

## E-JOURNAL

### “IMPACT OF PRIMARY SECTOR ON INDIAN ECONOMY”

#### ABSTRACT:

The purpose of this study was to analyse the effect of sectoral economic growth on labour absorption, analyse the effect of economic growth on the welfare of society, analysis of the influence of labour absorption on community welfare.

As we know that India is developing nation. There are three sectors which plays a significant role in the development of nation: agricultural sector, industrial sector and service sector. As we know that the dependents in agricultural sector is more and their per capita income is less. But, most part of our rural India is still depending up on Agricultural sector only.

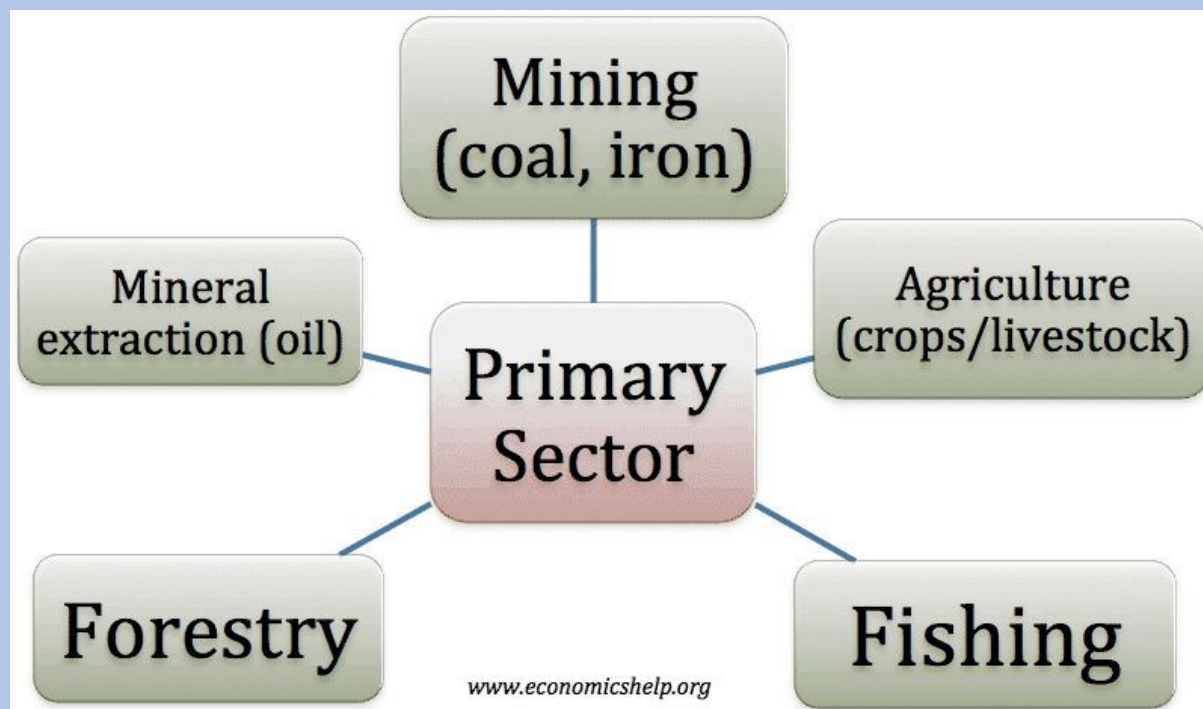
This paper explains about the economic growth of India can be accelerated by strengthening our agricultural sector in India. As we know that India is second largest populated country and seventh largest country in geographical level. The economy of the country is scattered in various areas like manufacturing industries, agriculture, textile, services etc., Doing agriculture is a major livelihood activity in India. Mahatma Gandhi said “Indian economy lives in rural villages”. The great economists and other great people must think about how to economically strengthen our nation by strengthening agricultural sector in India. It is evident that major portion of agricultural based food products are exporting from India.

