

Study materials for BA (hons) Economics

Part - 2

Paper – 3

Topic – Role of Agriculture in Economic Development

Introduction

For any country to successfully sustain a stable economic growth, improvement in agricultural productivity and fiscal discipline are required. All stakeholders from both the public and private sector must work together to ensure food security as well as the creation of jobs. Moreover, the economic benefits of agriculture go beyond just food security and creating job opportunities. The importance of agriculture in any national economy cannot be underestimated.

- 1- **Contribution to National Income:** - This is arguably the most important contribution of agriculture to the national economy. In many developed and developing countries worldwide, agriculture contributes a huge percentage of the national income. In fact, most developing countries' annual revenue is over 50% dependent on agriculture. Taxes collected from industries, workers, as well as those imposed on agricultural products are very important towards the effective development of the national economy.
- 2- **The Basic Source of Food:-** whether developed, developing or underdeveloped country, having a stable source of the food supply is very important. Heavy population pressure especially in developing and underdeveloped countries leads to increased demand for food.
- 3- **Source of Employment:-** Creating employment to the masses is also another important role that agriculture plays in any economy. Many labourers depend on agriculture to get their wages. They can include, grass cutters, tractor drivers, farming apparatus technicians, or anyone who is directly involved in farming activities. That said, agriculture allows manpower to be shifted between the agricultural and non-agricultural sectors.

- 4- **Provide Raw Material For Industries:-** In developing countries, industries play a very important role in developing their economies. Apart from being a great source of employment, industries also need to buy raw materials for producing finished goods. A huge chunk of these raw materials is directly from agriculture. Materials such as cotton are used in textile industries as raw materials. In addition, products like tea, coffee, sugar, tobacco, and dairy products provide raw materials for various important industries like leather and sports industries.
- 5- **Infrastructure Development:-** Almost every country in the world is constantly trying to improve its infrastructure with agriculture playing an integral part. With well-organized infrastructure, the country will also experience rapid economic development. This is because good infrastructure enables quick means of transport and communication for agricultural goods – both raw and finished.
- 6- **Source of Foreign Exchange:-** Especially in developing countries, agricultural goods are mainly for export. Products such as tea, coffee, sugar, and many more are predominantly meant for export. That being said, if a country is able to export a lot of agricultural products as a result of increased productivity, the foreign exchange earnings will also increase.
- 7- **Development of Banking Sector:-** As agriculture becomes more and more commercialized, the banking sector has in turn experienced tremendous growth. As most governments realize how important agriculture is, measures have to be taken to ensure farmers' earnings are safely kept. Additionally, farmers require credits at low interest rates, thus formation of lots of financial institutions with credit facilities. This way, the banking sector is quickly developed.