

Contribution of Village Economy in National GDP

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Abstract:

Rural development refers to the process of improving the standard of living and economic security of rural communities. According to the 2011 Census, villages house 68.84% of the population. The sluggishness of the rural sector would be a substantial impediment to the overall development of the economy. Rural development in India has undergone a variety of changes in terms of emphasis, methodology, tactics, and projects over the years. India is an agricultural country, with rural areas employing 70% of the labour and housing two-thirds of the population. Agriculture and allied goods provide a living for more than half a billion Indians. Agriculture has made a significant contribution to India's GDP growth. India's rural ecology is vast and expanding rapidly. In 2019-2020, the rural economy provided about half of the nation's total GDP and employs 350 million people (68% of the total workforce). The rural ecosystem has grown by 10% per year (p.a.) during the last five years, and there is still plenty of space for expansion. In this study, we will look at the contribution of the village economy to national GDP.

Keywords:

Contribution, Village, Economy, National GDP, Rural Ecosystem, Agriculture, Agro-Processing, Government Schemes.

Introduction:

Rural India is a true representation of authentic India, as it is home to two-thirds of the Indian population. The countryside of India is a combination of various cultures, languages, dialects, ethnicities, and so on, giving India a unique status in the world. Given that India's rural economy accounts for more than half of its national income, rural growth and development are important drivers of India's overall growth and development. According to studies, India's rural economy has continually supported and contributed to the country's GDP, even when the larger economy has slowed. Understanding the dominant role of the rural economy in Indian economic grounds, it will be a vital contributor in the formation of New India. [1]

New India is about more than simply quantitative growth; it is also about expansion and improvement in qualitative indices. The rural economy is uniquely placed to contribute on both fronts.

Rural India, for example, has just positioned itself to take the lead in the demand rebound caused by the pandemic. The improving level of life of the rural people, as well as the use of new technologies, have made this possible. Nonetheless, there remain a lot of undiscovered economic innovation prospects. The government has implemented a number of policies, incentives, and initiatives to boost consumption and investment in critical rural industries.

The rural sector accounts for 46% of national income and 25-30% of India's GDP. As a result, it is critical that we focus on the growth and development of India's rural economy as we strive to become a \$5 trillion economy by 2025. [2]

Agriculture was once the dominant source of rural economy, but the non-farm sector has taken its place. It is critical to revitalise the rural economy. Modern technology and mechanisation in agriculture can boost production, efficiency, and profitability while lowering costs. Helping farmers live better lives is critical for the country's progress, and the government is taking steps in that regard.

The rural sector is a major driving force in India's economy, employing and giving income to millions. Agriculture is also the backbone of rural communities. Agriculture employs over 55% of the population and

accounts for 17% of the national economy. Lower earnings, poor infrastructure, and limited access to finance and services have all been obstacles for the rural market. However, the tides are finally turning.

Rural India's economy contributes roughly half of the country's GDP and is gradually rising, aided by government and private sector upgrades to physical and digital infrastructure.

The agricultural economy is on the verge of collapse. Companies that address inefficiencies throughout the value chain will see rapid growth. Technology will play a larger role in the agriculture value chain as new generations of farmers take over.

The rural economy accounts for 25-30% of GDP. Agriculture used to be the primary source of revenue and employment in rural areas, but the non-farm economy has surpassed it. Rural rejuvenation necessitates a revolutionary approach aimed at making rural areas more desirable places to live and work. We propose five possible areas for rural revitalization.

Agriculture will continue to play a vital role in achieving food security, increasing income, and creating job opportunities. We must, however, ensure that we encourage modern agriculture that is driven by technology and markets.