#### INTRODUCTION:



India is a developing country. There are three sectors which play a significant role in the development of the nation: agricultural sector, industrial sector and service sector. The primary

sector is concerned with extraction of raw material. It includes fishing, farming and mining, livestock forestry and some more which includes the production of raw materials.



In developed countries the primary sector has become more technologically advanced, enabling for the mechanization of farming, as compared with hand-picking and planting in poorer countries. More developed economies may invest additional capital in primary means of production: for example, in the United States corn belt, combine harvesters pick the corn, and sprayers spray large amounts of insecticides, herbicides and fungicides, producing a higher yield than is possible using less capital-intensive techniques.

These technological advances and investment allow the primary sector to employ a smaller workforce, so developed countries tend to have a smaller percentage of their workforce involved in primary activities, instead having a higher percentage involved in the secondary and tertiary sectors.

Primary industry is a larger sector in developing countries; for instance, mining in 19th century South Wales is a case study of how an economy can come to rely on one form of business.

Canada is unusual among developed countries in the importance of the primary sector, with the logging and oil industries being two of Canada's most important. However, in recent years, the number of terminal exchanges has heavily reduced Canada's primary industry, making them rely more on quaternary industries.

Some countries still operate on a predominantly first sector basis. India for instance is roughly equally split between all three sectors. Essentially, a third of the entire economy is based on the first sector. Where a country is far more diversified economically, such as the USA, the tertiary levels become more important. However, all people need to eat, so the agricultural sector remains the bedrock of the economy, even where the secondary economy is more important in that particular economy.

As most primary sector goods are sold in commodity markets, the development of the market often makes the primary sector less important as the economies begin to tip more towards the tertiary and secondary. However, the primary sector is vulnerable to price fluctuations. Commodity markets are never very stable in their prices, making an economy exclusively based on the primary sector very hard to plan ahead for. It also has an effect of making actual price determination and fixing very hard.

In less developed economies the primary sector will comprise the biggest part of the economy. Primary sector makes direct use of natural resources. The primary sector is an economic description, concerned with the extraction of raw materials. Typically, as an economy develops, increased labour productivity will enable workers to leave the agricultural sector and move to other sectors, such as manufacturing and the service sector. The agricultural sector is one of the most important sectors in the Indian economy. From the literature review around 54% of people depend on agriculture and allied activities.

- In the UK, about 3% of the labour force is engaged in agricultural production.
- In the UK, agriculture, mining and extractive industries account for around 12% of GDP
- Manufacturing is about 10%, and the service sector 78%.

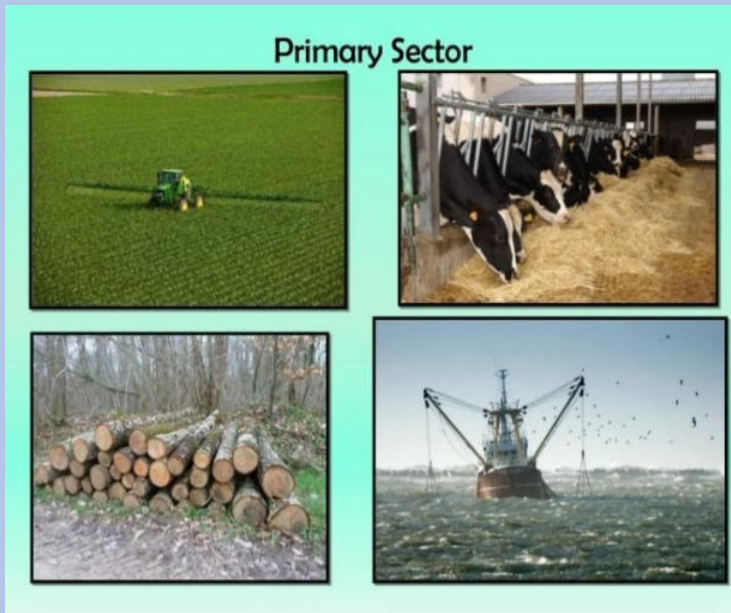
Besides the huge number of people depending on the sector it has a huge contribution to India's GDP and in the year 2018-19 agricultural sector contributes 15% to India's GDP.

