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Inclusive growth in Indian agriculture: A way forward for integrated and holistic growth

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Abstract

The agriculture sector in India has undergone significant changes since independence, transitioning from being the largest contributor to the nation's economy to a sector struggling with issues such as resource depletion, climate change, and economic inequalities. This paper explores the concept of inclusive growth within the Indian agriculture sector, highlighting the need for growth that benefits all stakeholders, particularly marginalized and poor communities. The study reviews the historical trends in agricultural growth, the challenges faced by the sector, and the various government initiatives aimed at promoting inclusive growth. By examining these aspects, the paper emphasizes the importance of inclusive growth in ensuring sustainable agricultural development, poverty reduction, and equitable economic opportunities across rural India.

Keywords: Inclusive growth, Indian agriculture, rural poverty, sustainable development

Introduction

India is one of the fastest growing economies and also second most populated country in the World. India, today is the largest producer of milk in the World, second largest producer of vegetables, rice, wheat, sugarcane, cotton, groundnut and fisheries and also largest exporter of marine and meat products. Contribution of agriculture and allied sector to the Gross Value Added (GVA) of the country was about 18.30% (Ministry of Agriculture & Farmers' Welfare,

2022-23). Despite reduction in its annual contribution to GVA, the agricultural sector continues to be the backbone of rural populace. The sector is growing at an average annual growth rate of four% during the last five years. This growth is mainly stimulated by allied sectors such as livestock, dairying and fisheries which have contributed tremendously to the overall agricultural growth (Behera, 2015) [5].

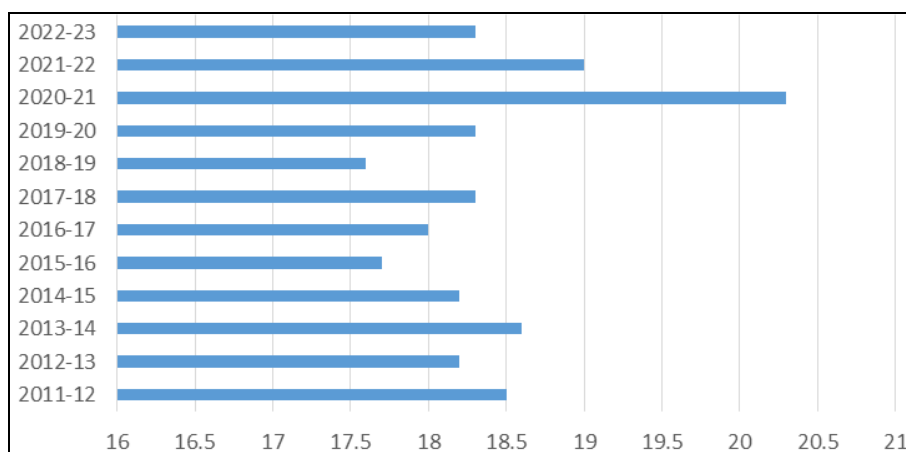


Fig 1: Contribution of agriculture and allied sectors to Gross Value Added (GVA) of the country

But, this growth comes with an imbalance across different stakeholders in agriculture, across the regions as well as across states. On the other hand issues such as food insecurity due to ever-growing population, urbanization,

industrialization, unsustainable farming practices, depleting resources (water and soil), global warming and climate change etc. have affected agriculture on a wide geographical area and pose threat to the existence of livestock farmers,

fishermen, landless agricultural labourers including farm women, tenants, sharecroppers and marginal and small farmers as these are the most vulnerable communities to the uncertainties of agricultural sector (Ravallion and Datt, 2024) ^[19]. These downtrodden communities must be uplifted above the poverty line and empowered with knowledge and skills to ensure a secure and sustainable livelihood in agriculture (Akhtar and Parveen, 2014) ^[2]. In this regard, one of the flagship initiatives of Government of India i.e., “Sabka Saath Sabka Vikas” must begin with agriculture sector promoting inclusive growth within the sector as well as across the sectors.

