	14.6	8.6
2012-13	18	13.7	5.6
2014-15	12	17.4	7.2
2015-16	10	17.0	7.6



Behavior of the Growth of GDP and Sales of Durables

Growth GDP	Growth Change Sales (sales in millions)			
	Passenger Vehicles	Two Wheelers	TV Sets	Refrigerator
5%	14.5	92	68	44
6.5%	16.5	98	72	47
9.0%	18.5	108	85	53

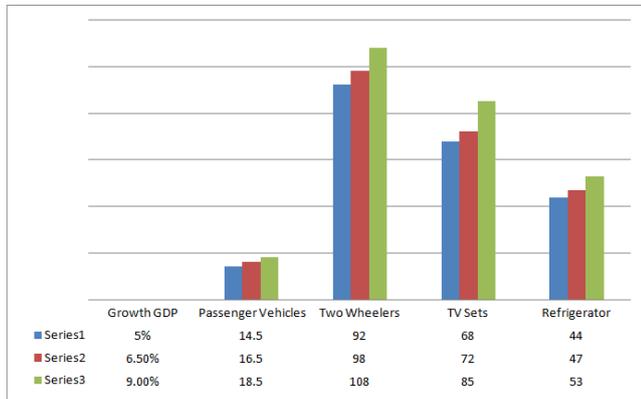
When farm output is robust, rural income and spending on things such as TV sets to Gold go up. Greater demand for consumer goods means more economic growth in the economy along with jobs.

Ref: CRISIL (An average growth in GDP over 2014-19) (Daily HT, 26-07-2016, p-15)

The following are the salient features of agriculture sector:

The Rate of growth in agriculture sector being less than the overall growth rate in the economy

The gap between the growth of agriculture and non-agriculture began to widen since 1981-82 because of acceleration in the growth of industry and service sectors. There has been a serious setback to agriculture in the post reform period. The following table tells the whole story:



Behavior of the Growth of GDP and Sales of Durables

	Rural	Urban Demand
TV	44%	56%
Motorcycle		
Housing		
	40%	60%

Table 1 a. Average GDP growth rate of agriculture and other sectors at 1999-2000 Prices (Percent)

	Total Economy	Agriculture and Allied	Crops and Live stock	Non-Agriculture
Pre Green Revolution (1951-52 to 1967-68)	3.7	2.5	2.7	4.9
Green Revolution Period (1968-69 to 1980-81)	3.5	2.4	2.7	4.4
Wide technology dissemination period (1981-82 to 1990-91)	5.4	3.5	3.7	6.4
Early reforms period (1991 to 1996-97)	5.7	3.7	3.7	6.6
(1997-98 to 2006-07)	6.6	2.5	2.5	7.9

The picture of rural Indian life today that emerges from what is the world largest study ever of household deprivation is sobering and somber.

Ref: Data collected from various issues of Economic Surveys, published by GOI

The following graph gives the real picture of the growth of different sectors of economy and clearly depicts the between the growth of agriculture and non-agriculture sector. According to data released in the last week of Nov, 2015 India GDP grew at an annualized 7.4% during the July-Sept quarter Q2 of 2015-16 Agriculture, despite a deficit monsoon, grew by 2.2%. Sectoral gap is again confirmed.

Rural Income hits a low

Farm income which started slowing down by 2012 is now in a free fall. For India to grow at 8%, agriculture must grow at least 4%. Yet the farm sector has barely crawled at 1.9% in the first quarter of 2015-16. Alarming rural distress – marked

by slowing wages, poor incomes and lower profit from farming – now looks getting entrenched.

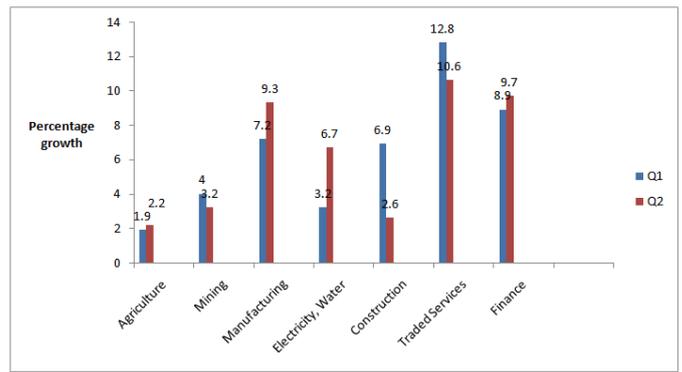


Figure 1.