The GDP distribution across these sectors is around

- 15.11% in agriculture
- 31.12 % in industries
- 53.77 % in Services

But the workforce distribution is around

- 48.9 % in agriculture
- 24.3 % in Industries
- 26.9% in Services



The primary sector has a great impact on economic growth. The important aspects of primary sectors are:

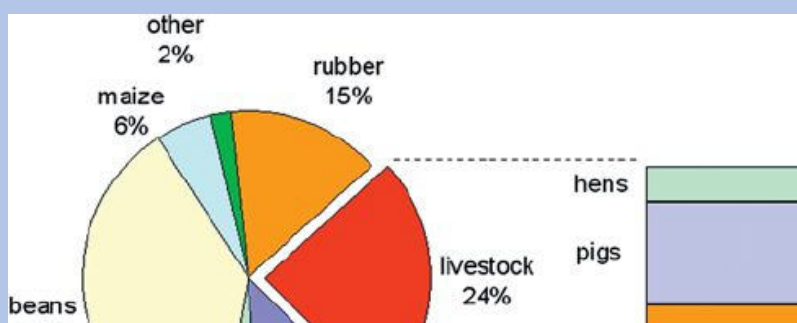
- Provides employment to around 50% of our population.
- Primary sector has a large share in the India national income.
- Provides basic necessities of our life.
- Provides raw material to the secondary sector.

As environmental pressures build, many non-renewable metals and minerals are becoming mined out. For example, the value of copper is such that salvaged copper is now a realistic option instead of it being mined.

Finding new supplies and sources of such non-renewable products will become increasingly difficult and begin to drive up prices for them inside the primary sector, having an effect further up the chain, making all prices in all sectors rise.

### STRUCTURE OF THE ECONOMY:

Understanding the structure of the economy is critical for both the economic planners and the government of that country to plan, to govern and consistently take the economy towards a growing path. A steady and reliable economic growth is vital for any country because it helps its citizens to have a better standard of living and create enough surpluses that help in facing the adversities. The primary sector is an economic description, concerned with the extraction of raw materials. It includes fishing, farming and mining. Amongst the primary sector, agriculture is the predominant occupation and has the largest share in national income.



Although, India ranks second in worldwide farm output, it falls short

in crop yield per unit area of farms. States of India that lie on the Indo-Gangetic Plain and the ones near to any river are among the important agricultural regions of the country. India mainly exports agricultural products like rice, wheat, spices, and cereals. 10% of the trade income comes from the export of these products.

In the long run sustainable growth and development of a national or regional economy depends on the volume of output produced by all sectors – agriculture, industry and the service sectors. Keeping this in mind, it becomes pivotal that the Indian economy, more so Indian primary sector, needs to be modernised. Modernising agriculture will lead to increase in more yield of crop per unit area and increase the share of its GDP. This creates a chain of actions where, rural families will have an increased income, increasing their purchasing power, which in turn expands the existing market for manufactured goods, and total expansion of the economy. Since, it is important for all sectors to function healthy it becomes crucial to enhance the capacity of the primary sector to generate sustainable quality and wherever needed, suitable changes to enhance potential should be introduced.

When we develop agricultural sector in a Systematic manner automatically the GDP of the country would increase by that, the standard of living of the people also increase. Here research about the importance of agricultural sector to accelerate Indian economy.

India is a developing country. Most of the Indians still depending up on agricultural sector only. The dependents in agricultural sector is more and GDP from Agricultural sector is less. Government should come forward to Strengthen the agricultural sector in all aspects like granting loans and facilitating the formers by supplying Agricultural motors, vehicles, fertilizers and etc., The first and for most importance of the study is increasing of per capita income. When per capital income of the people increases the standard of living of the people also increase then automatically the economic growth of the nation also increase. The acceleration of economy of the country is depends upon the development of agricultural sector in India. The majority i.e., 60% of the population in India, mainly depends upon agricultural sector.

