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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 are 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.

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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.

The history of England is clear evidence that Agricultural Revolution preceded the Industrial Revolution there. In U.S.A. and Japan, also agricultural development has helped to a greater extent in the process of their industrialisation. Similarly, various under-developed countries of the world engaged in the process of economic development have by now learnt the limitations of putting over-emphasis on industrialisation as a means to attain higher per capita real income. “Thus industrial and agricultural developments are not alternatives but are complementary and *and mutually* supporting with respect to both *Looking for a way to keep your child engaged at home (5-15 Yr) both inputs and* outputs.”

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It is seen that increased agricultural output and productivity tend to contribute substantially to an overall economic development of the country, it will be rational and appropriate to place greater emphasis on further development of the agricultural sector.

According to Prof. Kinderberger, Todaro, Lewis and Nurkse etc., agriculture makes its contribution to economic development in several ways, viz.,:

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(1) By providing food and raw material to non-agricultural sectors of the economy,

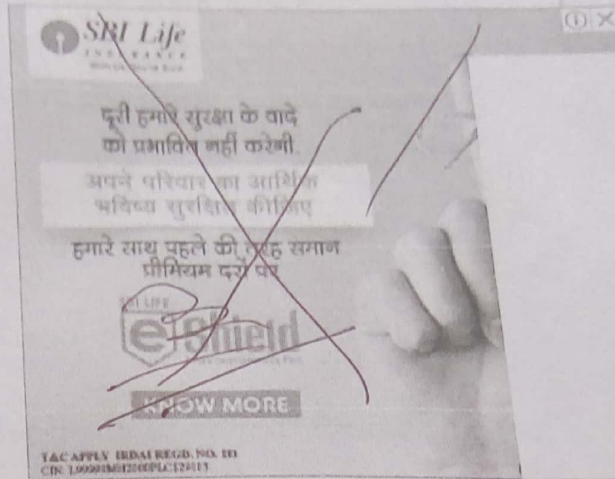
(2) By creating demand for goods produced in non-agricultural sectors, by the rural people on the strength of the purchasing power, earned by them on selling the marketable surplus,

(3) By providing investable surplus in the form of savings and taxes to be invested in non-agricultural sector

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(4) By earning valuable foreign exchange through the export of agricultural products,

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(5) Providing employment to a vast army of uneducated, backward and unskilled labour. As a matter of fact, if the process of economic development is to be initiated and made self-sustaining, it must begin for agricultural sector.

Role of Agriculture in Economic Development:

The agriculture sector is the backbone of an economy which provides the basic ingredients to mankind and now raw material for industrialisation.

Therefore, the role of agriculture for the development of an economy may be stated as below:

1. Contribution to National Income :- ~~Looking for a way to keep your child home? (5-15 yr)~~

The lessons drawn from the economic history of many advanced countries tell us that

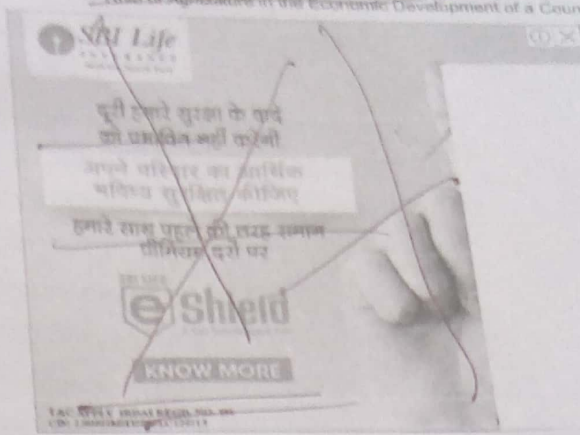
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agricultural prosperity contributed considerably in fostering economic advancement. It is correctly observed that, "The leading industrialized countries of today were once predominantly agricultural while the developing economies still have the dominance of agriculture and it largely contributes to the national income. In India, still 28% of national income comes from this sector.