Agro-based industrialization, which may progressively transition to the non-farm sector, should stimulate growth in rural areas. Investment in post-harvest rural operations such as agro-processing, packaging, cold chains, cold storage, and transportation will be required. It will also be necessary to create an enabling and favourable regulatory framework in order to encourage private sector investment in rural areas. The most recent Agri-laws and public investments in the Agriculture Infrastructure Fund are positive milestones. This necessitates the formation of commodity clusters and the development of relevant supply chains. We propose creating agro-based 'special economic zones' in rural areas to capitalise on economies of scale while increasing income and employment opportunities. [3]

Government schemes aimed at the rural sector include:

- Pradhan Mantri Kaushal Vikas Yojana (PMKVY): Provide employable skills to 10 million rural youngsters.
- Pradhan Mantri Annadata Aay San Rakshan Abhiyan (PM-AASHA): To ensure farmers receive the minimum support price (MSP).
- Electronic National Agriculture Market (e-NAM): To connect current Agricultural Produce Market Committees (APMCs) to create a single, unified market for agricultural commodities. Millions of farmers and traders gain from it since it streamlines the purchasing and selling process, making it more efficient and accessible.
- Pradhan Mantri Fasal Bima Yojana: To offer financial assistance to farmers who suffer crop losses or damage as a result of unforeseen events, therefore stabilising their income and encouraging modern agricultural practises.

As rural populations become more aware of other lifestyles through media and migration, there is a growing desire for new products and services that fit with their newly discovered ambitions. As rural markets expand, more enterprises will adjust their products and marketing tactics to meet the distinct demands and preferences of rural consumers. [4]

Review of Literature:

The fact that the agricultural sector employs a large part of the Indian population demonstrates the importance of the rural economy (Economic Survey 2021-22). The rural economy of India generates over half of the national income and more than two-thirds of the jobs (Niti Aayog, 2017). The Aayog also emphasises the finding that rural areas provide more than half of the value created in India's industrial sector. The agriculture industry has grown rapidly in the last two years, accounting for a sizable 18.8% (2021-22) of the country's Gross Value Added (GVA), with growth of 3.6% in 2020-21 and 3.9% in 2021-22 (Economic Survey 2021-22). Furthermore, allied sectors like as animal husbandry, dairying, and fisheries are steadily becoming as high-growth industries and important drivers of overall agricultural growth (Economic Survey 2021-22). [5] Agriculture has made a significant contribution to the Indian economy over the years. The importance of agriculture in the Indian economy may be seen in the fact that agriculture employs the most proportion of the Indian population, directly or indirectly, of any other sector (Economic Survey, 2019-20). [6]

However, there has been a progressive movement in rural India's occupation from agricultural to non-agricultural occupations, and rural India has seen rise in non-farm income in recent years. Various issues of the Economic Survey of India have noted the same tendency. People in rural areas have turned to alternative employment alternatives. Ghosh (2013) discovered that the gross domestic product originating from agriculture & allied sector (GDPA) declined significantly during the post-reform period compared to the pre-reform period after studying the turning points in agriculture and evaluating the growth performance of agriculture from 1960-61 to 2006-07. Ghosh goes on to explain that greater agricultural performance prior to reform was obtained mostly in the 1980s as a result of HYV technology.

The good advantages of HYV technology, which ushered in a green revolution in Indian agriculture, could not be sustained in the late 1980s, and as a result, GDPA slowed in the post-reform period (Ghosh, 2013). [7] Rural reconstruction is critical in a country like India, where 'the importance of the rural economy can be gauged by the fact that roughly 70% of India's population, 56% of its revenue, 64% of its expenditure, and 33% of its savings come from rural India' (Shukla, 2010, p. 133). Given its varied constraints, the agriculture industry, which provides the most employment opportunities to rural people, is no longer a suitable sector for rural development in the Indian setting. Furthermore, the current economic trend in industrialised countries demonstrates that the agriculture sector accounts for just a small portion of GDP, with the rest coming from other sectors. [8]

Objectives:

- Studies the sectoral composition of rural economy.
- Rural economy contributes 25-30% to the GDP.
- The rural economy contributed nearly half the nation's overall GDP in 2019–2020 and employs 350 million people (68% of the total workforce).