Growth in agriculture over a period of time

At the time of independence, agriculture sector contributed more than 50.00% to the Indian economy. A steep decline in contribution of agriculture to GDP was observed from 2.78% to 1.06% between the period 1950-51 and 1967-68. The diffusion of superior and high yielding hybrid varieties

under Green Revolution in 1966-67 and streamlined extension and advisory services delivery mechanism introduced through Training and Visit (T & V) system in 1974 led to increased growth rate of the sector to nearly three % within two decades i.e. 1985-86 (Chand and Parappurathu, 2024) ^[6]. The economic reforms policy adopted in 1991 opened up Indian economy to external competition and liberalized trade. The deceleration of agricultural growth started from 1997-98 onwards and was visible till the year 2005-06. The gradual reduction in agricultural sector's contribution was due to substantial diversion of resources away from agriculture to other sectors of the economy. These reforms, no doubt, made India one of the world's fastest growing economies, at the same time transformed service sector as the growth engine of the country (Kakarlapudi, 2019) ^[13]. Today, service sector contributes about 54.86% of the GVA (Ministry of Statistics and Programme Implementation, 2023-24).

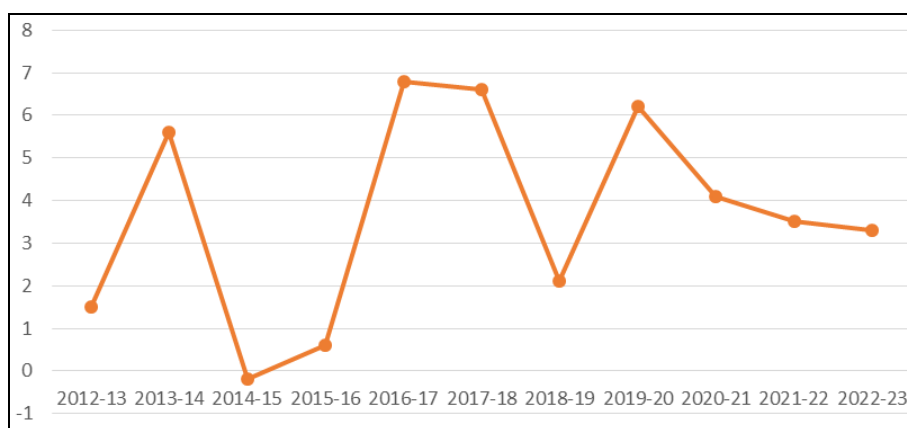


Fig 2: Growth rate of agriculture and allied sectors over the years

However, several flagship schemes of the Government of India in the agriculture sector such as National Food Security Mission, Rashtriya Krishi Vikas Yojana, Soil Health Card scheme, Fasal Bhima Yojana, Kisan Credit Card, Kisan Call Centre, Paramparagat Krishi Vikas Yojana, Krishi Sinchayee Yojana, Aspirational districts programme, Krishi Kalyana Abhiyan, initiative of doubling of Farmers' Income etc. have been successful in enhancing agricultural growth rate to four % per annum (Chennakrishnan and Thenmozhi, 2021) ^[7]. Agriculture was the only sector to achieve a higher growth rate during COVID-19 and was the only sector that absorbed surplus labourers migrated from urban to rural areas during the pandemic showing its resilience to the COVID-19 uncertainties.

What is inclusive growth?

Organization for Economic Cooperation and Development (OECD) defines Inclusive growths an “Economic growth that is distributed fairly across society and creates opportunities for all” (Organization for Economic Cooperation and Development (OECD, 2012) ^[14]. Simply, it is a growth with equity, a growth that encompasses large mass of society, a growth that is shared by all people, particularly the poor. It is expected to bridge the gap between rich and poor by enhancing income of the poor

people (International Labour Organisation. Inclusive growth is the eighth Sustainable Development Goal (SDG) under United Nations 2030 Agenda. It contributes to the 1st SDG of ending poverty by 2030 (Rammelt and Gupta, 2021). In India, China, Europe and the United States, the richest 10% of the population owns more than 70% of the total wealth while the poor 50% owns less than two% (Alvaredo *et al.*, 2018) ^[3].

Inclusive growth has been in picture since the economic reforms in 1990s. However, decades of ‘pro-poor’ policies have failed to meaningfully reduce inequality. This might be due to an assumption that marginalized and poor people benefit from inclusion into market economy. However, inclusion is sometimes exclusive i.e. only relatively better-off groups gain access to new resources and adverse as those who are included are still exploited. Mere inclusion of poor people in the mainstream economic activities does not ensure inclusive growth rather perpetuates inequality in the name of inclusive growth. In order for growth to be sustainable and effective in reducing poverty, it needs to be inclusive.