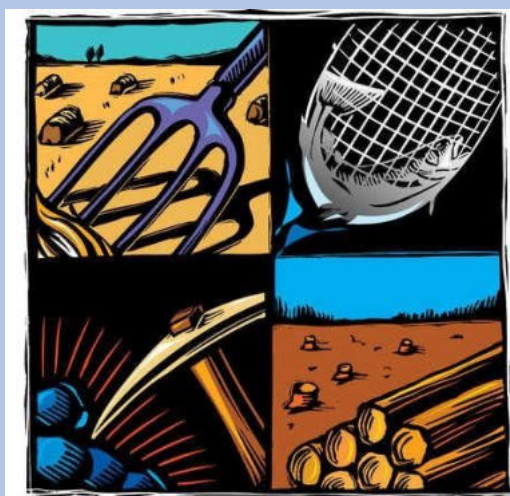
### **ROLE OF PRIMARY SECTOR:**



Primary sector is still the largest economic sector and plays a significant role in the overall socio-economic development of India. In less developed economies, the primary sector will comprise the biggest part of the economy. Typically, as an economy develops, increased labour productivity will enable

workers to leave the agricultural sector and move to other sectors, such as manufacturing and the service sector.

The primary sector is the most basic sector because in its simplest form it does not require a lot of advanced machinery. Therefore, in traditional economies, it is usually the strongest sector in terms of employment. However, in more advanced economies, heavy machinery can be used to significantly increase the efficiency and reduce the number of workers needed in primary sector industries. In other words, employment numbers in this sector tend to decrease, as economies develop. As a result, in most modern economies the primary sector only makes up about 10% of total employment. People engaged in primary activities are called red-collar workers due to outdoor nature of their work.



The Primary sector of the economy includes any industry involved in the extraction and production of raw materials, such as farming, logging, hunting, fishing, and mining. The primary sector tends to make up a larger portion of the economy in developing countries than it does in developed countries. For example, in 2018, agriculture, forestry, and fishing comprised more than 15% of GDP in Sub-Saharan Africa but less than 1% of GDP in North America.

#### **ADVANTAGES OF PRIMARY SECTOR:**

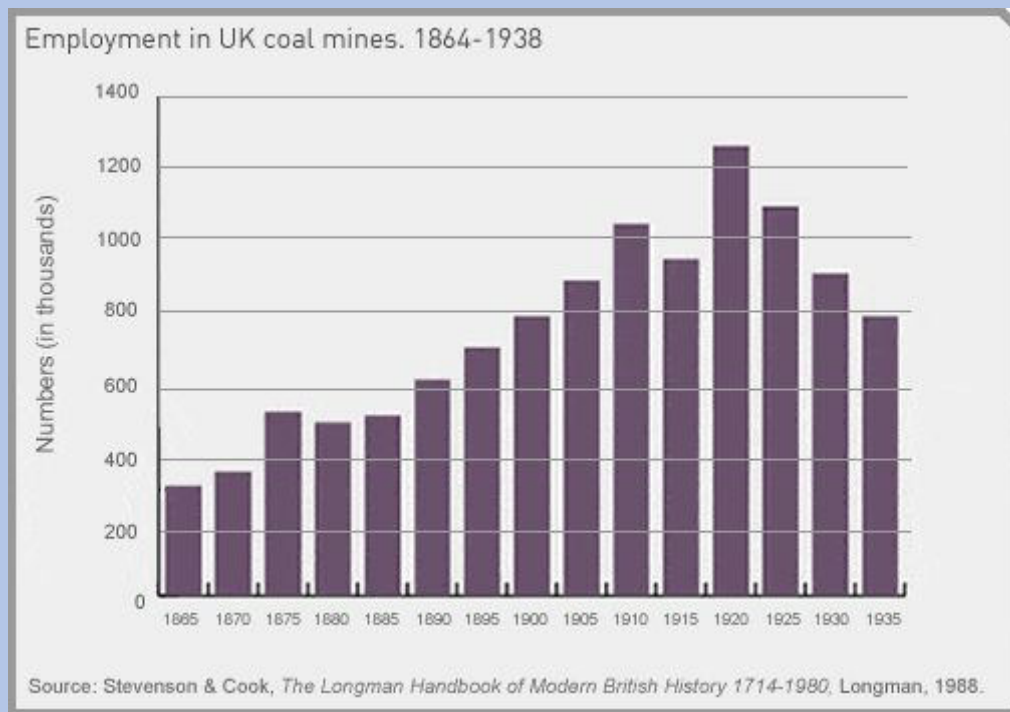
- For many developing economies, their main comparative advantage will be in producing primary products. The industry becomes an important source of economic growth, employment, tax revenue and export earnings. Without primary products, countries would be worse off.
- Developing economies have a large and elastic supply of labour willing and able to work in these industries.
- Doesn't require costly investment and borrowing to finance investment. The industries can be managed by local workers. Developing economies which have tried to switch to manufacturing have not always been successful because they lack the relative infrastructure, education and human capital.
- An important source of export revenue and foreign currency.