Table 1 (b)

GDP 2015-16	Q1	Q2
	7.00%	7.4%
Agriculture	1.90	2.20
Mining	4.00	3.20
Manufacturing	7.20	9.30
Electricity, Water	3.20	6.70
Construction	6.90	2.60
Traded Services	12.80	10.60
Finance	8.90	9.70

Source MOSPHI (H.T, 4-12-2015, p 21)

Table 2. Average Daily Wage in Rupees

Year	Month	Actual Wage in previous Year	Actual Wage in current year	Percentage Change over previous year.
2014	June	218.41	261.03	19.5
	July	218.24	256.72	17.6
	August	223.08	261.83	17.4
	Sept.	228.99	267.70	16.9
	Oct.	229.82	269.04	17.1
	Nov.	263.98	272.00	03.0
2015	Dec.	253.20	270.02	06.6
	Jan.	252.40	274.15	08.6
	Feb.	254.78	272.41	06.9
	March.	258.96	273.65	05.6
	April	263.79	271.31	02.9
	May	264.11	272.87	03.3

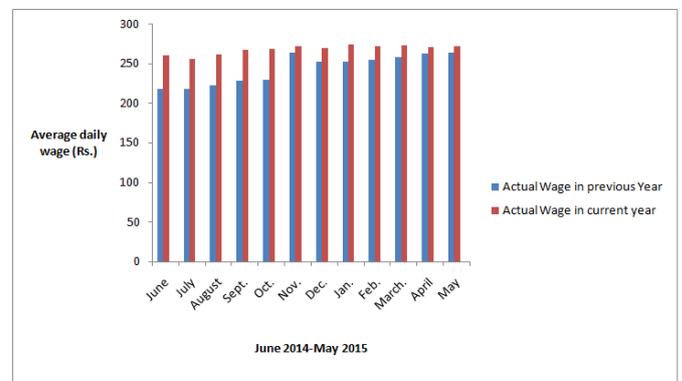


Figure 2.

Null Hypothesis H₀: There is no significant difference between average wage of previous year and average wage of current year.

Alternative Hypothesis H₁: There is a significant difference between average wage of previous year and average wage of current year.

harvests, making investment in infrastructure and financial inclusion and equipping farmers with the knowledge in better help themselves and current improvement.

Table highlighting the analysis of hypothesis

Paired Samples Correlations		N	Correlation	Sig.
Pair 1	Actual wage in previous year & Actual wage in current year	12	.880	.000

	Paired Differences	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
					Pair 1	Actual wage in previous year - Actual wage in current year			

Since the critical value of t for 11 degrees of freedom at 5% level of significance being less than the calculated value of t. Hence the null hypothesis is rejected. Figure 2 above graphically shows the percentage change over previous year. Hence since Oct 2014, rural wage growth has slowed down from 17% to about 3%.

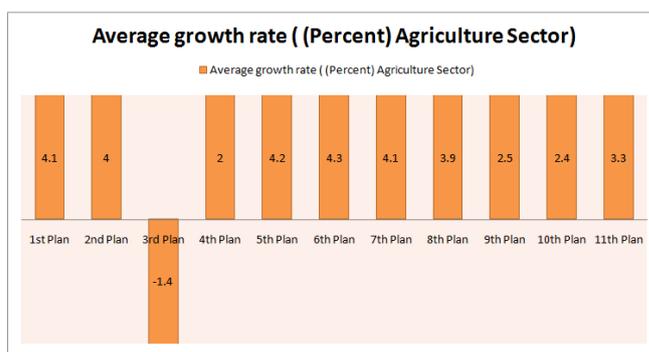
This sector is still a priority sector, because we have not achieved the target of reducing population growth accordingly.

Rise in Outstanding loans and a handful crops are now profitable

Outstanding farm loan had increased from Rs. 5,83,000 Crore in 2012 to Rs. 8,11,290 Crore in 2014 a staggering 40% hike in three years. In these three years, nearly 35000 farmers took their own lives. A lancet study in 2014 had said the suicide rate among farmers in India was the highest globally. “Even if the Indian State is unable to enact land reforms due to the power of local elites, intervention to stabilize the price of cash crops and relieve indebted farmers may be effective at reducing suicides” 1. The study said Cambridge University and University College London last year found that suicide rates were highest among the most debt ridden farmers. Experts blame agriculture policy paralysis for the distress among farmers, about 85% of whom have small and marginal holding of less than five hectares. The irrigation network has not increased much in the last 20 years. Only a handful crops are now profitable.