Research Methodology:

This study's overall design was exploratory. The research report is an attempt based on secondary data acquired from reliable sources such as respectable publications, the internet, articles, textbooks, and newspapers. The research design of the study is mostly descriptive in nature. [9]

Result and Discussion:

Many developing countries are developing strategies aimed at improving the urban industrial sector rather than the agricultural sector, which may be due to the fact that the majority of industrialised countries occupy the income and growth distorting the rural agricultural sector, which is affecting developing countries. In essence, the structural change hypothesis assumes that in an economy, the process of development occurs when reliance on the agricultural sector gives way to a more sophisticated and competitive industrial sector, which serves as a catalyst for economic progress.

The agriculture sector's contribution to development should not be overlooked. Despite these realities regarding the agricultural industry, many developing-country governments believe it is still a potential target sector for addressing rising young unemployment. Nonetheless, the percentage shares of both rural population (measured as a 5 to of total population) and agricultural employment over the world are slowly but steadily dropping (see Figure 1 below). [10]

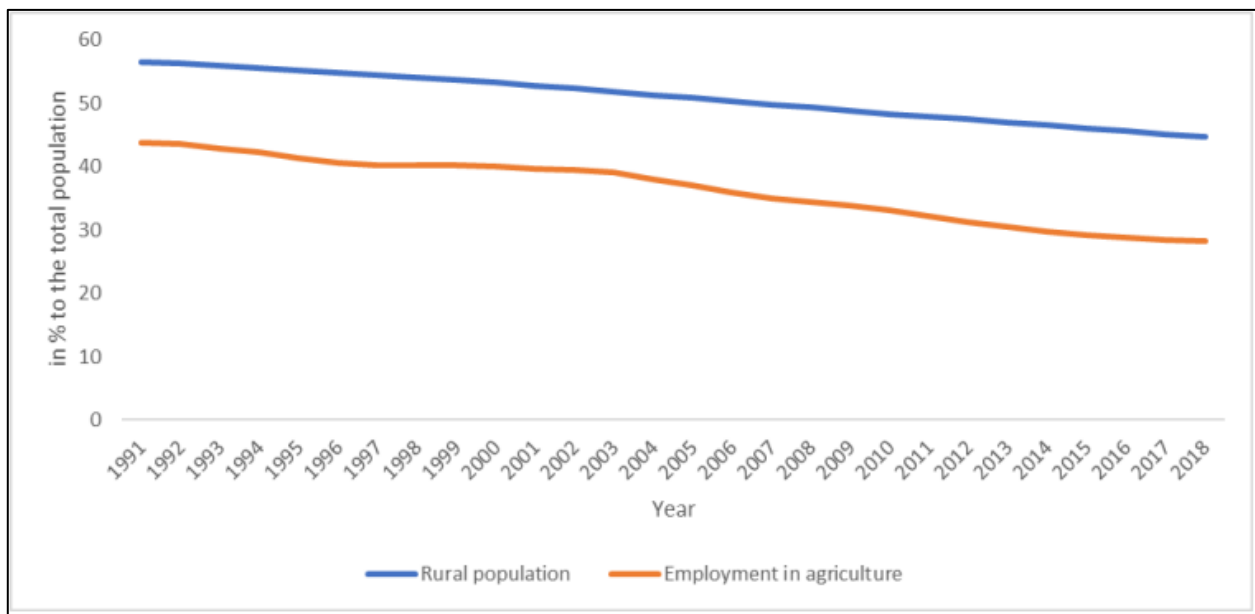


Figure 1: Rural population and employment in agriculture in the world (1991-2018) (Source: World Bank (2019))

Contribution of Rural Areas in Indian Economy:

The contribution of rural areas to the Indian economy from 1970-71 to 2011-12 can be observed in their share of national output and employment¹ (Table 1). In 1970-71, rural areas employed 84.1 percent of the total workforce and created 62.4 percent of total net domestic product (NDP). As a result, the rural share of national income fell precipitously until 1999-00.

The rural percentage of total employment fell as well, but at a slower rate than its share of national output or income.

