# Contribution of Agriculture, Industry and Services on GDP in Recent Years

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**Abstract:** India's GDP growth and development is the result of increased production and contribution of different sectors of the economy. The study undertaken analyses the growth pattern, shift in GDP share as well as shift in occupational structure of the Indian economy, since few decades. India being a developing country has transformed from agricultural- based economy to service based economy. Today service sector has become major contributor to GDP share and rapidly growing with its strong presence globally. The occupational pattern has also seen shift from agricultural sector to industrial and service sector, however the shift is not much significant. The initiatives like 'Make in India', 'Stand up India', bilateral negotiations and FTA in service sector with other countries have boosted the sector to grow, develop and make its significant presence globally.
**Keywords**: GDP, pattern, transformed, significant, develop.

## Introduction

A country's economic health can be measured by looking at the country's growth and development. A country's economic growth is indicated by the increase in country's GDP. GDP reflects the total value of country's output produced within the national boundary within a specific period of time. GDP is the broad measure of nations overall economic activity which includes public consumption, investments, government outlays, private inventories and foreign Balance of Trade (BoT).

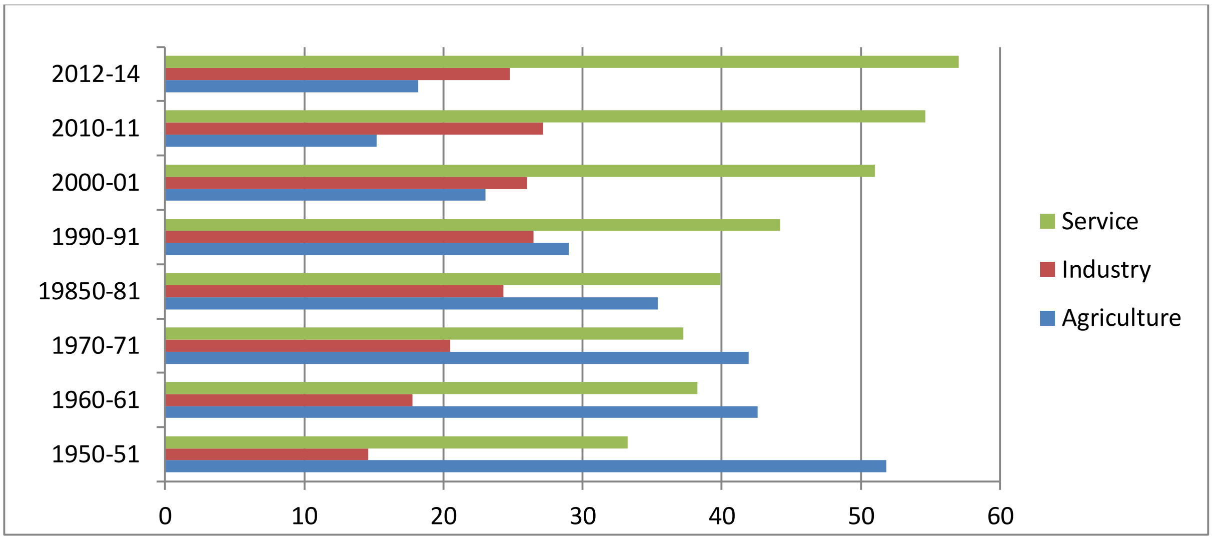
According to Samuelson and Nordhaus, GDP gives the overall picture of the economy, enabling policymakers and central government to judge whether the economy is contracting or expanding. The National Income and Product Accounts (NIPA) forms the basis of measuring GDP. GDP is considered an important indicator of growth as it indicates the overall value of the production of the country. If the economy is booming, GDP is rising.

GDP is the overall value of the production of different sectors of the economy, primarily divided in three sectors i.e., primary sector (agriculture and allied activities), secondary sector (industries) and tertiary sector (services). So, for the rise in GDP it is necessary to develop these three sectors and increase the production in the economy. India being the developing nation and one of the largest market, has shown a rapid growth in production in every sector (especially services), having one of the highest rate of GDP globally.

India's per capita income rose by 7.4 per cent to Rs. 93,293 in 2015- 16, compared to Rs. 86,879. The GNI at 2011- 12 prices is estimated at Rs. 112.3 trillion against Rs. 104.28 trillion in 2014- 15.