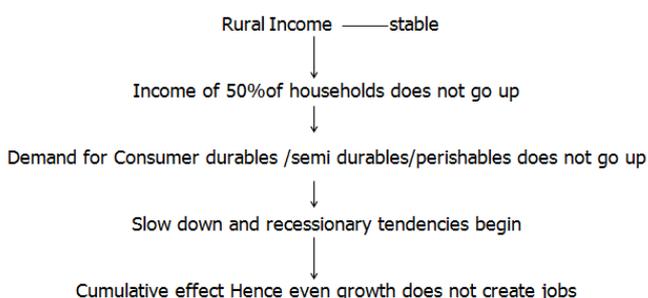
Table 3.

Plan Period	Average growth rate (Percent) Agriculture Sector
1 st Plan	4.1
2 nd Plan	4.0
3 rd Plan	-1.4
4 th Plan	2.0
5 th Plan	4.2
6 th Plan	4.3
7 th Plan	4.1
8 th Plan	3.9
9 th Plan	2.5
10 th Plan	2.4
11 th Plan	3.3



Agriculture Growth Rate under 12th five year Plan

12 th Plan	1.5
	2012-12-1.5%
	2013-14-4.2%
	2014-15-0.2%
	2015-16-1.1%



Ref: Daily H.T, [April 23, 2015, p-17].

The following table given an eye view of the rate of growth of agriculture production during plan periods:

Table clearly shows that there are vast fluctuations in the growth rate of agriculture. Success lies in helping farmers, generate the surplus necessary to grow and tide over poor

Indebtedness of farmer

Debt is the principal cause of farmer suicides in India. The National Crime Record Bureau (NCRB) has decided to expand the scope of its reports on suicides and go into the details of the reasons behind farmer’s suicides. Between 1995-2014, over 3,00,000 farmers-cultivators and agricultural labourers killed themselves. This number increased from 11700 in 2013 to 12600 in 2014. It is estimated that 52% of the 90 million

rural agricultural households are under debt, overall agricultural credit flow rose over 6 times from 1.25 lakh Crore to 8.41 lakh crore between 2004-05 and 2014-15. There are a number of issues still to be examined.

Ref: Daily H.T, [Aug 30, 2016, p-13].

- Why agricultural laborer, who eke out a living on someone else land commit suicide in large numbers.
- The gaps in Government' efforts to disburse agricultural credit to its target audience-small and marginal farmers and this have been a big challenge.
- Most of the credit does not reach the intended beneficiary (small and marginal farmers that constitute 85% of farm land holdings and 44% of cultivated land).
- No doubt debt is the principal cause of farmer's suicides in India. But this question is also to be examined; is it the private lenders, who derive thousands to kill themselves or institutional lenders are equally responsible. Causes of concern are indebtedness, family problems, farming issues, illness, drug-abuse, poverty, marital issues, property disputes etc.

Even Good Rains Cannot Help Farmers

Ground water reserves in India are a vital resource that support livelihood for around 53 million Indians and provide drinking water to around 80% of the rural population. Yet, trends show depletion in the aquifers. Many areas have experienced more than a 12 meter decline in water tables since 1980. Lack of access to ground water for irrigation increases poverty and conflict over water in rural settings. It means Good rains alone cannot help our farmers, because the institutional policy of promoting agriculture export zones is leading to depletion of ground water at fast clip.

Conclusion

India has climbed from 55th place to 39th place in the world Economic Forum global competitive index 2016-17 but the latest piece of bad news was that unemployment (the most pressing challenge-is at a five year high). Agriculture sector is capable of generating millions of jobs for unskilled, semi-skilled and skilled workers and help eliminate the rural poverty. Moreover food security and inclusive growth both can be ensured with the growth of Indian Agriculture. The Government at the centre has taken right steps in this direction. "It is the time the Government relooked at state level vulnerabilities on four parameters: Dependence on agriculture income, indebtedness, extent of irrigation and crop insurance for a long term solution.

Ref: Daily H.T, [Oct 10, 2016, p-13].

Agriculture still deserves top priority in the process of planned Programme of development along with focus on coming back to family planning. In India 26 million babies the populations of Sweden, Norway, Denmark and Finland combined are born every year. 350 million people were added to India's population in a decade compared to China's rise by 210 million in the same period. The expected rise in farm sector income is likely re-invigorating rural demand, complementing the boost to consumption.

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