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 SELP Journal of Social Science - A Blind Review & Refereed Quarterly Journal  
 ISSN: 0975-9999 (P) 2349-1655 (O)  
 Impact Factor: 3.655(CIF), 2.78(IRJIF), 2.77(NAAS)  
 Volume XIII, Issue 53  
 July – December 2022  
 Formerly UGC Approved Journal (46622), © Author

## **IMPACT OF AGRICULTURAL SECTOR IN GDP OF INDIA**

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### **Abstract**

*Agriculture plays a vital role in the economy of developing nations, this sector is the main source of food, income and employment to their rural populations. In India 67 per cent of population depends on agriculture and the decent percentage of share in GDP accounts. One of the most interesting fact is in the pandemic period other sectors contribution to GDP decreases, but the only sector i.e., agriculture flourish in this period. Agriculture is centre stage in the Indian economy. The largest industries of India like sugar , jute , textiles , food processing , milk etc dependent on agriculture for their raw materials . Agriculture sector has good market for their product in the rural areas and in urban areas and it contribute stable amount of income to the economy. Hence the research paper will concentrate the impact of agriculture in the GDP of India.*

**Keywords:** *Agriculture, employment, rural population, GDP, Primary Sector, Secondary Sector, Services Sector, standard of living.*

### **1. INTRODUCTION**

The overall economic well-being of the nations in the world is measured by the tool called as Gross Domestic Product (GDP). GDP is measured on the basis of total output or market value of aggregate goods and services produced in the domestic economy of the nation in a particular period of time. It is a lagging indicator used to identify the health of an economy. A rise in GDP indicates the businesses is making more money and the standard of living of the people are improving, if the GDP decreases in a

particular year the reverse will be the indicator.

India is a nation which contributes a decent percentage in the world economy. The major sector which contributes to the GDP of nation are

- Primary Sector (Agriculture forestry, fishing and other allied activities)
- Secondary Sector (Manufacturing, Mining & Quarrying)
- Services Sector (All Utility Services).

**Objectives of the study**

- Contribution of Agricultural sector to Indian Economy.
- Impact of Agriculture sector in the Gross Domestic product of India and in Work force
- Contribution of Agriculture sector to Exports and Imports of India

### Review of Literature:

**Paramasivan C, & Pasupathi R (2017)** Agriculture is the primary occupation and the major economic factor of India. It provides more number of employment opportunities and business strategies to the society. Mostly, peoples from India are concerning with agriculture sector directly and indirectly. Not only agricultural industries, agro based industries are also generating agro products and also it creates more employment opportunities to the peoples like farmers, agricultural workers, industrial workers, wholesalers, retailers exporters and others.

**Kekane Maruti Arjun (2013)** Indian Agriculture- Status, Importance and Role in Indian Economy. Change is happening in rural India, but it has still a long way to go. It share a decent percentage in national Income and capital formation of a nation **TammaKoti Reddy and VDMV Lakshmi (2020)** Role of Exports in Economic Growth: Evidence from India, identified that FDI & Real GDP have positive effect on export growth and there is no evidence of inflation alone causing export growth, but inflation along with FDI and Real GDP cause the Export growth. Alexander Sarris The Role of Agriculture in Economic Development and Poverty Reduction. **Elumalai Kannan Sujata Sundaram (2011)** working papers 276. It is concluded that the cropping pattern in India has undergone significant changes with a significant shift from the cultivation of food grains to commercial crops. The use of modern varieties, irrigation and fertilisers were important aspects of higher growth in crop production in the country. The crop output growth model indicates that the enhanced

capital formation, better irrigation facilities, normal rainfall and improved fertiliser consumption will help to improve crop output in the country

### Scope of the study:

The current paper focused on impact of Agriculture sector in the GDP of a nation. The current study includes the land area covered for agriculture and allied work and its contribution to the Gross Value added and Gross domestic product. The other factors considered to identify the impact of agriculture to GDP of a nation, GDP contribution of each sector has been considered, Work force employed through agriculture in India is taken as one of the important factor.

### 1. Contribution of Agricultural sector to Indian Economy.

**Three Types of Contribution has made by agriculture sector to the Economic development.**

#### 1. Factor Contribution

- Provision of Capital (The non-agricultural sectors acquiring capital from foreign aid, Foreign commercial investment and major portion of capital is generated from agricultural sector then transferred to other sectors.
- Provision of Labour (Transfer of labour from farm population to Non-agricultural sector)

#### 2. Product Contribution

Provision of wage goods (Even for non-agricultural sector growth their demand for food grains likely to increase as result of increases of their income.