Was agricultural growth an inclusive one?

From figure 2. It is clear that agriculture sector has experienced a buoyant growth over the years and continues to do so. There are many reasons for it. More than 50% of

the cultivated area is under rainfed farming and accounts for nearly 40% of the total food production in the country (Department of Agriculture & Farmers' Welfare, 2022). Agriculture, characterized by low levels of productivity coupled with effects of climate change has become a risk prone enterprise. Biological threats such as COVID-19, Lumpy Skin Disease (LSD) and Foot and Mouth disease (FMD) among cattle, pests and insect infestations have resulted in significant decline in yield and incomes of the farmers (Choudhuri, 2017) ^[8]. Added to these are the frequent climate extremities such as floods, cyclones, landslides and drought have wreaked havoc on the standing crops affecting the supply situation leading to price shoot up in the market. Rising food demand by the growing population has put constant pressure on the natural resources such as soil and water which has led to the indiscriminate exploitation and depletion of these resources (Alvaredo *et al.* 2018) ^[3]. This unstable and unsustainable growth in agriculture has led to distress sales, poor income, indebtedness, deprivation from basic necessities, marginalization of rural population, widened urban-rural gap and inter-state divides. All these tells about agriculture growth that is non-inclusive in nature which is characterized by unskilled labour, joblessness, informal and unorganized workforce, lack of infrastructure etc. leaving behind people deeply afflicted with poverty (Batungwanayo, *et al.* 2023).

To solve these problems, the government of India had made inclusive growth an explicit goal in the Eleventh Five Year Plan (2007-2012). The draft of the Twelfth Five Year Plan (2012-2017) lists several strategies to promote inclusive growth. These include enhancing the capacity building, generation of employment, development of infrastructure, improved access to quality education, better healthcare, rural transformation, and sustained agricultural growth. Agricultural growth is the only way of making growth a long-term, broad based and inclusive.

Why inclusive growth is necessary in agriculture?

Inclusive growth in agriculture is a growth that is wide spread across regions and different categories of farmers. Achieving inclusive growth in agriculture is immensely beneficial because a large proportion of the population lives in villages and mainly depend on agriculture for their livelihood. Poverty is an integral part of rural households (Dörffel and Schuhmann, 2022) ^[10]. Agricultural growth in rural areas is directly related to reduction in rural poverty. Sukhdev and Pavan (2011) found that agriculture had a greater impact on poverty than the other sectors. Several studies shown that a 10% increase in farm yield would reduce poverty by five%; and increasing it further will bring wealth into the hands of poor. Thus, growth in agricultural sector is more poverty reducing than growth in other sectors (Ravallion and Datt, 1996) ^[19]. Agriculture not only ensures food security of the nation but also reduces poverty by creating employment in non-farm sectors such as processing and value addition, transportation, e-marketing and thus it is the most inclusive growth sectors of the Indian economy (Gulati *et al.* 2022) ^[11]. The 12th Five Year Plan approach paper also indicates that agricultural development is an important component for faster and more inclusive sustainable growth of the economy. Thus, agricultural sector is one of the most important sectors of inclusive growth in

India. Agriculture can play a very important role in promoting inclusive growth by way of creating employment, reducing poverty and stimulating economic growth (Jia, 2020) ^[12].

Attempts towards inclusive growth around the World Nari Shakti Vandan Adhiniyam (Women's reservation bill, 2023)

India, one of the largest democracies in the world, had negligible presence of women in the political sphere. A report on the "Status of Women in India", 2015 noted that the representation of women in state assemblies and Parliament was dismal. The 17th Lok Sabha in 2019 had only 15% of the women parliamentarians out of total members of the parliament. While, political representation of women in countries like South Africa, Sweden and Norway was close to 50%. The government tried consistently to increase women representation in politics. A bill amending the Constitution to reserve seats for women in Parliament was introduced as early as 1996, but, failed to implement it as an act. Ultimately, the Constitutional (One Hundred and Twenty-Eighth Amendment) Bill, 2023 was introduced in Lok Sabha on September 19, 2023 which was approved making it an act now. The act comes into effect after the delimitation exercise conducted based on the next Census to be held.