**Sector wise contribution of GDP of India (%)**

| Year | Agriculture | Industry | Service |
|---|---|---|---|
| 1950-51 | 51.81 | 14.61 | 33.25 |
| 1960-61 | 42.56 | 17.76 | 38.25 |
| 1970-71 | 41.95 | 20.48 | 37.22 |
| 1980-81 | 35.39 | 24.29 | 39.92 |
| 1990-91 | 29.02 | 26.49 | 44.18 |
| 2000-01 | 23.02 | 26 | 50.98 |
| 2010-11 | 15.21 | 27.16 | 54.64 |
| 2013-14 | 18.20 | 24.77 | 57.03 |




**Source**: Ministry of statistical Program Implement Planning Commission government of India

**Past Literature**

Dasgupta (2001), studied the economic development and the role of manufacturing and service sector under the phenomenon such as, faster growth of service sector in developing countries compared to that of manufacturing sector. He examined the phenomenon in the specific context of India.

Usman M (2016), analysed the data through the method of time series during the period of 1990 to 2014. His analysis concluded that agricultural sector is the eventual cause to increase in GDP of Pakistan

Timmer and de Vries (2009), analyses the importance of service sector in the countries of Asia and Latin America. By using the method of growth accounting techniques, he concluded that during the period of normal growth, manufacturing sector contributes the most. However, during the period of acceleration leading contributor is service sector, along with the important contribution of service sector.

From the above discussion, we can say that there has been the importance of sectoral linkages to understand the economy, its role in economic development and GDP growth. Manufacturing is considered important for the growth of GDP in early phase, but in advanced developing economies, service sector has more contribution in GDP share.

**Agriculture**

Indian agriculture history dates back to Indus Valley civilization. India ranks second in the farm output globally. As a characteristic of developing country, the main occupation over 51 per cent population is engaged in agriculture. Compared to developed countries, population engaged in traditional occupation (agriculture) is much large resulting in low per capita income, low marginal productivity and less land for farming per individual. However Indian agricultural productivity has increased, there has been a decline in GDP share of agricultural sector due to high growth of industrial and service sector.

Before 1960's, India relied upon import of agricultural products due to low productivity, resulting in deficit of BoP because of foreign payments. This led to agricultural reforms and major milestone of Green revolution took place in late 1960's. The green revolution led to increase in productivity and efficiency of food grains through HYV seeds, technological machineries, fertilizers and innovative techniques. The result was significant and a hectare of Indian wheat farm which produced 0.8 tonnes in 1948 produced 4.7 tonnes in 1975 and by 2000 it yielded 6 tonnes per hectare of wheat.

Agriculture plays a vital role in India's economy, and one of the largest contributors to the GDP along with fisheries and forestry. According to 2$^{nd}$ advised estimates by the Centeral Statics Office (CSO), the share of agriculture and allied sectors is expected to be 17.3 per cent of Gross Value Added (GVA) during 2016- 17 at 2011- 12 prices. The Department of Agriculture and Co- operation under Agricultural Ministry is responsible for the development of agricultural sector in India, along with the management of other bodies such as, National Dairy Development Board (NDDB).

Giving the importance to agricultural sector, government has planned sustainable development of agriculture in budget 2017- 18, such as:

1. Allocation of rural, agricultural and allied sectors has been increased by 24 per cent to Rs. 1, 87,223 crores.
2. Government plans to set up a dairy processing fund os Rs. 8,000 crore over three years with initial corpus of Rs. 2, 000 crore.
3. Participation of women in MGNREGA has increased to 55 per cent and allocation of scheme has increased up to a record of Rs. 48, 000 crore.
4. Short- term, crop loans up to Rs. 3,00,000 at subsidised interest rates of 7 per cent to farmers along with incentive of 3 per cent for repayment within due date.
5. NITI Ayog proposed reforms in agricultural sector, including liberal contract farming, direct purchase from farmers by private players, direct sale by farmers to consumers and single trader licence.
6. Centeral Governmnet to open atleast one Krishi Vigyan Kendra in all districts of the country to provide advanced technical assistance o farmers.
7. Pradhanmantri Gram Sinchai Yojna aims to irrigate the feild of every farmer and improving water usage to achieve the motto of 'Per Drop More Crop'.

8. Prandhanmantri Krishi Vikash Yojna aims to motivate group of farmers to take up group of farming.

According to Dr. Bright Singh "Increase in agricultural production and the ruse in per- capita income of the rural community, together with the industrialisation and urbanisation, lead to an increase in demand of industrial products"

According to Prof. Kinderberger, Todaro, Lewis and Nurkse, agriculture makes its contribution to economic development in several ways such as: providing food and raw materials to non- agricultural sectors, creating demand for goods produced in non- agricultural sector, providing foreign exchange through export of agricultural products, etc.