- Can attract foreign direct investment. China has been investing in Central Africa to improve access to raw materials. This has involved building roads and railways – infrastructure which will have wider benefits to the economy – from beyond exporting primary products.
- Primary product industries can be a stepping stone towards economic development – if export earnings are invested in improving different aspects of economic infrastructure.

### ISSUES OF THE PRIMARY SECTOR:

- **Export revenue-** Making use of natural resources can be a way for an economy to gain income and export revenue. The sale of oil, gas and other natural resources have enriched many developing economies enabling them to gain capital to invest in public services within the economy. Some Oil - rich countries have successfully used the increase in revenue to save for the future, e.g. Qatar, Saudi Arabia, Norway.
- **Monopoly Power-** One problem with relying on the primary sector is that often wealth becomes inequitably distributed. For example, a small number of firms gain monopoly power over the production of raw materials and pay workers only a small fraction of the revenue gained. Many developing countries in Africa have remained poor, despite being rich in raw materials. A large primary sector is not sufficient on its own to lead to economic development.
- **Volatility-** Primary products are liable to be volatile in both price and output. Commodities, such as oil and foodstuffs can see large swings in price. Demand is quite price inelastic. If prices fall, then countries which are based on one particular industry can see a large fall in revenue, causing problems. The EU retains significant support for EU agriculture through subsidies and price support.
- **Dutch Disease** - If primary products are very profitable, then the resources will be diverted away from other manufacturing industries and concentrated on just primary industries. The problem is that when the raw materials run out or the industry declines, the economy lacks a broad diversification. This can be known as the ‘Dutch disease’ or resource curse.
- **Deindustrialisation-** In developed economies we have seen a decline in primary sectors, as they take a smaller share of the economy, this can lead to structural unemployment for a period.

At its peak UK coal industry used to employ 1.2 million workers in the coal extraction.



### **ROLE OF INDUSTRIES IN THE PRIMARY SECTOR:**

India has a Total Geographical Area (TGA) of 329 Million Hectares (MH) out of which, about 265 MH represent varying degrees of potential for biological production. From the review of literature, it reveals that more than 50% of TGA is threatened by various types of land degradation, such as soil erosion, gully & ravine formation, salinity, water logging, shifting cultivation, etc. Development of irrigation potential is considered as the key factor in the sustenance of “Green Revolution”. Despite 50 years of development planning, rainfed agriculture is the largest and the most important sector of crop production in India.