2. Source of Food Supply:

Agriculture is the basic source of food supply of all the countries of the world—whether underdeveloped, developing or even developed. Due to heavy pressure of population in underdeveloped and developing countries and its rapid increase, the demand for food is increasing at a fast rate. If agriculture fails to meet the rising demand of food products, it is found to affect adversely the growth rate of the economy. Raising supply of food by agricultural sector has, therefore, great importance for economic growth of a country.

Increase in demand for food in an economy is determined by the following equation:



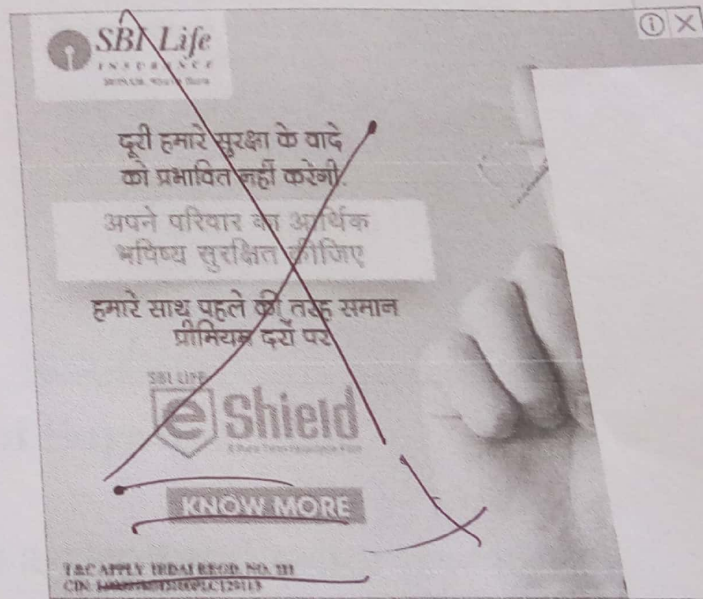
$$D = P + 2g$$

Here,

D stands for Annual Rate of Growth in demand for food.

P stands for Population Growth Rate.

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g stands for Rate of Increase in per Capita Income.

2 stand for Income Elasticity of Agricultural Products.

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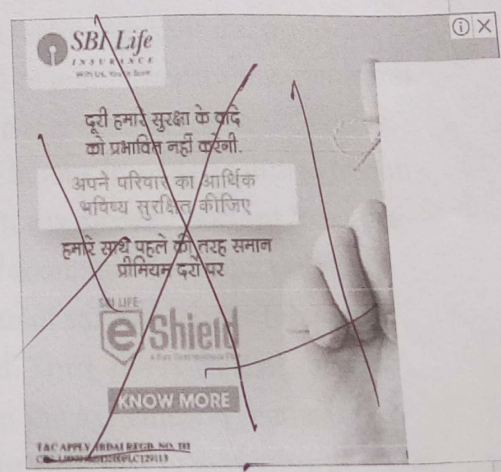


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3. Pre-Requisite for Raw Material:

Agricultural advancement is necessary for improving the supply of raw materials for the agro-based industries especially in developing countries. The shortage of agricultural goods has its impact upon industrial production and a consequent increase in the general price level. It will impede the growth of the country's economy. The flour mills, rice shellers, oil & dal mills, bread, meat, milk products sugar factories, wineries, jute mills, textile mills and numerous other industries are based on agricultural products.

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4. Provision of Surplus:

The progress in agricultural sector provides surplus for increasing the exports of agricultural products. In the earlier stages of development, an increase in the exports earn Tag: is more desirable because of the great looking for a way to keep your child engaged streams on the foreign exchange situation needed for

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financing of imports of basic and essential capital goods.

Johnson and Mellor are of the opinion, "In view of the urgent need for enlarged foreign exchange earnings and the lack of alternative opportunities, substantial expansion of agricultural export production is frequently a rational policy even though the world supply—demand situation for a commodity is unfavorable."

