Thematics Journal of Geography

ISSN:2277-2995
Vol-8-Issue-12-December-2019

Impact on Agriculture in Poverty Reduction in Indian

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ABSTRACT

The role of agriculture in economic development has been a controversial issue. One critique is that inequality may prevent agricultural growth from leading to poverty reduction. Some contend that agricultural development can only be led by large farms and will not create wealth for smallholders The Millennium Declaration set 2015 as the target date for halving the number of people living in extreme poverty. Exceptional progress in some developing countries makes achieving that goal globally a realistic possibility. However, many countries will fall far short, and up to 1 billion people are likely to remain destitute by the target date. These countries were compared using indicators of their macroeconomic characteristics and, especially, their agricultural economic characteristics.

The Government of India had estimated Human Poverty Index at the national and provincial level in 2002, based on a modified UNDP methodology and detailed census and related data, broadly for the period covering 1981 to 2001. However, the said index has not been updated for 2011. The other available estimates in the literature on multidimensional criteria for poverty are not strictly comparable. The scope of this paper is however limited. It seeks to examine the role and implications of agriculture in the country's poverty alleviation efforts.

INTRODUCTION

Poverty alleviation has been a pre-eminent goal of India's development efforts since its Independence. In pursuing this objective, the country's planning process during the last six decades has been a fertile ground for devising interventions, often successful but sometimes overlapping and ill-conceived too. Public measures directed at poverty alleviation have focused on creating adequate livelihood opportunities for the marginalized segments of the population, provisioning of public services and goods that have a direct bearing on an individual's living standard and quality of life, strengthening of institutions and delivery mechanisms that empower the poor, and targeted development of backward regions through resource transfers and supportive policy measures.

Thirty years on we still find that people in developing countries who depend on agriculture for their living are typically much poorer than people who work in other sectors of the economy and that they represent a significant share, often the majority, of the total number of poor people in the countries where they live. Achieving the Millennium Development Goal (MDG) of halving poverty by 2015 requires finding ways to increase the incomes of those people. In recent years, the emphasis on having a more desirable composition of GDP growth by targeting an average 4 per

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ISSN:2277-2995
Vol-8-Issue-12-December-2019

cent per annum growth in agriculture GDP has found favor with the policy makers in the country's Eleventh Five Year Plan (2007-12). Though there has been a significant decline in the incidence of

Poverty at the national level in India, there are several concerns that take away the shine from this achievement. To begin with, the magnitude of poverty continues to be unacceptably high on any count. India has the largest number of poor among all countries and is home to one-fourth of the world's poor. Secondly, there are many pockets in the country where poverty is endemic and persistent.

There is ample evidence to show that inequalities in income, per capita consumption and socially valued human development outcomes have increased between rural and urban areas and across some regions /states. Thirdly, despite a significant improvement in the growth rates of the economy, particularly in the more recent years, it has not necessarily translated into a sharper reduction in poverty. Growth though visible has not been adequately inclusive, and perhaps even sufficiently widespread. Fourthly, a considerable step-up in public allocations to poverty alleviation programmes have not yielded commensurate results. It has been argued that besides serious implementation bottlenecks and accountability issues, enhanced public allocations to social sectors and rural development programmes at the expense of public investment in agriculture may have held back the full impact of these programmes on poverty alleviation. Finally, there are changes in the composition and distribution of the poor across regions and sectors of the economy that are perhaps not being recognized and adequately addressed in the current policy measures or those being put in place.

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INCIDENCE OF POVERTY

In subsequent work at the Planning Commission, the poverty line approach and measurement methodology was refined and a series of consistent estimates were made available at regular intervals of time. The criteria to measure income/consumption poverty gradually gave way to the notion of basic minimum needs as a framework to address the poverty issue. This, in turn, evolved into the notion of human poverty as epitomized in UNDP's human development approach in the 1990's. The broadening in the notion of poverty has had implications both for the measurement issues as well as for policy prescription. While the policy framework for poverty alleviation has responded to this evolved notion of poverty, the same is not true for a multidimensional measurement criterion for estimating poverty.

There are, however, a number of issues that have been raised from time to time on the methodology adopted for estimating the incidence of poverty in the country. These could be clubbed into issues related to

(i) continued validity of the estimated calorie norms for benchmarking the reference consumption basket to define the poverty line;

(ii) relevance of the 1973–74 reference consumption basket in view of significant changes in consumption patterns across all population groups for estimating the poverty line;

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ISSN:2277-2995
Vol-8-Issue-12-December-2019

(iii) relying solely on National Sample Survey data on household consumption expenditure for estimating poverty in the face of dramatic differences with the National Accounts Statistics estimates of private consumption expenditure.

Policy measures that have helped in improving agriculture productivity and brought about a significant increase in food grain production, perhaps impacting poverty incidence favorably, have not helped in addressing malnutrition. Trends in Poverty Reduction The latest estimates on poverty based on NSS data show that poverty in India in 2015- 16 was around 27 per cent. In other words, more than 300 million people are still below poverty line in India. The very poor are those who are below 75 per cent of the poverty line.