Pradhan Mantri Ujjwala Yojana (PMUY)

Pradhan Mantri Ujjwala Yojana (PMUY)" is major steps towards Social inclusion by providing Free LPG connection to every BPL household. The purpose of the scheme is to bring affordability to the poor for use of cleaner fuel, reduction in air pollution and improving health and sanitation. Around 41% of households in India are still using fossil fuel for cooking which causes air pollution and health hazard. From study it is seen that the accessibility to cleaner fuel and affordability is the key issue to the rural poor. The PMUY is helping to address these issues by subsidizing LPG connections, LPG 1st refill and LPG Stove to economically weaker and socially marginalized families. This scheme is also fostering to women empowerment and living healthy society. The shift towards use of cleaner fuel may ultimately lead to passing on clean environment to our next generation.

Extension of Kisan Credit Card (KCC) scheme to animal husbandry and livestock farmers

Kisan Credit Card (KCC) scheme was implemented in the year 1998 to provide adequate credit to farmers through banks in a timely and hassle free manner at subsidized rate of 4%. The credit may be used by the farmer to meet working capital requirements, short-term crop loan, post-harvest expenses and consumption requirements etc. In 2020, a special drive was undertaken to distribute KCC to 1.5 crore dairy farmers associated with various milk unions as well as fisheries farmers across the country (Singh *et al.* 2013) ^[24]. This is a significant step in the way of empowering farmers in dairy and fisheries sector which are driving forces behind accelerated agriculture growth at an average rate of four % per annum along with other allied sectors.

Pradhan Mantri Kisan Maan Dhan Yojana

Government of India launched Pradhan Mantri Kisan Maan Dhan Yojana (PM-KMY) in 2019 with a view to provide social security to small and marginal farmers in their old age when they have no means of livelihood and minimal or no savings to take care of their expenses. A minimum fixed pension of Rs. 3,000/- is provided to small and marginal farmers on attaining the age of 60 years. It is a voluntary scheme in which only small and marginal farmers with landholding of less than two hectares and aged between 18 years to 40 years only are eligible for pension under the scheme. By launching a pension scheme exclusively for old age farmers, the government has ensured that the aged farmers will have stable and regular income to lead decent life in their old age (Paramasivan and Arunkumar, 2018) ^[16].

Transformation of aspirational districts programme

Aspirational districts programme was launched in the year 2018 by NITI Aayog, Government of India. The main objective was to promote rapid growth and development of socio-economically backward districts in India. Till now 112 districts across the country have been identified as aspirational districts where the efforts of Ministry of agriculture and farmers welfare, Ministry of rural development, Ministry of health and family welfare are working collaboratively to develop these districts on par with developed districts in the country. Overall development of a district leads to raise in the standard of living of people in the districts, boosts agricultural and trade activities, boom in real estate business leading to socio-economic growth of the people in the district (Sahu and Tiwari, 2024) ^[20].

Approaches to inclusive growth in agriculture

Consolidation of landholdings: small fragmented lands have to be consolidated to enable mechanization and advanced methods of crop cultivation and crop protection practices. This may be done through Farmer Producer Organizations (FPOs), Commodity Based Organizations (CBOs), Farmer Interest Groups (FIGs), and Self-Help Groups (SHGs). This will facilitate underserved farmers to have access to better quality inputs, institutional credit at low cost, extension and advisory services, economies of scale in bulk purchase of inputs, processing, value addition and marketing of agricultural products (Pingali *et al.* 2019) ^[17].

Timely access to information: This facilitates timely and better decisions by the farmers. Farmers' lack access to real time information right from sowing to marketing of agricultural produce which has resulted in sub-optimal business decisions by various farmers, traders, exporters etc. This information asymmetry has to be addressed first to enable all the stakeholders in agriculture to make efficient use available information on crop, market, weather, exports and imports etc. (Setboonsarng and Gregorio, 2017) ^[21].

Digitalization: All the stakeholders in agriculture must be brought under digital platforms. Farmers should be imparted with digital literacy. Digital platforms provide instant services with less cost and deliver timely. They also eliminate middlemen providing direct services farmers from government. Examples; electronic-National Agriculture

Market (e-NAM) and other farmer friendly market portals, AGMARKNET, Remote Sensing, Geographic Information System, Blockchain technology, Drones and Artificial Intelligence etc. (Singh *et al.* 2013) ^[24].