5. Shift of Manpower:

Initially, agriculture absorbs a large quantity of labour force. In India still about 62% labour is absorbed in this sector. Agricultural progress permits the shift of manpower from agricultural to non-agricultural sector. In the initial stages, the diversion of labour from agricultural to non-agricultural sector is more important from the point of view of economic development as it eases the burden of surplus labour force over the limited land. Thus, the release of surplus manpower from the agricultural sector is necessary for the progress of agricultural sector and for expanding the non-agricultural sector.

6. Creation of Infrastructure:

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

7. Relief from Shortage of Capital:

The development of agricultural sector has minimized the burden of several developed countries who were facing the shortage of foreign capital. If foreign capital is available with the 'strings' attached to it, it will create another significant problem. Agriculture sector requires less capital for its development thus it minimizes growth problem of foreign capital.

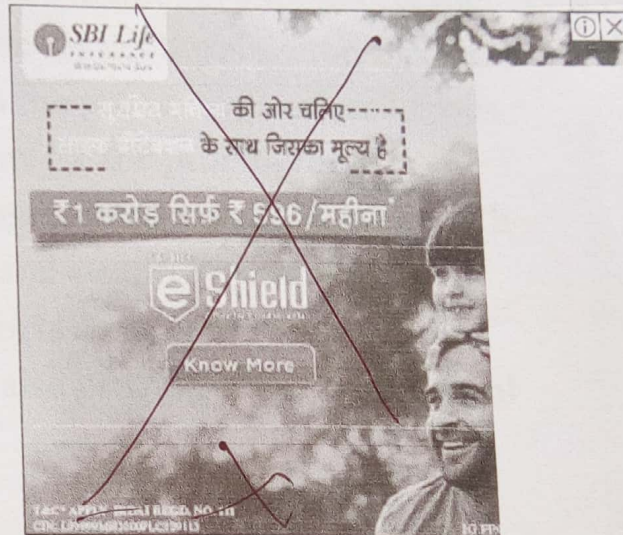
8. Helpful to Reduce Inequality:

In a country which is predominantly agricultural and overpopulated *there is greater* inequality of income between *Looking for a way to keep your child engaged home? (5-15 Yr) the rural and* urban areas of the country. To *The Hindu Young World | Sponsored reduce this* inequality of income, it is necessary to accord *Read Next S* higher priority to agriculture. *The prosperity*

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.

9. Based on Democratic Notions:

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If the agricultural sector does not grow at a faster rate, it may result in the growing discontentment amongst the masses which is never healthy for the smooth running of democratic governments. For economic development, it is necessary to minimize political as well as social tensions. In case the majority of the people have to be kindled with the hopes of prosperity, this can be attained with the help of agricultural progress. Thus development of agriculture sector is also relevant on political and social grounds.

10. Create Effective Demand^{o-}

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The development of agricultural sector would tend to increase the purchasing power of agriculturists which will help the growth of the

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non-agricultural sector of the country. It will provide a market for increased production. In underdeveloped countries, it is well known that the majority of people depend upon agriculture and it is they who must be able to afford to consume the goods produced.

Therefore, it will be helpful in stimulating the growth of the non-agricultural sector. Similarly improvement in the productivity of cash crops may pave the way for the promotion of exchange economy which may help the growth of non-agricultural sector. Purchase of industrial products such as pesticides, farm machinery etc. also provide boost to industrial dead out.

11. Helpful in Phasing out Economic Depression:

During depression, industrial production can be stopped or reduced but agricultural production continues as it produces basic necessities of life. Thus it continues to create effective demand even during adverse conditions of the economy.