AGRICULTURE'S POWER FOR POVERTY REDUCTION

The large and persistent gap between agriculture's shares in GDP and employment suggests that poverty is concentrated in agriculture and rural areas—and that as nonagricultural growth accelerates, many of the rural poor remain poor. That the incidence of poverty among agricultural and rural households is persistently much higher is confirmed by the micro evidence from numerous country poverty studies by the World Bank. Furthermore, where nonagricultural growth has accelerated, rural-urban income disparities widen

AGRICULTURAL PRODUCTIVITY AND POVERTY REDUCTION

The payoff from investments in agricultural research, development, extension and education comes in the form of sustained increase in agricultural productivity. Comparisons of agricultural performance among countries and over time are frequently made using partial productivity indicators such as output, e.g. per unit of land, or head of livestock or agricultural worker.

However these indicate only the trends in output relative to one input and can be misleading in cases where the input mix is changing or, especially, where there are technical advances allowing increases in output for a given level of input use. Agricultural productivity, an indicator of real agricultural growth, has played an important role in poverty reduction in rural areas as indicated by its higher elasticity for poverty reduction. With one per cent growth in per capita agricultural output, the poverty would be reduced by 0.97 per cent. The agricultural growth can be achieved through strategic and accelerated public investment in infrastructure and education.

However, agricultural growth alone will not be sufficient to substantially reduce the incidence of poverty particularly among landless agricultural households. Diversification towards rural non-farm sector is critical to reduce rural poverty in India. With one per cent increase in share of rural non-farm employment, the rural poverty would be reduced by 0.5 per cent. The significant poverty reduction in China achieved through the route of increasing rural non-farm employment opportunities. The share of non-agriculture in the economy also plays a significant role in rural poverty reduction. This indicates the complementary role of agriculture and non-agriculture sector to significantly reduce rural poverty in India and efforts should be made to improve the rural-urban linkages. Wages are significant component of household income for majority of rural households and thus the improvement in wages is also significant to reduce the poverty of these households.

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ISSN:2277-2995
Vol-8-Issue-12-December-2019

Therefore, the rural development programmes that have direct or indirect influence on the living conditions of farmers and landless labourers should be given importance in the forthcoming Twelfth Five Year Plan to ensure inclusive growth. Literacy helps people in many ways. Better education and skill upgradation enables the individual to take advantage of labour market opportunities and income generating prospects.

AGRICULTURAL DEVELOPMENT AND POVERTY REDUCTION

Changing Contribution of Indian Agriculture to Income and Employment Indian agriculture has undergone significant changes during the last six decades after Independence. These are reflected in the changing share of agriculture in the national economy and employment. Agriculture contributed a little more than 51 per cent of total output of India's economy in early 1950s.

The growth of industrial and services sectors have far outpaced the growth of agricultural sector. Transformation of Indian economy from agriculture to non-agriculture got a strong push after 1980-81. These changes are consistent with the processes of economic growth and development experienced in developed countries. The proportion of the workforce dependent on agriculture has also declined over time but the rate of decline has been much slower as compared to its share in the GDP.

In 1952, agriculture was the principal occupation for more than 72 per cent of India's labour force. During the next two decades, share of workforce employed in agriculture did not show any decline as non-agriculture sector failed to make any significant withdrawal of workforce from agriculture. Share of workforce engaged in agriculture started declining, albeit slowly, after 1971.

Thus, the decline in agriculture's share in work force is much lower than the decline in its share in output. The slow absorption of the workforce in the non-agricultural sector raises concerns when seen along with the change in the structure of the national gross domestic product. The asymmetry between the income and the employment shares between agricultural and non-agricultural sectors implies a widening gap between the incomes of agricultural and non-agricultural workers. This has become a major source for growing rural-urban divide and inter-sectoral disparities.

However, the share of agriculture in employment, which almost stagnated around 70 per cent for first three decades, declined by 18 percentage in the last two-and-half decades. Obviously, the opportunities in non-agricultural sectors have started growing relatively at a faster rate in the recent years, leading to decline in the share of agriculture in employment by 4.5 per cent in the most recent five year period. This 13 offers a ray of hope for declining dependence of workforce on agriculture if a similar trend continues in future. Performance of Agriculture Sector Agricultural growth is necessary not only for attaining high overall growth but also for accelerating poverty reduction in a developing country like India. The agricultural growth during the various decades after Independence is presented in Table 9. The annual compound growth rates of agricultural sector as a whole have been quite robust ranging from 2 to 3 per cent in all decades after Independence, except during the sixties. It was 2.6 per cent per annum during fifties but decelerated to 1.7 per cent per annum during sixties.