According to 2012 data, place of Indian agriculture globally is:

a) India is top most banana, mango, guava, lemon and papaya producing country in the world.
b) India is second most sugarcane producer of world, after Brazil.
c) India is the second most producers of wheat and rice in the world.
d) India is top producer of dry bean, ginger, pulses and grams.
e) India is top producer of jute, cumin and chilli pepper.

**Industry**

Industrial growth is very critical for any developing nation in order to move towards the path of development. If we look down the history, developed countries have industrialised themselves much before, which has led to the production of finished goods. This finished goods led to increase in exports, capital, innovation, and ultimately resulted in better per capita income, growth of infrastructure and development of the nation.

As the GDP of the country requires contribution from the major sectors of the economy, industrial sector play the major role in the GDP share of any country. In context of India, industries like automobile, iron and steel, textiles, etc., are the major contributors in country's GDP.

- **Automobile Industry**

The industry is one of the fastest growing industries of the country. The finance schemes, easy repayment schemes and increase in income have boosted the demand of automobile sector. Automobile industry has the share of 7.1% of country's GDP. In automobile industry, Passenger Vehicles segment has 13% of the market share in India. The share of two- wheelers, passenger vehicles and commercial vehicles grew by 8.29%, 9.17% and 3.03% respectively, during the period of April- Jan 2017.

The automobile industry has attracted FDI of worth $15.7 billion during the period of 2000 to 2016, according to Department of Industrial policy and Promotion (DIPP). The government of India for the encouragement, expansion and development of automobile sector, has allowed 100% FDI under the automatic route. Some of the major initiatives are:

a) According to Auto Mission Plan 2016- 26, as a 'Make in India' initiative, government aims to make automobile industry as a main driver of 'Make in India' by tripling the market to 9.4 million units by 2026.
b) Government plans to promote eco- friendly cars in the industry such as, CNG based vehicles and electric vehicles.

Some of the achievements of Indian automobile sector are:

- Largest three- wheeler market.
- Second largest two- wheeler market.
- $10^{th}$ largest passenger car market.
- $4^{th}$ largest tractor market.
- $5^{th}$ largest commercial vehicle market.

- **Cement Industry**

The role of cement industry has been significant in economic development and India's GDP, due to immense growth in housing sector, infrastructure development and construction of transportation system.

With the entry of many foreign players in the market, annual monthly capacity utilization during the year 2006- 07 was 94% with 155 million tonnes of cement dispatches. The growth rate of cement during the year 2006- 07 was 9.1% with the export of 9.9 million tonnes.

- **Iron and Steel Industry**

It is one of the fastest growing industry in India, ranking fifth in the world in terms of production of steel in 2006- 07. The amount of crude steel produced during the period of 2006- 07 was 50.71 million tonnes and finished steel 51.9 million tonnes. But due to the growth of the industry, India became the second- largest steel producer overtaking Japan in 2016, according to data released by International Stainless Steel Forum (ISSF). At annual conference in Tokyo, ISSF said that, India's stainless steel production rose to 3.32 million tonnes for 2016 with a 9% of growth against # million tonnes achieved in 2015.

**Initiatives**

1. **SIDO** (Small Industries Development organisation)

It is the apex body for promotion and development of small scale industries in the country.

2. **Stand Up India**

It focuses on handholding of both SC/ST and women borrower. The scheme is facilitating bank loans repayable up to 7 tears. It provides creation of credit guarantee mechanism through the National Credit Guarantee Trustee Company (NCGTC). The scheme also provides refinance window through Small Industries Development Bank of India (SIDBI) with an initial amount of Rs. 100 billion.

**3. Make in India**

Make in India initiative was launched on 25th September, 2015 in order to encourage national and multinational companies to manufacture their production in India. Make in India programme is an initiative of government to attract FDI (Foreign Direct Investment) in the country, generate employment and increase the share of manufacturing globally as well as in country's GDP. Under this programme 25 priority sectors have been identified in which FDI caps have been relaxed which allows greater investment opportunities for foreign investors. Some of the objectives of 'Make in India' are:

a) Focus on job creation and skill development in 25 sectors of the economy.
b) Providing high quality standard and minimizing the import of the government.
c) Attract technological and capital investment in India.
d) FDI caps relaxed to attract more sand more FDI.
e) Initiate growth in manufacturing sector and increase its world share.
f) Promote India as a global manufacturing hub.

**Services**

The GDP in India is experiencing faster rate of economic growth. The percentage share of sectors in GDP has largely changed due to rapid growth of services due to reforms taken place during1991. Indian economy before 1991 was being considered as an agricultural based economy, but it has now become pre- dominantly services based with the major GDP share.