12. Source of Foreign Exchange for the Country:

Most of the developing countries of the world are exporters of primary products. These products contribute 60 to 70 per cent of their total export earning. Thus, the capacity to import capital goods and machinery for industrial development depends crucially on the export earning of the agriculture sector. If exports of agricultural goods fail to increase at a sufficiently high rate, these countries are forced to incur heavy deficit in the balance of payments resulting in a serious foreign exchange problem.

However, primary goods face declining prices in international market and the prospects of increasing export earnings through them are limited. Due to this, large developing countries like India (having potentialities of industrial development) are trying to diversify their production structure and promote the exports of manufactured goods even though this requires the adoption of protective measures in the initial period of planning.

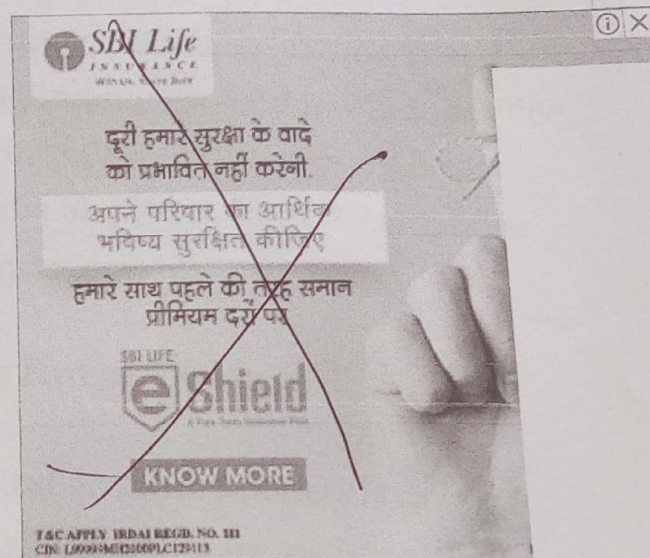
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13. Contribution to Capital Formation:

Underdeveloped and developing countries need huge amount of capital for its economic development. In the initial stages of economic development, it is agriculture that constitutes a significant source of capital formation.

Agriculture sector provides funds for capital formation in many ways as:

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(i) agricultural taxation,

(ii) export of agricultural products,

(iii) collection of agricultural products at low prices by the government and selling it at higher prices. This method is adopted by Russia and China,

(iv) labour in disguised unemployment, largely confined to agriculture, is viewed ~~as a source of investible surplus,~~ *viewed as a source of* ~~Looking for a way to keep your child engaged~~ *home? (5-15 Yr)*

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(v) transfer of labour and capital from farm to non-farm activities etc.

14. Employment Opportunities for Rural People:

Agriculture provides employment opportunities for rural people on a large scale in underdeveloped and developing countries. It is an important source of livelihood. Generally, landless workers and marginal farmers are engaged in non-agricultural jobs like handicrafts, furniture, textiles, leather, metal work, processing industries, and in other service sectors. These rural units fulfill merely local demands. In India about 70.6% of total labour force depends upon agriculture.

15. Improving Rural Welfare:

It is time that rural economy depends on agriculture and allied occupations in an underdeveloped country. The rising agricultural surplus caused by increasing agricultural production and productivity tends to improve social welfare, particularly in rural areas. The living standard of rural masses rises and they start consuming nutritious diet including eggs, milk, ghee and fruits. They lead a comfortable life having all modern amenities—a better house, motor-cycle, radio, television and use of better clothes.

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16. Extension of Market for

Output:

As a result of agricultural progress, there will be extension of market for industrial products. Increase in agricultural productivity leads to increase in the income of rural population which in turn leads to more demand for industrial products, thus development of industrial sector.

According to Dr. Bright Singh, "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." In this way, agricultural sector helps promote economic growth by securing as a supplement to industrial sector.

Conclusion:

From the above cited explanation we conclude that agricultural development is a must for the economic development of a country. Even developed countries lay emphasis on agricultural development. According to Muir, "Agricultural progress is essential to provide food for growing non-agricultural labour force, raw materials 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."