Soil resources are the most precious non-renewable vital resources for growing food, fibre, and fuel wood to meet the human needs. Management of Soil Resources is essential for both the continued agricultural productivity and protection of environment. By considering various factors like population, growth rate, diminishing per capita of land and water resources, and increasing land degradation problems, it is estimated that India will be required to produce an additional 5 – 6 million tons of food grains annually in 21st Century. This will lead to tremendous pressure on soil resources along with competitive demand for it from industrialization and urbanization. However, the capacity of soil to produce is limited and its limit to production are set by its inherent characteristics, agro-ecological settings, and its use and management.



Forests are an important natural resource of India, having a moderating influence against floods and also protecting the soil against erosion. About 95% of the forests in India is owned by States and the total area under forests is about 22% of the total geographical area.

Development of livestock has been envisaged as an integral part of sound system of diversified agriculture. In animal production, the major aim is for raising ecologically adapted animals and efficient utilization of locally available feed resource. Dairy development is intimately linked with cattle population, breed improvement, cattle health and disease management, and fodder development, etc. Animal Husbandry in India is essentially a endeavour of millions of small holders (Resource-Poor-Farmers) who rear animals on “crop residues” and “common property resources” without generally allowing them to compete with man for food grains.

The small holders produce milk, meat, wool, etc., for the community, with virtually no capital, resource, training and at a cost that no modern technology in the world had ever produced. Food and Fodder Resources will be crucial to the future development of “livestock resources” in the Country. There is very little scope for increasing the area under fodder production, keeping in view the priority for food grains, pulses and oil seeds. Development of Fodder Resources is basically an activity based on a multi-disciplinary approach involving the areas of agriculture, animal husbandry, environment & forests, revenue, rural development, and wasteland development.

### **Role of agriculture in the economic development of the country:**

Some of the major role of agriculture in economic development of a country is 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.
- 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 are mutually supporting with respect to both inputs and outputs.”

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.

### **BILLS AND SCHEMES IN THE PRIMARY SECTOR:**

**Few bills and schemes are: -**

- **The Agricultural Bio Security Bill, 2013:** It provides for establishment of an authority for prevention, control, eradication and management of pests and diseases of plants and animals and unwanted organisms for ensuring agricultural biosecurity. And also to meet international obligations of India for facilitating imports and exports of plants, plant products, animals, animal products, aquatic organisms and regulation of agriculturally important microorganisms and for matters connected therewith or incidental there to.
- **The Minimum Support Prices (MSP):** This was announced for the first time in the year 1966- 67 by the Government of India. Since then, the MSP regime has been expanded to many crops. As per government report 2013, the MSP covers 25 crops.
- **National Food Security Mission (NFSM):** is a Central Scheme launched in 2007 to increase production and productivity of wheat, rice and pulses on a sustainable basis so as to ensure food security of the country.

According to India Skills Report 2015, only 34% of the population were employable which decreased from the year 2013 which was at 37.5 %. If India seeks to attain holistic development and come out of vicious circle of poverty then, it must take effective steps to convert unskilled labourers to skilled labourers and train farmers about modern techniques of farming.

**Few Revolutions are:**

- **Silver Revolution:** The silver revolution refers to the period in which the production of eggs was tremendously increased; it was done by the help of medical science and more protein rich food for the hens. At present, more than three million people are directly or indirectly employed in poultry farming.
- **Yellow Revolution:** The yellow revolution refers to increased output in oil seeds. The growth, development and adoption of new varieties of oilseeds and complementary technologies nearly doubled oilseeds production, catalysed by technology brought about the Yellow Revolution.
- **Red Revolution:** Red Revolution is a term used to denote the technological revolutions in meat and tomato Production.
- **Pink Revolution:** Refers to increased production in onion, prawns and pharmaceuticals. The pink revolution in recent times also refers to the meat and poultry-processing sector of India.