It continuously accelerated, touching 3.4 per cent per annum, in the nineties. During 2000-08, it maintained the growth of 3.4 per cent per annum against the target of 4 per cent per annum. The growth of agricultural sector in all decades remained higher than the growth rate of population in the country. However, the non-agricultural sector has grown faster than the agriculture and the divergence between agricultural growth rate and growth rate of the Indian economy as a whole

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ISSN:2277-2995
Vol-8-Issue-12-December-2019

increased consistently, particularly since 1980s. India's total GDP growth accelerated from 3.3 per cent per annum in the eighties to 6.0 per cent in the nineties, and further to 7 per cent during the current decade. The linkage between agricultural growth and rural poverty can be gauged from the fact that 74 per cent of households and 76 per cent of population live in rural areas. Among rural households, 34 per cent are self-employed in agriculture and 25 per cent are agricultural labour households.

The policy support, adoption of improved production technologies and public investment in infrastructure, research and extension contributed to growth in the agricultural sector. However, investment on agriculture declined throughout the nineties, leading to a slowdown in the agricultural growth especially in the late nineties. This led to deceleration in growth of total factor productivity in the north western region, especially in rice and wheat growing areas. The continuous threat to the production and lowered factor productivity of rice and wheat forced the government to take corrective measures to reverse such trends. Conscious efforts have been made in the recent years to raise investment in agriculture.

The slowing down of agricultural growth has been associated with decreasing regional disparities in growth during the post-reform period. The classification of states based on 16 agricultural growth and rate of rural poverty reduction indicates that the association of agricultural growth and poverty reduction is not pervasive to all states. Some of the states (Kerala, Tamil Nadu, West Bengal, Bihar, Himachal Pradesh, Jammu & Kashmir) witnessed a direct relationship between agricultural growth and rural poverty reduction.

POLICY IMPLICATIONS

The facts provided and analysis undertaken in this paper clearly bring out the importance of agricultural productivity, rural wages, non-farm employment opportunities and literacy in attacking rural poverty. For accelerated reduction of rural poverty, several structural, institutional, technological and policy issues have to be addressed.

Some of the issues which have emerged in our analysis are discussed here. Improving Agricultural Productivity The continuing primacy of agriculture as the primary source of employment, particularly in the Indian rural economy, calls for considerable improvements in agricultural productivity. For increasing agricultural production and accelerating productivity, the need for raising public investment is well documented. There is an urgent need for substantial increase in public investments in irrigation, rural infrastructure (roads and power), research and development, etc. The increasing marginalization of land holdings in most of the Indian states, accompanied with increasing fragmentation further compounds the challenges of increasing and accelerating agricultural productivity. 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 should be accorded priority for higher and inclusive agricultural growth. It has been empirically demonstrated that where appropriate institutional alternatives are adopted, smallholders are as competitive as large farms. It is necessary to emphasis productivity-enhancing interventions and even subsidies should be geared towards promoting use of technologies that increase productivity and enable movement up the value chain in agricultural production.

Shifting of agricultural processing into existing rural areas should be part of such changes. Reorientation of the entire agricultural extension to bring in systems' perspective is highly essential. The elements of change should be based on the actual needs of the stakeholders.

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ISSN:2277-2995
Vol-8-Issue-12-December-2019

Technology generation and extension must be in continuum. Further, policy measures like land reforms, enhanced rural credit, and greater public investment are important instruments to promote agricultural growth in less developed regions. Agriculture development and better infrastructure have been powerful factors which have impacted non-farm sector though production, income and development linkages.

A NEW ROLE FOR AGRICULTURE IN DEVELOPMENT

The case for using the powers of agriculture for poverty reduction and as an engine of growth for the agriculture-based countries is still very much alive today. Effective use requires adjusting agendas to each country type and within countries as well. However, despite convincing successes, agriculture has not been used to its full potential in many countries because of anti-agriculture policy biases and underinvestment, often compounded by disinvestment and donor neglect, with high costs in human suffering. New opportunities for realizing this potential are present today, but also coming are new challenges, particularly in pursuing a smallholder-driven approach to agricultural growth that reconciles the economic, social, and environmental functions of agriculture. The following chapters explore the instruments available to use agriculture for development and how to define and implement agendas specific to each country type.

CONCLUSION

A role for agriculture in both growth and poverty reduction. However, an important conclusion of the study is that this role is significantly mediated by the country's level of economic development, inequality, and sectoral makeup. A healthy growth of real agricultural wages appears to be a sufficient condition for significant reduction in rural poverty (Deaton and Dreze, 2002). Rural wages in real terms have increased faster than both agricultural and non-agricultural employment.

However, the real rural wages witnessed a fluctuating trend in its growth. It is widely believed that the large scale employment offered by the National Rural Employment Guarantee Scheme (NREGS) has also been an important factor in increasing rural wages (Sharma, Forthcoming). Determinants of Rural Poverty Reduction While the literature on the measurement of poverty is relatively abundant, studies about the determinants or causes of poverty are scarce and inconclusive. Agricultural growth has long been recognized as an important instrument for poverty reduction. The poverty reducing effects of agriculture income growth was not robust. Aggregate growth in terms of overall GDP per capita has more significant effect on poverty reduction in rural areas. The above discussions throw light on several dimensions which could influence the rural poverty.

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