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Changing Scenario of Indian Economy Regarding Agriculture, Industry and Service Sector

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Abstract:

Agriculture is the backbone of the Indian economy. Agriculture in India has been done since the time of the Indus Valley Civilization. After 1960, a new era came with the Green Revolution in the field of agriculture. At that time 51% of the total workers were engaged in agriculture. Agriculture in India used traditional seeds which had relatively low yields till the mid-1960s. They had little need for irrigation. Farmers used cow dung as fertilizers. High yield seed (HYV) began to be used after 1960. Prime Minister Jawaharlal Nehru's development model envisaged a major role for the state as a comprehensive entrepreneur and financier of private businesses. From the architect of modern India and the country's first Prime Minister Pandit Jawaharlal Nehru to the builder of contemporary India and the current Prime Minister Narendra Modi, various Prime Ministers have tried their best to give impetus to the Indian economy from 1947 to 2022. There have been many changes in the scenario of the Indian economy concerning agriculture, industry, and the service sector. These changes have been studied in this research paper.

Keywords: Changing Scenario of Indian Economy, Agriculture Sector, Industrial Sector, Service Sector

Data Collection Method Used for Research:

This research is based on a secondary source of data. Data for the research paper has been collected from related literature, books, and websites

The Objective of Research:

1) To study the changing scenario of the Indian economy.
2) To study the changing scenario of the Agriculture sector.
3) To study the changing scenario of the Industrial sector.
4) To study the changing scenario of the Service sector.

Introduction:

Agriculture is the primary source of income for 58 percent of the country's population. Agriculture and enterprises based on natural resources are the basis of economic progress not only in India but in most developing countries. The agricultural sector and its included farm crops, horticulture, animal husbandry, fisheries, and poultry are closely aligned with the United Nations' long-term development goals, especially zero hunger, nutrition, and climate action, among others. Agricultural productivity depends on many factors. These include the availability and quality of agricultural inputs, such as land, water, seeds, and fertilizers, facilities for agricultural credit and crop insurance, assurance of remunerative prices for agricultural produce, and storage and marketing infrastructure. The main items imported into India are pulses, edible oils, fresh fruits, and cashews. The major commodities exported by India include rice, spices, cotton, meat and meat products, sugar, etc.

The modern industrial sector in India, based on an organized pattern, began with the establishment of the indigenous capital and enterprise-oriented Mumbai textile industry in 1854. In 1855, a jute industry was established in the Hooghly valley at a place called Rishra, which was dominated by foreign capital and enterprise. The foundation stone of rail transport was laid in 1853. In 1870, the country's first paper factory was established at Ballygunge (near Kolkata). In 1875, steel was made for the first time in Kulti using modern methods. In 1907, Tata Iron and Steel Company started functioning in Jamshedpur. The two world wars provided an opportunity for growth in the iron and steel, sugar, cement, glass, chemical, and other consumer goods industries. After independence, the industrial policy emphasized the fulfillment of socio-economic objectives- employment generation, high productivity, elimination of regional development imbalance, strengthening of agricultural base, promotion of export-oriented industries and consumer protection, etc. High priority was given to the establishment of industries in backward areas. The process of industrialization started with the First Five Year Plan, which continued during other subsequent plans.

The sector of the economy which is engaged in the work related to service is called the service sector. The services that are mainly involved in the service sector are:- transportation, courier, information sector services, securities, real estate, hotels and restaurants, scientific and technical services, waste management, health welfare and social support; arts, and entertainment services, etc. This sector contributes about 60 percent to the Indian GDP. Every economy has three sectors. Which are as follows: the primary sector (such as mining, agriculture, and fisheries), the secondary sector (construction), and the tertiary sector (the service sector). After studying the development trends of the economies of different countries, it is found that the economies of those countries move from the agricultural sector to the service sector, that is, the contribution of the agricultural sector to the economy of those countries. Increases and decreases in agriculture, the same fact has been seen in the case of India as well. The contribution of agriculture to India's economy in 1951 is about 51%, which is only about 14% at present. Services also contribute substantially to the GDP of developing countries. Young workers who leave their villages and farms for cities are increasingly engaging in jobs in the city's service sector rather than in manufacturing.

Changing Scenario of Indian Economy Regarding Agriculture, Industry and Service Sector:

In the financial year 2021-22, India's real GDP growth rate will be 11 percent, and the nominal GDP growth rate will be 15.4 percent, which is the highest since the country's independence. A 'V-shaped economic growth will be possible in the country due to the massive immunization campaign, rapid improvement in the service sector, and the potential for rapid growth in consumption and investment. The basic economic elements of the country are still strong as the economy is firmly on the path of recovery on the strength of the necessary assistance being provided through the Atma Nirbhar Bharat Mission along with the gradual removal of the lockdown. Due to this path, real GDP will increase by 2.4 percent as compared to the growth rate of 2019-20, which means that the economy will reach the pre-epidemic level in two years as well as overtake it. These estimates are in fact in line with the IMF's forecast, which states that India's real GDP growth rate will be 11.5 percent in the financial year 2021-22 and 6.8 percent in the financial year 2022-23. According to the IMF, India will become the fastest growing economy in the next two years. With this, many changes have taken place in the scenario of the Indian economy concerning agriculture, industry, and the service sector. These changes have been studied below.