- Provision of Industrial Raw Materials (Provides the raw materials for other industries)

#### 3. Market Contribution (Development of agricultural sector -flow which helps the development of other sectors.

- Expanded Market for the products of other sectors. (Increase the income of people turn leads to additional demand for other sector products)

- Flow of Agricultural products to other sectors of the Economy. (Development of Agriculture sector make it as market oriented it pave the path to enter many non-agricultural institutions to enter and result in providing processing, packing and distribution services too.

Development of International Trade. (Surplus products of agricultural sector can move to international market.

Increasing productive employment leads to economic development of a nation. Increase in employment should simultaneously increase the labour productivity. It is very essential that

increase the more number of jobs and the productivity. as well as increase the income from employment . Increase the employee earning leads to increase the purchasing power, which helps the industries to increase the production and supply, which again gives more employment opportunities to increase the per capita earnings of the individuals. Most of the developing and underdeveloped nations struggle with unemployment. In India the major sectors which produces more employment opportunities are divided into three broad categories i.e., Agriculture, Industry and Service sectors.

**Distribution of the workforce across economic sectors from 2009 to 2019 in percentage**  
**Table No.1**

Sectors/ Years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Agriculture	52.5	51.52	49.26	47.00	46.5	45.89	45.26	44.56	43.93	43.33	42.6
Industry	21.09	21.81	23.49	24.36	24.37	24.45	24.54	24.54	24.86	24.95	25.12
Service	26.41	26.68	27.53	28.64	29.13	29.66	30.2	30.7	31.21	31.72	32.28
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Statista 2021

The table shows workforce distribution from 2009 to 2019 for ten years . Agriculture sector is a primary sector which provides employment of 52.5percentage from the total employment in the year 2009 and it was gradually decreases . Still in the year 2019 agriculture sector is major sector which provides the employment of 42.6 percentage , the service sector provides 32.28 percentage and the Industry provides the employment to the workforce with 25.12 percentage. The agriculture industry of India is broadly segregated into 17 major sectors like farming ,fertilizers , pesticides , agriculture equipment , warehousing, cold chain, dairy market, food processing ,floriculture, Sericulture, apiculture, Fisheries, Seeds. Poultry, animal husbandry, animal feed and bio-agriculture. It is clear that agriculture sector which is single largest private sector

occupation contributes more in the earning of Individuals in India.

**Importance of GDP as a health indicator of nation**

The statesman wants to plan about the development of nation. In the olden days measuring the health of the economy was very difficult. Policy makers want to know the current position of the economy which is very complex to measure. Number of factors will determine the present state of the economy like inflation levels, debt levels and employment levels etc. Hence the policy makers need a simple barometer to measure the present state of economy. The Gross Domestic Product is the barometer which helps to measure the present economic position of the nation. GDP is composite metric because it includes all metric like inflation number, debt numbers, employment numbers, earning numbers etc. GDP provides quantifiable facts, it is not framed

on opinion. GDP is very simple to understand the position of an economy, if it goes up, it means it's a good sign of economic wealthiness of a nation, if it goes down then it's a bad sign. There is positive correlation between increase of GDP and the health of a nation.

**Definition:**

GDP is the final value of the goods and services produced within the geographic boundaries of a country during a specified period of time, normally a year. GDP growth rate is an important indicator of the economic performance of a country.

**GDP is measured in Three ways.**

1. Income Approach.
2. Expenditure Approach.
3. Output Approach.

**1. Income Approach:**

The factors of production which are inputs in the process for producing final goods and services in the nations

economy. It includes the national Income ( Wages , Rent , Interest and profits )

$$GDP = \text{Wages} + \text{Rent} + \text{Interest} + \text{Profits} + \text{Depreciation} + \text{Net Foreign Factor income} + (\text{Indirect taxes} - \text{Subsides})$$

**2. Expenditure Approach:**

This method lies on expenditure that are incurred within the territorial border of the nation on all goods and services

$$GDP = \text{Total Consumption Expenditures} + \text{Total Government Expenditures} + \text{Total Investments} + \text{Net Exports (Exports-Imports)}$$

**3 Output Approach:**

It takes into account the value-added in the process of production of a final product. The primary, Secondary and territory sectors gross value added is being calculated .

