

Role of Agriculture in Poverty Alleviation in India

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ABSTRACT

Efforts to increase agricultural productivity and thereby increase farm incomes and employment are a major instrument for poverty alleviation. This should be supplemented by special targeted program aimed at improving the welfare of vulnerable groups in rural areas. Analysis shows that agricultural productivity growth has a substantial impact on poverty reduction, whereas productivity growth in industry and services does not.

1. INTRODUCTION

In the 1980s, Indian policymakers shifted their focus from food self sufficiency to generating additional income in rural areas as a means of tackling the problem of poverty. Acceleration of agricultural growth, with a special focus on small farmers and extending the productivity revolution to non-irrigated areas was seen as a critical part of the strategy for poverty alleviation. Growth of agricultural gross domestic product (GDP) accelerated to about 4.7 percent in the 1980s, compared with only 1.4 percent in the 1970s. Slower growth in agriculture also has direct implications for poverty reduction in rural areas. As a country grows and shifts from the low income to the middle income category, the nature of agriculture typically changes from subsistence-oriented farming to more commercialised and market farming.

ROLE OF AGRICULTURE IN POVERTY ALLEVIATION

Still 60% of the population depend directly or indirectly on agriculture. Many of the farmers and the landless labourers employed often belong to the poorest sections. Agriculture's contribution to poverty reduction is five times more than that of metropolitan centers. As agriculture modernises, for example, it reduces rural poverty and overall poverty through greater demand for chemical fertilisers, pesticides, machine services, processed seeds or fuels, which promote non-agricultural production. Higher incomes in rural areas promote demand for processed foods produced mainly in urban areas and generate employment. Decrease in food prices due to agricultural growth results in better food security and overall poverty education in both rural and urban areas. Reduction of food prices lowers the real product wage in the non-agricultural sector, thereby raising profitability and investment in that sector. Spillovers from agricultural growth rate are twice as large as from non-agricultural growth. Recent World Bank study, we found that the (proportionate) poverty reduction is largest for agriculture. Agricultural transformation leads to increase in farm wages and helps to achieve Government's aim of doubling farm wages by 2022. There is a strong correlation between rates of progress in total factor productivity (TFP) and in poverty reduction. The importance of agriculture in poverty reduction derives from two basic circumstances. a) the incidence of poverty is disproportionately high in developing countries, which still rely heavily on agriculture for output and employment b) as the poorest households also have few assets and no skills, they typically rely more on agriculture and generally face many obstacles in connecting with

the non-agricultural economy for income and employment. Thus, by providing a greater share in employment of the poor and the unskilled workforce, agriculture plays a crucial role in making economic growth more pro-poor. On average, every 1% increase in agricultural productivity reduces the percentage of people living on less than a dollar a day by between 0.6% and 1.2%.

THE IMPACT OF AGRICULTURE ON POVERTY REDUCTION DEPENDS ON

The direct effect of growth in the agriculture sector is to raise income levels of those employed in the sector. How much the poor people benefit from agricultural growth depends on the rate of participation of the poor in agriculture. In highly mechanised agriculture, the participation of the poor and unskilled people may be minimal. On the other hand, in subsistence agriculture, the rate of participation of the poor may be relatively high. Total contribution of agriculture to poverty reduction depends on the relative size of the sector; i.e. the share of the agriculture sector in the national economy.

CONCERN

Slow growth in agriculture is also at the root of growing evidence of distress in the farming community. Surveys show that a large percentage of farmers want to leave farming because they find it is no longer sufficiently profitable. The uncertainty associated with farming has also increased. There are larger market uncertainties associated with new crops and poultry because of greater vulnerability because of falling ground water levels. agricultural research system and more effective extension, improvements in the production and distribution of certified seeds. Improvements in the credit delivery system, and innovative steps in marketing and contract farming to support the diversification of Indian agriculture. If there is more investment in agriculture, the more growth will follow and the more poverty will be reduced. There is need for pro-active and concentrated rural and agricultural development strategy in backward regions. There is need for considerable reforms and strengthening of local Institutions which can be initiated and undertaken only by the state governments. Ensuring sustainability and economic viability of smallholders and improving their competitiveness in production and marketing by facilitating better access to improved technology, inputs, credit and markets. Emphasise productivity-enhancing interventions and even subsidies should be geared towards promoting use of technologies that increase productivity. Shifting of agricultural processing into existing rural areas should be part of such changes.

2. CONCLUSION

Strengthening of extension services, rural infrastructure and skill formation will not only raise productivity and living standards but also curb rural-urban migration. Creating more remunerative opportunities in rural areas deserves greater emphasis.

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