The declining contribution of rural areas to national output without a corresponding decrease in its employment share implies that a large portion of the country's overall economic growth came from capital-intensive sectors in urban areas without generating significant employment during the period under consideration. Despite this, the rural proportion of output and employment climbed from 22 percentage points in 1970-71 to 28 percentage points in 1999-00.

Table 1. Share of rural areas in total NDP and workforce:

Year	(per cent)	
	Economy	Workforce
1970-71	62.4	84.1
1980-81	58.9	80.8
1993-94	54.3	77.8
1999-00	48.1	76.1
2004-05	48.1	74.6
2011-12	46.9	70.9

After 1999-00, the rural economy's growth rate accelerated and caught up with the urban economy's. This resulted in a stabilisation of rural contribution to overall NDP at roughly 48%. Despite an acceleration in growth, the rural share of national NDP fell marginally from 2004-05 to 2011-12. Rural employment, on the other hand, has steadily dropped from 76.1 percent in 1999-00 to 70.9 percent in 2011-12. Due to a faster decline in the rural part of total employment than in the national NDP, the discrepancy between the rural share of output and employment was reduced to 24% by 2011-12.

Lower-income countries' rural economy continue to be dominated by mostly subsistence-oriented agriculture. [11]

Table 2. Agricultural employment and productivity by national income level, latest year available

	Agricultural employment (% of total employment)	Agriculture (% of GDP)	Cereal yield (kilograms per hectare)	Agricultural productivity (value added per worker, 2005 \$)
	2010-12	2012	2013	2013
World	30.5	3	3,851	1,201
Low income countries	-	28	2,146	336
Middle income countries	37.6	10	3,752	1,060
Lower middle income	43.1	17	3,101	937
Upper middle income	29.5	8	4,400	1,159
High income countries	3.5	1	4,916	18,497

Source: World Bank: World Development Indicators 2014 (Last updated date 16 Dec. 2014).

Potential to contribute in the making of New India and Government Initiatives:

Rural marketplaces in India are becoming increasingly important economic drivers. The exponential development opportunities posed by these sectors have piqued the interest of many policymakers and enterprises. Companies seeking to become high-performing must recognise the potential of India's rural markets. There is hopeful data that implies that rural markets are primarily driven by rising consumer spending power, which is a key driver of growth in a range of sectors. The potential cannot be assessed solely on the basis of current scenarios. Rural economy is not just well ahead in this context; it is one of ten strengthening pillars that may be analysed based on the data provided.

Rural Background in NDP and Workforce:

Table 3 depicts the proportion of people with a rural background in the NDP and the labour force from the 1970s to the 2010s. It demonstrates how, over time, the contribution of urban centres has taken over the rural economy, despite the fact that the majority of the people (70%) is dependent on rural livelihood.

Year	Economy	Workforce
1970-71	62.4	84.1
1980-81	58.9	80.8
1993-94	54.3	77.8
1999-2000	48.1	76.1
2004-05	48.1	74.6
2011-12	46.9	70.9

(Source: NITI Aayog. (2017))

Table 4: Agriculture Growth Rate and GDP growth rate:

Year	Agriculture Growth Rate	GDP Growth Rate
1980-81	14.4	6.7
1990-91	4.3	5.5
2000-01	-0.6	3.8
2010-11	6.5	10.3
2017-18	3.4	6.7
2018-19	2.9	6.8

(Source: PHD Research Bureau, 2018). [12]

Table 4 shows the relationship between the Agricultural Growth Rate and the GDP Growth Rate throughout the specified years. According to the data, there is a positive relationship between GDP growth rate and Agriculture growth rate.

We may conclude that the agriculture business plays an important role in the Indian economy's overall growth and development. This also highlights how India's rural economy is an underutilised source of employment, growth, and development, as rural India is today being pushed by a revitalised sense of aspiration and ambition.

According to the Economic Survey 2019-20, agriculture and its related industries contributed 12.7% of India's exports in 2017-18, 11.8% in 2018-19, and 10.6% in 2019-20 (April-September). In contrast, India's imports of Food & Allied Products were 4.4%, 3.2%, and 3.3% in 2017-18, 2018-19, and 2019-20, respectively. This clearly shows that India's agriculture industry plays a significant role in its overseas trade.