Other important revolutions related to primary sector in India are;

- ❖ Black Revolution - Petroleum Production
- ❖ Brown Revolution - Leather/non-conventional/Cocoa production
- ❖ Golden Fiber Revolution - Jute Production
- ❖ Golden Revolution - Fruits/Overall Horticulture development/ Honey Production
- ❖ Grey Revolution - Fertiliser
- ❖ Round Revolution – Potato
- ❖ Silver Fiber Revolution – Cotton

## HOW AGRICULTURAL SECTOR IMPACTING ON INDIAN ECONOMY?



Much percentage of raw material to industries are coming from agricultural

sector only. It is not only becoming a livelihood to people, but also it is becoming a major source to industries as a raw material sources to the companies. Earlier major portion of the GDP is generating from agricultural sector only, but at present it is declined to around 18%. One thing that we need to remember that India is feed up with natural resources. As we know that most of the rural Indians are depending up on agricultural sector. Agricultural sector has become major income source to the people in India. Nearly 60% of the population still depending up on agricultural sector India.

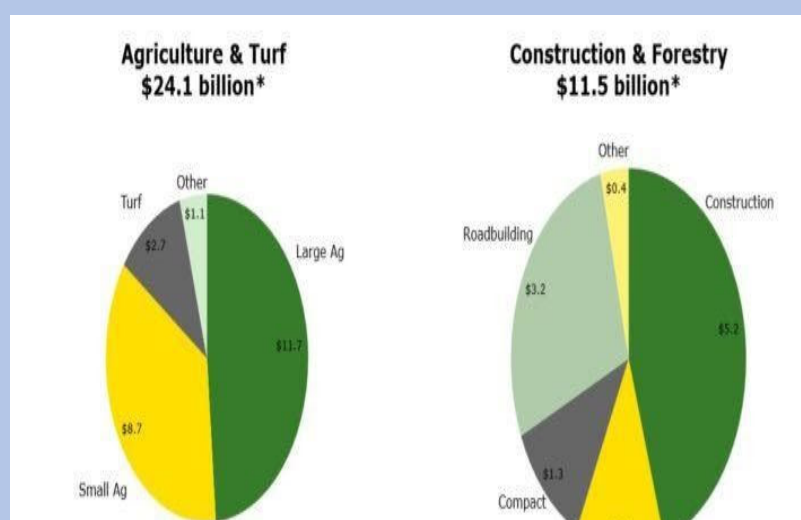
National Income: National income which represents standard of living of the people. When National income increases the per capita income of the people would gradually increase. The GDP of the nation which is essential for the country.

Raw Material to Industries: As we know that agricultural sector is becoming major source to generate raw material to industrial sector. Most of the industries are depending up on agricultural sector for raw material sources.

Exports and Imports: Most of the agricultural products are exporting from India, by that we can import other goods from other countries. In such a manner we can have exports and imports with other countries.

Revenue to Nation: It is becoming a best income source to nation. When agricultural sector developed can go for exports and imports, by that revenue to the nation will increase. There is a much need to conduct the research in this area. Because, the number of depends are more in agricultural sector as compared to other sectors. When we develop agricultural sector in a systematic manner automatically the GDP of the country would increase by that the standard of living of the people also increase. Here research about the importance of agricultural sector to accelerate Indian economy.

## REVENUE FROM AGRICULTURE:



The best way to improve the revenue from the primary sector is by modernization of agricultural methods. Almost all the developed countries employ the modernized

methods. But the main problem is in India, almost 82% of farmers belong to small and medium sized category i.e have less than 2 hectares of land. So, mainly for these category of farmers there should be a substantial support from the government to encourage the new methods.

We can employ some other methods like,

- There is big gap of around 3 million metric tons of cold storage infrastructure predominantly for fruits and vegetables. So, there is a urgent need for Infrastructure growth in the primary sector
- The improper storage of the agricultural items lead to a huge wastage of food. If this can be properly managed, it can result in a substantial increase of revenue and production
- The role of middle men should be decreased.

### **IMPACT OF PRIMARY SECTOR POST COVID 19 SITUATION:**



There is not going to be a “Post-COVID 19” scenario for industries, or otherwise, for at least another year now. What we already have is a new normal that we have to adapt to and learn to co-exist with the virus. That said, the chain reactions across industries, and the impact on every aspect of human behaviour, is without precedent. The lack of opportunities in the villages drives people to migrate to large industry heavy cities. This puts a lot of pressure on infrastructure and social

systems in cities.