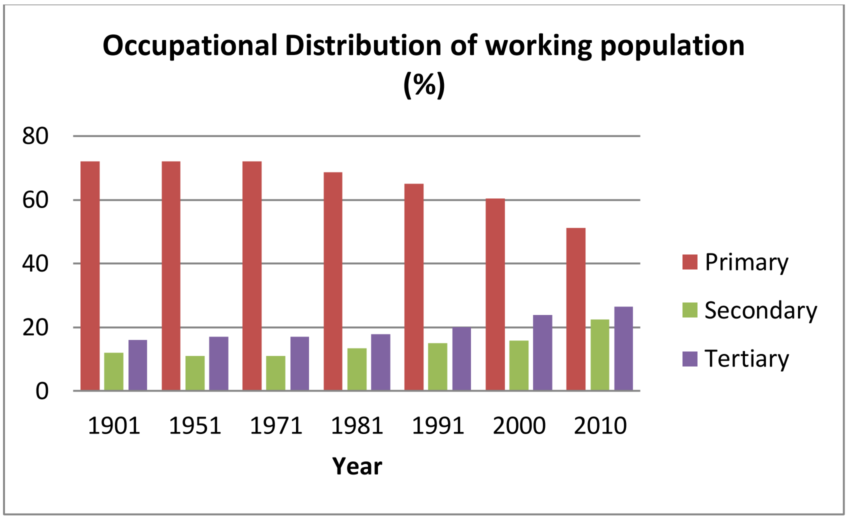
According to the Economic Survey for 2013- 14, Indian service sector is the second fastest growing sector globally during last 11 years with the compound annual growth rate of 9 per cent. Growth if Indian service sector has been higher than that of overall GDP during the period of 2001 to 2014. India's service sector covers a wide variety of activities such as trade, hotels, transport, and real estate, banking, insurance, etc. India's share in world's services export increased from 0.6 per cent in 1990 to 1.1 per cent in 2000 and further to 3.3 per cent in 2013. The contribution of the service sector has increased very rapidly in India's GDP, with many foreign consumers showing interest in the country's service export due to cheap, highly skilled and educated labour force. Foreign companies are outsourcing their works in areas of business services and information technology services. Export of software services accounts for nearly 40 per cent of country's total service exports.

However, while generating high incomes in service sector, it is low on generating employment according to ILO's Global Employment Trends 2016.

In a country like India, having a huge size of population, service sector can transform the large size of manpower into an asset by its proper utilization and thereby generating huge size of income for the nation.

**Occupational distribution of working population (%)**

| Year | Primary | Secondary | Tertiary |
|---|---|---|---|
| 1901 | **72** | **12** | **16** |
| 1951 | **72** | **11** | **17** |
| 1971 | **72** | **11** | **17** |
| 1981 | **68.7** | **13.5** | **17.8** |
| 1991 | **65** | **15** | **20** |
| 2000 | **60.4** | **15.8** | **23.8** |
| 2010 | **51.1** | **22.4** | **26.5** |




**Source:** World Development Indicator, 2011

There has been sharp decrease in the share of primary sector in the employment from 72 per cent in 1971 to 51.1 per cent in 2010, whereas share of service sector in generation of employment has increased from 17 per cent in 1971 to 26.5 per cent in 2010. As per the National Survey Sample Organisation (NSSO) report on Employment and Unemployment situation in India in 2009- 10, among 1000 people employed in rural India, 679 people were employed in agricultural sector, 241 people in service sector and 80 people in industrial sector. Whereas, in urban part of India, 75 persons are employed in agriculture, 683 people in service sector and 242 people in industrial sector.

Government has taken major steps in order to boost the service sector. For the purpose it has signed bilateral agreements with countries such as Singapore, Malaysia, South Korea and Japan. Free Trade Area (FTA) in services and investment is also signed with Association of South East Asian Nation (ASEAN).

According to the Economic Survey 2011- 12, "The service sector has been a major and vital force steadily driving growth in the Indian economy for more than a decade".

**Conclusion**

From above we can say that, there has been a major shift in GDP share and occupational structure in Indian economy since few decades. Among the three major sectors contributing to the development of the India economy, contribution of service sector is increasing steadily. In most of the developed countries, service sector is contributing the major share of GDP and generates more employment than manufacturing sector. Although, primary sector is dominant employer followed by the service sector the share of service sector has been increasing over the years both in terms of GDP share and employment. It is necessary for the government to take initiatives to boost employment in service sector and decrease the dependence on primary sector for employment. The decrease of employment in agriculture will lead to increase in marginal productivity of farmers and increase in per capita income. However, initiatives for growth and development of each sector are equally essential for overall growth of GDP.

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