Agriculture:

The history of development so far has shown that the share of agriculture in production and employment has shown a sharp decline in the process of economic development. A look at the Indian economy shows that about 50 years ago (in 1965) agriculture accounted for 50 percent of the overall GDP and more than 70 percent of the labour force was employed in this sector. The latest figures show that this share has come down to around 17 percent and almost half (48 percent) of the labour force is employed in this sector. But a look at world data shows that the share of employment in agriculture as a percentage of total employment (in 2013) ranged between 2 percent and 5 percent in the most industrialized countries. The issue that emerges here is that there is a need to divert (excess) the surplus manpower from agriculture which is veiledly engaged in this work in productive sectors to make agriculture a sector where labour is gainfully employed.

India's trade policy is influenced by many factors such as domestic availability of goods, cost of production, and its price level globally. However, continuous changes in trade policy such as reducing the import duty of goods due to short supply or reducing the minimum export value of goods to increase exports may adversely affect the growth of the agro-processing sector.

Due to climate change, annual agricultural earnings may decrease by 15 to 18 percent and in non-irrigated areas by 20 to 25 percent, the growth rate of the agriculture sector was 4.7 percent. In the year 2013-14, a record production of 264.4 million tonnes of food grains was done. In the year 2013-14, a record production of 32.4 million tonnes of oilseeds was done. In the year 2013-14, there was a record production of 19.6 million tonnes of pulses. In the year 2013-14, the share of the livestock sector in the total GDP was 4.1%. The year-on-year growth rate of milk production in India is 4.04 percent against the world average of 2.2 percent. Credit to the agriculture sector in the year 2013-14 has exceeded the target of Rs.700,000 crore. The share of agriculture and its allied sectors in the GDP has declined from 13.9 percent in the year 2013-14. The number of farmers decreased, in the year 2001 there were 12.73 crore farmers, whose number decreased to 11.87 crores in 2011. India ranks first in the production of sugarcane, millet, jute, castor, mango, banana, grapes, cassava, peas, ginger, papaya, and milk. Wheat, rice, fruits and vegetables, tea, potatoes, onions, garlic, rice, and cottonseed are in second place. Fertilizer is in third place.

It is quite clear that there has been a change in Indian agriculture. The production of food grains reached 296 million tonnes in 2019-20 registering an average annual growth of 3.6 percent over the last decade. Horticulture production also reached an all-time high of 320 million tonnes over the past 10 years, growing at an annual average rate of 4.4%. India is now one of the leading producers of milk, cereals, pulses, vegetables, fruits, fish, poultry, and cattle in the world. The present buffer stock of food grains is 91.6 million tonnes which are 2.2 times more than the buffer norm. These achievements are the brightest ray of hope in the present scenario. The shift in terms of trade in favour of agriculture is the key that will sustain this dynamic change and create a positive supply response in agriculture.

The agriculture sector is still a ray of hope, while people-to-people services, manufacturing, and construction sectors, which were badly hit, are showing gradual improvement. On the strength of government consumption and net exports, there is no further decline in economic growth. Thanks to the agriculture sector, the impact of the sharp shocks caused by the Covid-19 epidemic on the Indian economy in the year 2020-21 has been significantly reduced. The growth rate of the agriculture sector has been 3.4 percent in the first quarter as well as in the second quarter. Various progressive reforms implemented by the government have contributed significantly to the development of the vibrant agriculture sector, which is a ray of hope for India's growth story in the financial year 2020-21 as well. During the financial year, the manufacturing sector again picked up momentum, showing improvement in industrial output in a 'V' shape. Similarly, industrial prices or production returned to normal. India's services sector is on the path to recovery after showing a decline during the pandemic. PMI services production and new business grew for the third consecutive month in December.

Industry:

The First Five Year Plan focused on agricultural development, with the industrial sector concerned. Industrial development was mainly confined to consumer goods industries and important industries were cotton textiles, cement, sugar, leather goods, paper, medicine, chemicals, etc. intermediate industries. In this period of the Second Five Year Plan (1956-61), emphasis was laid on the diversification of industries along with the growth rate. Three new public sector steel plants were set up at Bhilai, Durgapur, and Rourkela. Efforts were also made to increase the capacity of the private sector. Importance was given to heavy and basic industries. Keeping in view the future expansion of chemical industries, such as nitrogenous fertilizers, caustic soda, soda ash, sulfuric acid, etc., special incentives were given. Many new industrial towns emerged in the areas adjacent to the cities. Nevertheless, the desired target was not achieved by many industries, including the iron and steel, chemical, and heavy machine tool industries. This was mainly due to erroneous estimation of capacity and unnecessary delay in the construction of several plants.

