

*ROLE OF AGRICULTURE  
IN ECONOMIC  
DEVELOPMENT*

# ***ROLE OF AGRICULTURE IN ECONOMIC DEVELOPMENT***

**Agriculture is a primary activity . It is defined as the cultivation of the soil in order to grow food crops(like rice, wheat, coarse cereals and pulses),commercial crops (oilseeds, cotton and sugarcane),plantation crops(tea,coffee),horticulture(fruits,vegetable ,flowers,spices,coconut,etc),pisciculture, sericulture and rearing of livestock.**

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Agriculture is the oldest industry in the world and the largest even today. It is identified as one of the most significant economic activities across all parts of the world because it produces those goods which are essential for the survival of human being. Its contribution to economic development of a country is significant. An increase in the net output of agriculture itself represents a rise in country's GNP. Historical experiences of most of the developed country like England, USA, Canada, Japan etc. reveal the importance of agriculture in the process of the countries economic development at the outset of Industrial revolution. And in most of the developing countries, agriculture is the only major existing industry. Most of these countries have to depend much upon the development of agricultural sector for their economic development in order to meet the demand for food, to earn foreign exchange for over-head investment and expansion of secondary industries to meet the growing demand for employment and to raise more income of rural people.

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**On the basis of contribution to development of the economy, role and importance of agriculture may be assessed .Such contribution may be measured in terms of its share in GDP, employment generation ,exports ,etc. Another dimension of the role of agriculture is the support its renders to the industrial sector by supplying raw materials ,food for the workforce engaged in this sector creating demand for industrial products etc.**

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**Role of agriculture for the development of an economy may be stated as:**

- ▣ **Contribution to GDP.**
- ▣ **Contribution to Employment.**
- ▣ **Contribution to export.**
- ▣ **Source of Food supply**
- ▣ **Pre Requisite for raw materials**
- ▣ **Creation of infrastructure.**
- ▣ **Relief from shortage of capital**
- ▣ **Helpful to reduce Inequality**
- ▣ **Improving rural welfare**
- ▣ **Create effective demand**
- ▣ **Contribution to capital formation.**
- ▣ **Extension of market size.**

# *ROLE OF AGRICULTURE IN ECONOMIC DEVELOPMENT*

## ▣ Contribution to GDP.:

Agriculture has been observed to contribute a very large share of GDP of most of the economies before industrial development take place in them .As the process of industrial development accelerates , the share of non-agricultural sector in GDP tends to increase steadily. Simultaneously ,the relative share of agriculture shrinks and yields place to that of manufacturing and service sectors . This does not imply that the agricultural production does not increase .It only implies that the growth in production of industrial and service sectors is faster than the growth in agriculture sector.

In some typical African economy ,agriculture produces about 50 per cent of their GDP.

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## ▣ **Contribution to employment:**

Agriculture provides employment opportunity for rural people on a large scale in underdeveloped and developing economy. It is an important source of livelihood.

## ▣ **Contribution to Export:**

The progress in agricultural sector provides surplus for increasing the exports of agricultural products.

According to Simon Kuznets "Agriculture was a major source of exports and that the resulting command over the resources of the more developed countries played a strategic role in facilitating modern economic growth."

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## **▣ Source of food supply:**

The most important contribution of agriculture is to provide food supply to increasing population of the countries of the world . Raising supply of foods by agriculture sector has ,therefore, great importance for economic growth of a country.

## **▣ Pre-requisite for raw material:**

Agriculture provides industrial raw material to a large number of industries (textile ,silk , oil ,sugar, rice, flour mills etc.)As a supplier of raw material ,agricultural sector is of primary significance for the growth of industrial sector in the economy.

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## ▣ Creation of infrastructure:

The development of agriculture requires roads, market, storage, transportation, postal services and many others services for an infrastructure creating demand for industrial products and the development of commercial sector.

## ▣ Relief from shortage of capital:

Agriculture sector requires less capital for its development thus it minimizes growth problem of foreign capital.

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## ▣ **Helpful to reduce inequality:**

The prosperity of agriculture would raise the income of the majority of the rural population and thus the disparity in income may be reduced to a certain extent where there is a greater inequality of income between the rural and urban areas of the country..

## ▣ **Improving rural welfare:**

The rising agriculture surplus caused by increasing agricultural production and productivity tends to improve social welfare ,particularly in rural areas .

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- ▣ **Create effective demand:** A rapid growth of agriculture output with fair amount of stability is very important ,as it enables food supply to be available at relatively lower prices. In that case the non-agricultural sector, requires less of its income to purchase food, and this helps to increase effective demand for the output of non-agricultural sector. Agricultural development also increases purchasing power of farmers which will help the growth of the non-agricultural sector of the country.

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## ▣ **.Contribution to Capital formation:**

Agricultural growth largely contributes to capital formation in the under-developed countries .without adequate capital formation ,rapid economic growth can not attained. There are three ways in which the farm sector contributes to capital formation. First, increased agricultural productivity benefits the non- agricultural sector through lower food prices .It will facilitate increased saving and capital accumulation in urban sector. Second, increased farm output may generate higher levels of farm income ,part of which may be saved .These savings may be utilised in financing the growth of the non-agricultural sectors.Thirdly,capital can be derived through a well devised tax system.In China,Russia and Japan , farm tax revenue helped significantly in their economic growth.

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.Extension of market size: Agricultural efficiency raises rural income levels and creates an effective market for more and new industrial goods. It enlarges the size of market .If there is surplus production ,then it can be exported to the other countries of the world. So, agriculture sector expands the market at national and international level.

*STAY HOME STAY SAFE*