$$GDP - \text{Depreciation} + \text{Net Factor income from abroad} - \text{Indirect taxes} - \text{subsidies}$$

**Share of agriculture in India's GDP**

**Year wise Agricultural contribution (GVA by Economic activity) with land area used for agriculture**

Table No.2

Year	Agricultural land area in Sq.km.	Agricultural land (% of land area)	Gross Value Added by Economic Activity at Constant (2011-12) Basic Prices* Agriculture, forestry and fishing (in crore)
2004	1803750	60.667	1152841
2005	1801260	60.583	1208285
2006	1799060	60.509	1243794
2007	1796200	60.413	1312283
2008	1797570	60.459	1309079
2009	1800680	60.564	1297556
2010	1795730	60.397	1411634
			<b>Gross Value Added by Economic Activity at Current Basic Prices</b>
2011	1796700	60.43	1501974
2012	1796420	60.421	1524288
2013	1796980	60.439	1609198
2014	1797210	60.447	1605715
2015	1796740	60.431	1616146
2016	1796740	60.431	1726004
2017	1796740	60.431	1840023
2018	1796740	60.431	1887145
2019	1792899	60.302	1968571
2020	1792833	60.300	2028288`

Sources: Food and agriculture organization, Electronic files and web site

Source: National Statistical Office (NSO)

Total land area used for agricultural activities and its contribution to Gross Value added by Economic activity is shown for the year 2004 to 2020 in the above table. The percentage of agricultural land used in the year 2004 was 60.667 percentage and the contribution of GVA by economic activity was Rs. 1152841(in Crore). Whereas the percentage of land holding for agriculture

gradually decreases and it was 60.300 percentage but the contribution to Gross value added by Economic activities for agriculture increased to the extent of Rs.2028288 (in crore). It is clear from the data land area used for agriculture is reduced, but the production and the contribution of agriculture sector to the economic activity has been increased twice.

### Sector-wise GDP contribution in India 2020-2021

Table No.3

Sector	Constant Prices (INR Crores)	Share %	Current Prices (INR Crores)	Share %
Agriculture,forestry& fishing	2,040,079	16.38 %	3,616,523	20.19 %
Agriculture Sector	2,040,079	16.38 %	3,616,523	20.19 %
Mining & quarrying	294,644	2.37 %	292,120	1.63 %
Manufacturing	2,107,068	16.92 %	2,585,740	14.43 %
Electricity, gas, water supply & other utility services	306,254	2.46 %	484,477	2.70 %
Construction	946,396	7.60 %	1,282,048	7.16 %
<b>Industry Sector</b>	<b>3,654,362</b>	<b>29.34 %</b>	<b>4,644,385</b>	<b>25.92 %</b>
Trade, hotels, transport, communication and services related to broadcasting	2,208,388	17.73 %	2,941,477	16.42 %
Financial, real estate & prof services	2,872,815	23.07 %	3,950,786	22.05 %
Public Administration, defence and other services	1,677,786	13.47 %	2,761,996	15.42 %
<b>Services Sector</b>	<b>6,758,989</b>	<b>54.27 %</b>	<b>9,654,259</b>	<b>53.89 %</b>

*Sources: As per Provisional Estimates of Annual of National Income, released by National Statistical Office (NSO), Ministry of Statistics and Programme Implementation on 31st May 2021.*

The share of agriculture in gross domestic product (GDP) has reached almost 20.19 per cent for the first time in the last 17 years, making it the sole bright spot in GDP performance during 2020-21, according to the Economic Survey 2020-2021. The Industry sector GDP reached to 25.92 percent. The service sector GDP reached to 53.89 percent. The GDP contribution of Agriculture sector increased Since 2016 (17.32%), 2017-18

(15.4%), 2018-19 (17.6%), 2019-20 (18.4%) and in the year 2020-21 it is (20.19%). **Source: Ministry of Agriculture & Farmers Welfare, National Statistical Office (NSO).** Even in the pandemic period other sector shows the decreasing trend, but agriculture sectors contribution constantly increasing. The only sector which not affected by pandemic is Agricultural sector.