Invariably, given the dominance of the primary sector among the majority populace, it will be here that the most important scenario changes can, and ought to take place. Agriculture still adheres to a subsistence model, with little commercial exploration happening on a large scale. Now it is a great opportunity for government, both at the Centre and State levels, to recalibrate funds and shift focus on the primary sector, specifically on agriculture. If subsidies are properly calibrated, they can give rise to a lot of supporting industries in semi-urban and rural centres. If people are provided with enough incentives to stay in the primary sector, it can lead to decentralizing resources from urban centres, as well as it revives the rural economy.

There is already a reverse migration that has been triggered. Governments can capitalise on and deploy this wave of reverse migrants back into the primary sectors by providing some subsidies and investment mechanisms to motivate them. The large part of the relief packages that have been announced can be made use of to give an impetus to the agrarian sector. This is though, a great opportunity to shift focus and change the economic frontiers of India. Economic activities result in the production of goods and services while sectors are the group of economic activities classified on the basis of some criteria.

The Indian economy can be classified into various sectors on the basis of ownership, working conditions and the nature of the activities. All economic activity was in the primary sector during early civilisation. After the surplus production of food, people's need for other products increased which led to the development of the secondary sector. A support system was needed to facilitate industrial activity. Certain sectors like transport and finance played an important role in supporting industrial activity.

The primary sector has been playing a large role in our Indian economy. From ancient times we witnessed that our ancestors did these things only like agriculture, animal husbandry, fishing etc. Because there were not many facilities available. They in order to meet their daily needs do farming. They consume that by themselves because there is not much demand as everyone is engaged in agriculture. Agriculture contributes about 17.5 % of GDP of our country. Nearly 48.9% of our population is engaged in these activities. Primary sector provides the basics for industries. India produce a bulk of products from agriculture. And these products have a huge demand in the global market. India has been a key player in terms of exports. Agriculture and Fishing are growing continuously. India ranks 2<sup>nd</sup> in terms of Fishing. India ranks second worldwide in Rice production. India ranks 4th in Wheat production.

Key points that show its positive effect on Indian economy.

1. Increase in exports will increase our economic growth.
2. It will help in increasing our GDP
3. Large number of people will be employed
4. If these things grow India does not need to import much.

The primary takes out of the call for Atma Nirbhar Bharat relates to a robust and efficient manufacturing sector in India. It has suffered as the economy has deviated by thrusting the growth of

the service sector ahead of manufacturing, while the primary sector continued to observe a secular decline in share of GDP. Thus it came as a pleasant surprise that manufacturing having degrowing for the last months has now entered the positive trajectory by clocking a growth rate of 3.5% in October '20.

## **CONCLUSION:**

Agriculture, up to the present, remains 'the base and the motor' of Ivorian economic development, while industry, despite some undeniable successes, has been unable to consolidate agriculture's leading role in the economy.

Despite far from adequate means of production, the food agriculture sub-sector has on the whole adequately fed the Ivorian people, but it still remains only potentially able to speedily achieve food self-sufficiency, strengthen its foodstuff industry and increase its foreign exchange receipts through exports of processed food products.

Export agriculture, despite its valuable financial surpluses, is affected internally by drought and externally by deterioration of the trade terms. A decisive policy of diversification, and local processing of its products, may enable it to continue to sustain the Ivorian economy.

Finally, only by establishing an adequately balanced relationship between the productions of the two agricultural sectors, and significantly improving their productivity can they constitute a solid starting point for establishing relations between agriculture and industry, without which there is no real autonomous development. And, in accordance with the Ivory Coast's liberal option, a rigorous industrial restructuring under state leadership, with its nationals fully in the control of the economy and the process of accumulation, are vital for embarking on autonomous growth, and resolving financial and social problems if the Ivorian people's essential needs are to be fully met.