The 'Start-up India' campaign recognizes the potential of young entrepreneurs in the country and aims to provide them with a supportive ecosystem. Funding to Indian tech start-ups touched US$16.3 billion in 2019, up over 40 percent from the year-ago level, according to the TraxCN database. With health tech and fintech at the forefront, entrepreneurs across sectors and markets are taking advantage of opportunities, increasing the depth and breadth of this ecosystem. Interestingly, a large proportion of start-ups in India are serving small and medium businesses and low and middle-income groups. India is facing the fourth industrial revolution that will impact entrepreneurs, consumers, youth, and old people alike. The first industrial revolution was due to the power of water and steam, which converted human labour into mechanical manufacturing, while the second industrial revolution was due to electric power, which made production possible on a large scale, and the third industrial revolution brought about the use of electronic and information technology. Experimentation paved the way for automated manufacturing. The Fourth Industrial Revolution is currently underway and involves the sharing of data in automation and manufacturing technology. Five decades of growing capabilities and falling costs in digital communications have resulted in a global service revolution that is reshaping existing industries, labour markets, and the way we relate to and influence each other. The services sector now dominates the manufacturing sector and contributes to over 70% of gross domestic product (GDP) in developed economies.

There has been a significant rise in the number of start-ups in India in the last 6 years. Most of these start-ups belong to the service sector. Till January 10, 2022, the government has recognized more than 61,400 start-ups in India. Apart from this, a record 44 start-ups in India reached unicorn status in 2021. IT services have a strong share (>51%) in the IT-BPM sector. Several policy initiatives were taken during the last year to drive innovation and technology adoption in the sector including other service provider regulations, telecom sector reforms and Consumer Protection (E-commerce) Rules 2020. This will expand access to talent, increase employment generation and take the sector to the next level of growth and innovation.

Service Sector:

The share of the services sector in GDP has almost doubled since independence. Businesses, hotels, restaurants, etc. contribute the maximum percentage to GDP after finance, insurance, and real estate. Tele-density, which is an important part of the spread of telecommunications, increased by 74% in December 2012 from 18 percent in March 2007. FDI inflows into the services sector (the top five sectors including construction) declined sharply by 37.6 percent to a total of $6.4 billion. India is today one of the most attractive economies in the world, backed by a strong banking and insurance sector. According to a joint report by KPMG-CII, India was projected to become the fifth largest banking sector worldwide by 2020. The report also expected that better channelization of bank credit was expected to grow at a compound annual growth rate (CAGR) of 17 percent in the medium term. The Life Insurance Council, the industry body of life insurance companies in the country, had also projected a CAGR of 12-15 percent over the next few years for the financial services sector. The 1991 reforms were comprehensive and affected a large part of the economy. But overall, the political economy of the time did not get the full benefit of those reforms.

The contribution of the services sector to the Gross Domestic Product (GDP) is 50 percent. The sector registered a growth of 10.8% during the first half of 2021-22. The overall service sector is expected to grow by 8.2%. FDI inflow of $16.73 billion has been received in the first half of the financial year 2021-22, and net exports of services have increased by 22.8 percent in the first half of the financial year 2021-22. The revenue of the IT-BPM sector has grown by 2.26 percent to reach $194 billion in the financial year 2020-21. A record of 44 start-ups have reached unicorn status in 2021. Cargo capacity has increased from 1052.23 MTPA in 2014 to 1,246.86 MTPA in 2021. The services sector overall grew at 10.8 percent y-o-y during the first half of 2021-22. The overall service sector GVA is expected to grow by 8.2 percent in 2021-22.

The services sector received equity inflows of $16.73 billion during the first half of 2021-22. India ranked prominent in global services exports. It remained in the top 10 service exporting countries in the year 2020. Its share in world commercial services exports increased from 3.4 percent in 2019 to 4.1 percent in 2020. The impact of the COVID-19 induced global lockdown on India's services exports was less severe than on merchandise exports. Exports registered an increase in double figures. As a result, the net export of services grew by 22.8 percent in the first half of the financial year 2021-22. The size of banking assets in

India stood at US$ 1.8 trillion in FY13 and is expected to reach US$ 28.5 trillion by FY2025. Presently the insurance market in India is growing at the rate of 16% per annum.

Conclusion:

If a large amount of agricultural land has to be used for non-agricultural activities, then it should include such land which is unirrigated and whether that land is useful or unusable. Under the scheme of priority, priority should be given to irrigated land, on which the livelihood of small and marginal farmers and landless agricultural laborers depends. Response farming can be a viable option in climate change adaptation strategies, as climate change is not sudden. There is a need for farmer-oriented programs to improve skills in agriculture and allied sectors. The role of agriculture in economic development has been one of the main concerns of development economics. The role of agriculture was largely limited to providing food, creating work, earning export earnings, saving for investment, and producing primary goods for agro-processing industries. But the contemporary role of agriculture goes beyond this direct market integration contribution. Now agriculture plays an important role in providing indirect non-material contributions which are public goods, social service benefits, and environmental services. Promoting young firms and start-ups will be crucial for greater job creation and high productivity economic growth in India. Resource and policy focus will need to be diverted in this direction.

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