

# **Savings in India :**

## **Trends and Prospectus**

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# Indian Economy and Agricultural

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## Agriculture

The backbone of Indian Economy "It is projected that India will need to grow its agricultural output by 12% to feed its people in 2020. Much of this has to come by growing more on the same amount of land. This land, however, is weakening and withering"----- The Economic times in its edition dated 12<sup>th</sup> July 2011.

Chief Characteristics of Indian Economy :-

- India has an agriculture based economy.
- 43% of india's territory remains employed in agricultural activities as against 11% in the world.
- Sunshine hours and day length are ideally suited for round the year cultivation of crops.
- There are 20 agro-climatic regions and nearly 46 out of 60 types in the country.
- Agricultural development is vital in our country since a vast majority of the workforce derive their livelihood form it.
- India has the potential to become the food supplier of the world. It has the cultivable land, all the seasons for production of all varieties of crops, fruits and vegetables, well developed agribusiness system that works in its own way.

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## **India-Agricultural Economy and Policy Report**

**January 2009**

### **i. General Political Situation and Trends**

With more than one billion people, India is the world's second most populous country and the largest democracy. India's April 2004 national election brought the Congress Party-led coalition (United Progressive Alliance or the UPA) government to power, which is supported from the outside and by several regional parties.

### **ii. Macroeconomic Situation and Trends**

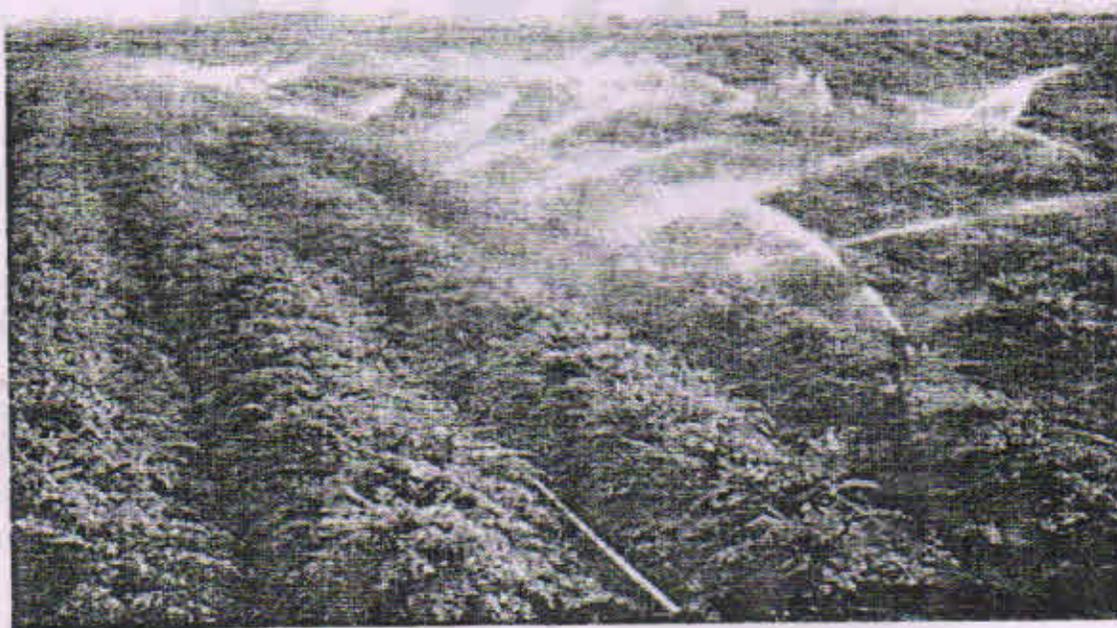
With a per-capita GDP of \$900 (approximately \$2,700 in purchasing-power parity), India is among the world's poorest countries. According to the UN Development Program "Human Development Report 2007/08," 34.3 percent of the country's population of 1.1 billion is surviving on less than \$1 per day.

### **iii. The Economy as it Relates to Agriculture**

India remains an agricultural economy in many important resources. The share of agriculture in the country's GDP constitutes about 18 percent. India is endowed with rich land, water and labor resources, although water resources are overexploited in some states due to non-economic pricing of irrigation water and Power. Indian agriculture is characterized by low productivity, with average crop yields for most crops well below world levels.

#### **iv. Domestic Agricultural Policy Overview**

Agricultural price policy is primarily focused on achieving self-sufficiency in India's two food staples-wheat and rice. Concerns about the widening supply/demand gap for basic food items such as wheat, rice and pulses have prompted the government recently to launch a National Food Security Mission (NFSM), which aims to increase the country's wheat, rice, and pulse production by 8, 10 and 2 million tons, respectively, by the end of the 11th Five year plan (2011-12) to ensure food security.



#### **v. General and Agricultural Trade Situation**

Although a founding party of both the General Agreement on Tariffs and Trade (GATT) and the world Trade Organization (WTO), the Indian government continues to use high tariffs and non-tariff barriers to limit imports of agricultural products. India's average WTO bound agricultural tariff is 112 percent; however, the median applied agricultural duty is 35.2 percent. India is the largest global importer of pulses (beans, peas and lentils) and soybean oil and second largest importer of palm oil. India's agricultural exports to the United States, valued at \$1.5 billion in CY 2007, were three times U.S. agricultural exports to India and consisted mainly of shrimp, rice, cashews, sugar, tea, spices, oil meals and coffee.