Management of natural resources: Natural resources such as water and soil have been overexploited to feed the growing population. Any continued pressure on these resources would lead to their depletion putting the whole country in the grave danger of food insecurity. Practices such as rain water harvesting, mulching, micro-irrigation methods, natural and organic farming, crop rotation and diversification, use of eco-friendly chemicals needs to be promoted immediately (Raheem *et al.* 2018) ^[18].

Private investments: encourage investments from private companies and big corporates from end to end basis. Currently private companies are largely involved only in production and marketing of agricultural commodities. Government must negotiate with corporate companies for investing in processing, value addition and storage of agricultural commodities. This not only reduces post-harvest losses of fruits, vegetables and other perishables but also creates employment, provides good income to farmers, increase agricultural exports (Sharma and Jain, 2011) ^[23].

Contractual farming: more number of farmers should be encouraged to enter into contract with private agencies to produce and sell particular commodity on pre-determined prices. This arrangement may be more applied to export potential crops such as Gaur, Gherkins, Broccoli etc. Under this system farmers gets all the inputs, technical knowledge along with better price without the fear of price crash in the market. On the other hand, the private partner gets specified commodity of specific standards that is more amenable to exports. This arrangement is a win-win situation for farmers as well as private partner. The only concern is to ensure that no party especially farmers are not harassed and the agreement is honoured by both the parties.

Favourable policies and programmes of Government:

Policy makers at the top level must take into consideration the needs and interests of small and marginal farmers, women agricultural labourers and other small stakeholders in agriculture. These marginalized groups must get benefit at all the levels of programme planning, designing, implementation and evaluation to ensure inclusive growth in the sector. Women, especially contribute more than men in agricultural activities right from sowing to harvesting. Despite their active involvement, they are not considered as farmers, their entitlement rights are not strictly enforced, do not have access to credit from financial institutions due to lack of collateral. In order to exploit the time and labour of women agriculturists in economic terms, agricultural policies favourable to women must be deployed at the field level (Sumalatha and Nirmal, 2021) ^[25].

Crop insurance policies are another instruments of promoting inclusive growth as they protect farmers from crop failures due to natural disasters. Third, higher transaction costs of service delivery for small farmers, lack of coordination between insurers, banks and governments, delays in indemnity payments affected penetration of crop

insurance policies such as PMFBY and RWBCIS deep within the farming community. One-size-fits-all approach is not appropriate for crop insurance programmes. And, an effective distribution network should be in place to deepen insurance penetration; for example, mobile network operators or banking correspondent channels for premium collection and claim settlement deserve mention.

Social protection interventions: The government should take into account the inability of those above 60 years of age to make economic contribution and allocate certain amount of money in the budget to secure their livelihood. Example Pradhan Mantri Kisan Man Nidhi provides pension of Rs. 3000/- to farmers above 60 years of age, Antyodaya Anna Yojana (AAY) providing free food grains to senior citizens, Widow pension system, financial incentives to agricultural households headed by women etc. might take along these vulnerable stakeholders with development of the country who otherwise would be left as such and inclusive growth would remain a dream (Paramasivan and Arunkumar, 2018) [16].

Higher economic growth does not always guarantee human development if inequalities are not adequately addressed. Affirmative and favourable policies regarding access to healthcare, education and employment directed towards marginalized communities facilitate inclusive growth in the society.

Conclusion

Post-independence, contribution of agriculture and allied sector have been on a slide while share for industrial (about 29%) and services (about 53%) are steadily rising. In view of the current issues faced by agriculture, some initiatives to ensure inclusive growth would be appropriate pricing of agricultural crops, timely access to credit, information and technology, capacity-building of farmers, farm youth and women, climate change and resilient agricultural techniques, right implementation of crop insurance policies alongside. The government must stride towards eliminating illiteracy, undernourishment, gender divide and provide access to clean energy, improved water and sanitation. Most agricultural surveys reveal that youth want to quit farming as it is not profitable but stick on due to lack of skills for any viable jobs in the market. So, rural youth must be imparted with skills to enhance their employability in the off-farm sector so that they can resort to alternate modes of livelihood at times of drought/crop failure. It is hard to bring the idea of inclusive growth in a concrete way. But it is seriously required in the wake of a major sector and its uncertain future. Plans for inclusive growth should be backed by appropriate social protection interventions, based on regional needs of different sections of the rural population. The government must engage with rural communities, self-help groups and Non-Governmental Organizations (NGOs) in implementing schemes to ensure benefit reaches all the sections of the population and inclusive growth is achieved.

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