Given the importance of India's rural economy in the overall economy, there is great possibility and hope that the rural economy of India can propel the Indian economy to a 5 trillion dollar economy by 2025. The rural economy's proportion of employment, GDP growth rate, national revenue, and India's international trade all attest to the fact that it will play a prominent role in the formation of New India.

Contribution of Street Vendors to GDP in India:

Street sellers are vital to the Indian economy, contributing significantly to the country's GDP. They are a significant source of work and income for many individuals, particularly those living in low-income areas. Street vending is also a significant component of India's informal economy and a source of goods and services for many people. According to a National Association of Street sellers of India (NASVI) survey, street sellers contribute around 7% of India's GDP.

According to government estimates, street vending provides for 14 percent of overall urban informal employment, and India has approximately 10 million street sellers. The majority of them are illiterate and have low wages. These necessity-entrepreneurs migrate from rural to urban locations in quest of business prospects.

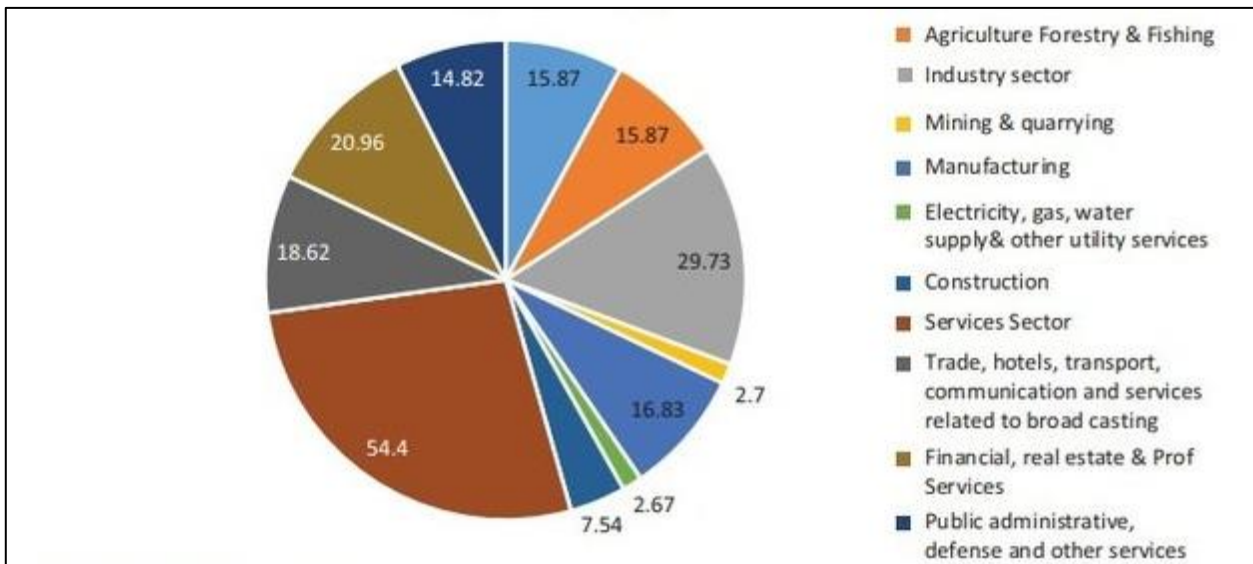


Figure 2: Sector-Wise Contribution of GDP (2018-19) Percentage share (%) (Source: Statistics times.com)

The graph depicts how India's economy evolved over 62 years, from 1951 to 2013, as its economy and population grew. This chart depicts the percentage contribution of agriculture, industry, and services to GDP at constant 2004-2005 prices (inflation adjusted). Agriculture contributed the most to the Indian economy (52% of GDP) in 1951, while the services sector contributed the most (59% of GDP) in 2013.