### 3. Contribution of Agriculture sector towards Export and Imports of India

Indian economy is agrarian economy it contributes to the world food basket. The availability of rich natural resources and climatic condition made this possible. The share of India's Exports and imports in the world agriculture trade is 2.27 percent and 1.90 percent respectively. India's major agriculture exports is dairy, cereals, spices, fruits & vegetables, rice,

wheat, cotton etc., after fulfilling domestic needs. India's major agriculture import is vegetable oils, pulses fresh fruits and spices. India's agriculture production and export is not affected in the pandemic period of 2020-2021, even many countries restricted the movement of commodities but it does not affect India's export and the fact is the only sector which shows the growth path is agricultural sector.

#### India's Imports and Exports of Principal Agricultural Commodities (Value in ` Crore)

Table.No.4

Year	Agricultural Imports	Total National Imports	% of Agricultural imports to Total National Imports	Agricultural Exports	Total National Exports	% of Agricultural Exports to Total National Exports
1995-96	5890.10	122678.14	4.80	20397.74	106353.35	19.18
1996-97	6612.60	138919.88	4.76	24161.29	118817.32	20.33
1997-98	8784.19	154176.29	5.70	24832.45	130100.64	19.09
1998-99	14566.48	178331.69	8.17	25510.64	139751.77	18.25
1999-00	16066.73	215528.53	7.45	25313.66	159095.20	15.91
2000-01	12086.23	230872.75	5.24	28657.37	203571.00	14.08
2001-02	16256.61	245199.71	6.63	29728.61	209017.96	14.22
2002-03	17608.83	297205.86	5.92	34653.94	255137.26	13.58
2003-04	21972.68	359107.61	6.12	36415.48	293366.74	12.41
2004-05	22811.84	481371.53	4.74	41602.65	375339.51	11.08
2005-06	15977.75	574190.89	2.78	45710.97	456417.85	10.02
2006-07	23000.28	840506.30	2.74	57767.87	571779.27	10.10
2007-08	22549.81	1012311.69	2.23	74673.48	655863.51	11.39
2008-09	28719.24	1374435.37	2.09	81064.52	840755.05	9.64
2009-10	54365.29	1363735.54	3.99	84443.95	845533.63	9.99
2010-11	51.73.97	1683466.96	3.03	113046.58	1136964.25	9.94
2011-12	70164.51	2345463.23	2.99	182801.00	1465959.39	12.47
2012-13	95718.89	2669161.95	3.59	227192.61	1634318.28	13.90
2013-14	85727.30	2715420.78	3.16	162778.54	1905011.08	13.79
2014-15	121319.02	2736676.99	4.43	239681.04	1896348.42	12.64
2015-16	140289.22	2490303.76	5.63	215396.32	1716384.39	12.55
2016-17	164726.83	2577671.14	6.39	226651.91	1849433.35	12.26
2017-18	152095.20	3001033.00	5.07	251563.94	1956514.52	12.86
2018-19	137019.46	3594674.22	3.81	274571.28	2307726.19	11.90
2019-20	147445.81	3360954.45	4.39	252976.06	2219854.17	11.40

Source :- Directorate General of Commercial Intelligence & Statistics, Department of Commerce

The above table clearly shows agricultural sector contribution in Export and Imports of India. The above data shows the imports and Exports of India for nearly 20 years. The percentage of Agricultural imports to total National Imports is steadily decreasing from 2005-

06 to 2013-14 and it is ranging from 2.78 to 3.16 percentage. It shows the good sign that India attains the position of self-sufficiency on its production. In the year 2019-20 the percentage of total Import to National Import is 4.39 percentage.

The table shows agricultural exports of India and its percentage towards National total Exports. There is slackness in export percentage in the three years of 2008-2011 after that percentage of export contribution increasing steadily. It shows the contribution of agricultural sector in export is average of 12.00 percentage on the total exports of India. **India's agriculture exports increased by 7 times and imports by 8 times, in the last 15 years.**

### Conclusion

Agriculture sector is primary sector in Indian economy. Since Independence this sector contributes huge percentage to the GDP of a nation. Even though the land area used for cultivation has been decreased, but the percentage of contribution by agriculture sector has increased in the form of employment, investment, production of raw materials to the industry, attracting FDI, foreign exchange reserve by increase of agricultural export. Government has announced number of development programme for the agricultural sector in the budget and many schemes were introduced to receive the benefit directly by the farmer. Government providing loans and advances for this sector from financial institutions especially NABARD, which plays a crucial role in the development of agricultural sector by providing financial support to each state and its village through the banking structure. Now agriculture sector from a rural livelihood sector to a modern business enterprise”.

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