#### **vi. SPS and Regulatory Systems**

In November 2003, the GOI notified the Plant Quarantine (Regulation of Import into India) Order, 2003, which established new import procedures

and quarantine requirements for agricultural products. The Essential Commodities Act (ECA) imposes restrictions on commodities' (including agricultural) procurement, storage (maximum levels), and transportation (geographic restrictions). Consolidating production on larger holdings is constrained because land leasing lacks legal sanction in all states. Contract farming is also limited, as contract enforcement and dispute resolution mechanisms are poor.

## **Agriculture Overview**

Agriculture is the backbone of Indian Economy. About 65% Indian population depends directly on agriculture and it accounts for around 22% of GDP. Agriculture derives its importance from the fact that it has vital supply and demand links with the manufacturing sect. During the past five years agriculture sector has witnessed spectacular advances in the production and productivity of food grains, oilseeds, commercial crops, fruits, vegetables, food grains, poultry and dairy.

## **Climate**

India has monsoon climate in which a year has been divided into two distinct seasons of summer and winter. Rainfall occurs mainly in summer.

## **Weather Forecasting System**

India has a strong weather forecasting system developed and maintained by Indian meteorological Department (IMD). Apart from weather forecasting and sever weather warning, It also gives agro meteorological services to farmers in India.

## **Major Crops**

Rice, wheat, Sugarcane, Oilseeds, Pulses, Cotton, Jowar, Bajra, Ragi, Tea, Coffee, Coconut, Cashew, Rubber, Spices, Cauliflower, Onion, Cabbage, Mango, Banana, Sapota, Acid lime.

## **Production Trend**

All the production figures are in million tones.

Crop/Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07*
Rice	93.3	71.8	88.8	83.1	91.8	90
Wheat	72.8	65.8	72.2	68.6	69.4	72.5
Coarse Cereals	33.4	26.1	37.6	33.5	34.1	32
Pulses	13.4	11.1	14.9	13.4	13.4	14.5
Groundnut	7	4.1	8.1	6.8	8	4.4
Rapeseed	5.1	3.9	6.3	7.6	8.1	7.6
Soyabean	6	4.7	7.8	6.9	8.3	8.7
Other oilseeds	2.6	2.1	3	3.1	3.6	2.9
Total nine Oilseeds	20.7	14.8	25.2	24.4	28	23.6
Sugarcane	297.2	284.4	233.9	237.1	270	315.5
Cotton #	10	8.6	13.7	16.4	18.5	21
Jute & Mesta @	11.3	11.3	11.2	10.3	10.3	11.4

\* Second advanced estimate

(Source: Ministry of Agriculture)

#Million bales of 180 Kg each @million bales of 180 kg each

### Dairy

India ranks first in the world in milk production, which was around 100 million tones in 2006-07. Strong networks of milk cooperatives, have been

instrumental in this phenomenal performance of dairy sector in India. Presently, 1.13 lakh village level co-operative societies spread over 265 districts in the country form part of the national milk.

### Livestock

Livestock sector contributes about 27% of the G.D.P. from agriculture and allied activities. This sector has excellent forward and backward linkages, which p-promote many industries and small and marginal farmers. India Possesses the second largest livestock population in the world. Export of such products to countries including Bangladesh, Srilank, Middle east, Japan, Denmark, USA and Angola augers well for this industry.

### International Trade & Indian Agriculture

Agricultural Export: India's total exports of agricultural and allied products at \$ 10.5 billion in 2005-06 constitute 10.2% of its export share. Developed country markets account for nearly 35% of India's agri-exports. In agricultural exports there are varied performances across commodities. Contribution of various agricultural commodities in world exports has been listed below.

Product	Percentage share in world export
Lac, gums, resins, vegetable products	10
Vegetable planting materials, vegetable products	4.9
Coffee, tea, mate & spices	2.7
Marine products	2.3
Residues, waste of food industry, animal fodder	2.1
Cereals	1.3
Fruits & nuts	1.1

\* Source: NCTI based on UN-ITC Trade Map Data.

### Recent government policies affecting Indian Agriculture

In the recent Union Budget (2007-08), agriculture has got considerable attention with the various policy initiatives from the side of finance ministry. Some of the important policies are:

- During 2006-07 (until December 2006), 53.37 lakh new farmers were brought into the institutional credit system. A target of Rs. 225,000 crore as farm credit and an addition of 50 lakh new farmers to the banking system have been fixed for the year 2007-08. The two per cent interest subvention scheme for short-term crop loans will continue in 2007-08, and a provision of Rs. 1,677 crore has been made for that.
- A special purpose tea fund has been launched for re-plantation and rejuvenation of tea. Government soon plans to put in place similar financial mechanism for coffee, rubber, spices, cashew and coconut.
- Accelerated Irrigation Benefit Programme (AIBP) has been revamped in order to complete more irrigation projects in the quickest possible time. As against an outlay of Rs. 7,121 crore in 2006-07, the outlay for 2007-08 has been increased to Rs. 11,000 crore.
- Rs. 17,253 crore had been budgeted for fertilizer subsidies in 2006-07. However, according to the Revised Estimates, this will rise to Rs. 22,452 Crore.
- The National Insurance Scheme (NAIS) will be continued for Kharif and Rabi Crops during the year 2007-08.
- The two per cent interest subvention scheme will continue in 2007-08.
- Rs. 100 crores have been allocated to new Rain fed Area Development Programme, set up for coordinating all schemes for watershed development.

### Agriculture and Employment

About 65% of Indian population is dependent on agriculture for their livelihood. This sector has strong forward and backward linkages and its performance affects each and every sector of the country.

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130 / Savings in India

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