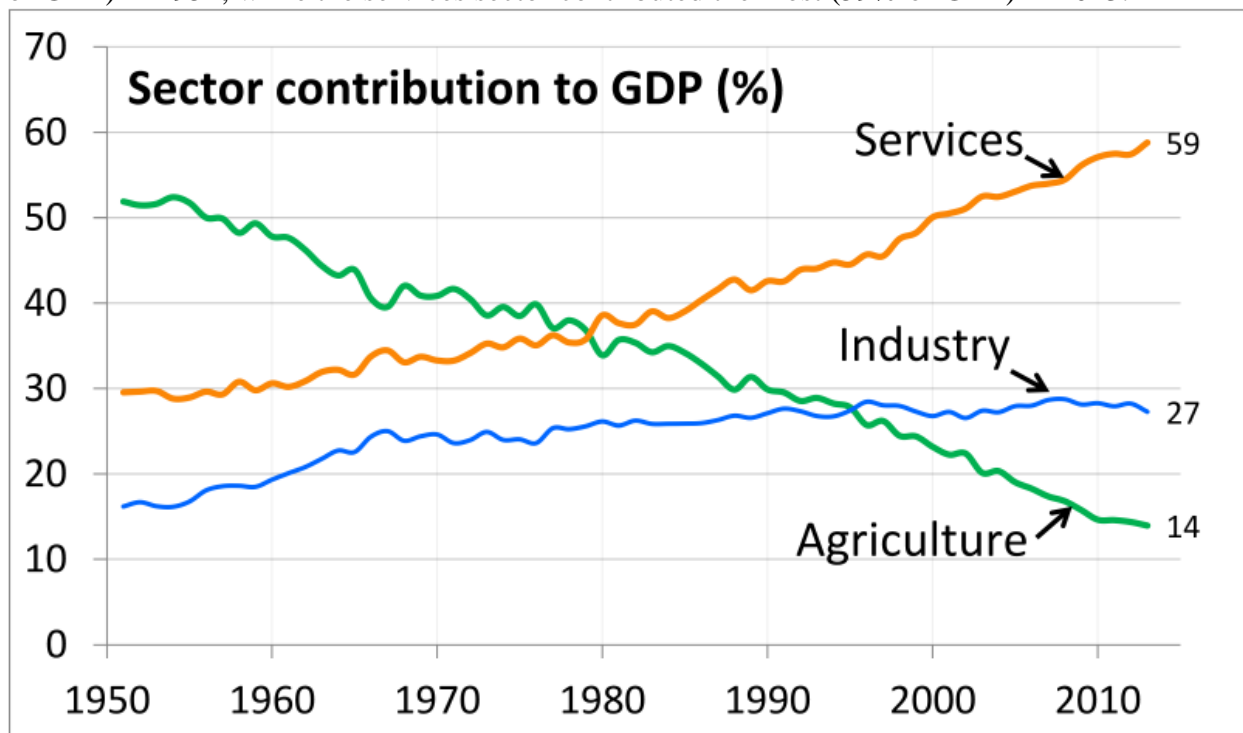


Figure 3: Sector Contribution to GDP (%) [13]

Conclusion:

Agriculture's indirect contribution to GDP is significant in comparison to its direct contribution; in a growing economy, the ratio of indirect to direct contribution rises over time. In some places and agricultural value chains, rurally based agro processing (usually export-oriented) will be a key element of the non-farm economy. Overall, the influence of agricultural growth on non-agricultural industries is ambiguous; however, such an impact is likely to be conditional on other factors, such as location. The construction of an urban hierarchy with a metropolitan centre linked to intermediate cities, rural towns, and villages is a component of spatial development. The proximity of rural areas to towns and cities stimulates non-agricultural activities as

well as farming of items that specifically cater to urban demand. India has traditionally been a rural country, with two-thirds of the people still residing in rural areas. Given that India's rural economy accounts for more than half of its national income, rural growth and development is a critical driver of India's overall growth and development.

Furthermore, more aware and educated rural young want employment that fits their knowledge and abilities, which is an emerging enabling factor. As a result, the contributions of the rural will define India's future significantly.

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