

A.S.D. GOVT. DEGREE COLLEGE FOR WOMEN

(Autonomous)

Jagannaickpur, Kakinnada, E.G.Dt. (AP) - 533 002
(NAAC 'B' Grade 3rd Cycle)



UGC Sponsored
Two Day National Seminar on
**India's Economic Slowdown:
Dynamics and Perspectives**

6th and 7th March 2020



Organized by
DEPARTMENT OF ECONOMICS & DEPARTMENT OF COMMERCE

 **Roshan Publications**

Editors
Dr. K.Yamuna, Ms. R.R.D.Sirisha & Ms. M.Suvarchala

Dr. D. PYDITALLI
MA.(Eng), MA(Edu), PGDCA, SLET, Ph.D.
Lecturer / Asst. Professor
Dept. of Economics
Govt. Degree College (M)
SRIKAKULAM (A.P.)

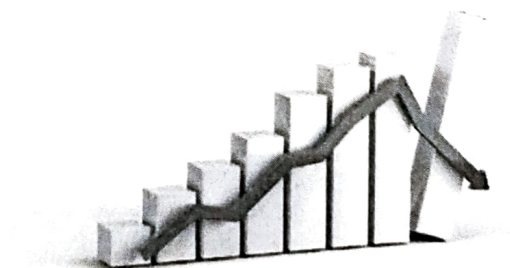
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State of Indian Agriculture and allied sectors in the economic slowdown scenario

Dr. Pyditalli Duppada

Assistant Professor of Economics

Govt. Degree College (Men), Srikakulam, Andhra Pradesh, India-532001.

I. Abstract:

India has always been an agriculture based economy in terms of providing livelihoods and ensuring food security to the large sections of the population. India is facing the formidable task of meeting food needs of growing millions. From a historical perspective, there has been considerable progress in Indian agriculture. India has come a long way from food deficient country to a food surplus country. As per the fourth advance estimate of agricultural production, a record food grains output of 285 million tones was achieved in 2017-18. This is a five-fold increase in food grain production since 1950-51. As agriculture is getting diversified there is a need to not only argument but also restructure the pattern of investment in agriculture. Any attempt to address India's food needs in the 21st century must begin with accounting of the challenges ahead. Several research organizations and individuals have projected demand for and supply of food grains in general and cereals in particular under different assumptions and scenarios. Agriculture and allied sectors like animal husbandry, forestry, and fisheries accounted for 15.4% of the GDP in 2016. India's economic growth hit a six-year low of 5 per cent in the first quarter of the current fiscal. It is estimated that the growth may further slip to below 5 per cent in the second quarter and overall the economy is likely to register a less than 5 per cent expansion for the full fiscal. The present study focuses on the status of Agriculture and allied sectors in the composition of India's Gross Domestic Product (GDP) in constant and current prices with reference to the economic slowdown.

Key Words: Agriculture and Allied Sectors, Food Security, GDP, Output, Economic Slowdown.

II. Introduction:

Agriculture remains the pre-dominant occupation in India for vast sections of the population. Agriculture and allied sectors are critical in terms of employment and livelihoods for the small and marginal farmers, who dominate the agriculture ecosystem in India. Over the years, several new challenges have emerged before the sector. With fragmentation of agricultural holdings and depletion of water resources, the adoption of a resource- efficient, ICT based climate-smart agriculture can enhance agricultural productivity and sustainability. To transform the rural economy, greater emphasis should be given to allied sectors. Growth rate in the agriculture and allied sectors has remained volatile in the past due to large dependence on rainfall and the predominance of crop agriculture in value added. However, the volatility of output growth as measured by coefficient of variation has declined from 2.7 in the period of 1961-1988 to 1.6 during 1989-2004 and further to 0.8 during 2005 to 2018. This has been made possible by the shift in the composition of the Gross Value Added of the sector and greater share of non-crop sectors. This has helped stabilize the growth rate in agriculture and allied sectors and frequent negative growth rates are no longer there due to this compositional shift. Agriculture and allied sectors are critical in terms of employment and livelihoods for the small and marginal farmers, who dominate the agriculture ecosystem in India. The Indian economy grew at 6.8 per cent in 2018-19, thereby experiencing some moderation in

growth when compared to the previous year. This moderation in growth momentum is mainly on account of lower growth in Agriculture & allied Activities. To eradicate the numerous socio- economic and environmental problems of India should focus on the sectors like agriculture and manufacturing in order to increase employment and reduce poverty and also formulate effective and appropriate policies to uplift the education and health sector.

III. Objectives: The present study is undertaken keeping in view the following major objectives, viz.

1. To study about the agriculture sector in detail.
2. To know the current status of agriculture in India.
3. To review about different agricultural initiative programmes.
4. To identify the challenges and role of agriculture in Indian economy.

IV. Research Methodology:

The present study is conceptual survey with exploratory cum descriptive in nature. It is based on the analysis of secondary data. The secondary data is availed from various Journals, Internet, Government reports and Books.

V. India's Economic Slow Down:

Economic slowdown means the pace of the decrease of GDP growth. It means the production and earnings of the economy are not growing at the same pace as last year. India's economic growth hit a six-year low of 5 per cent in the first quarter of the current fiscal. It is estimated that the growth may further slip to below 5 per cent in the second quarter and overall the economy is likely to register a less than 5 per cent expansion for the full fiscal. The crisis brewing within the Indian economy has gained unanimous acceptance by now. Even the latest annual report of the RBI for the fiscal year 2018-19 (or FY19) confirmed that the Indian economy has indeed hit a rough patch. The GDP growth rate of the economy has slipped to 5 per cent in the first quarter of the Financial Year 2019-20, the lowest in over six years. Real growth in 'Agriculture & allied' sector was lower in 2018-19 at 2.9 per cent, after two years of good agriculture growth. As per the 3rd Advance Estimates released by Ministry of Agriculture & Farmers Welfare, the total production of food grains during 2018-19 is estimated at 283.4 million tons in 2017-18 (final estimate). There was a significant decline in food prices in 2018-19 as indicated by nearly zero per cent consumer food price inflation in 2018-19 with price contraction straight for five months in the year.

VI. OVERVIEW OF INDIAN AGRICULTURE AND ALLIED SECTORS:

The Total Gross Value Added (GVA) at basic prices in agriculture has been indicating negative rate from 8.0 per cent in 2015-16 to 6 percent in 2018-19 and further 4.9 percent in 2018-19. The Gross Value Added (GVA) in agriculture also indicating negative rate from 6.8 per cent in 2016-17 to 2.8 per cent in 2019-20. While the crops, livestock and forestry sector showed fluctuating growth rates over the period from 2014-15 to 2018-19. The fisheries sector has shown a rapid growth from 4.9 per cent in 2012-13 to 14.7 per cent in 2017-18. The growth of GVA is presented in table-1.

Table-1

Growth of GVA in Agriculture & Allied Sectors at 2011-12 prices						
Year	Total GVA at basic prices	Agriculture, Forestry & Fishing	Crops	Livestock	Forestry & Logging	Fishing and Aquaculture
2010-11	8.0	8.8	11.4	7.3	-3.1	5.5
2011-12	5.2	6.4	7.2	7.5	-1.5	5.2
2012-13	5.4	1.5	0.2	5.2	0.2	4.9
2013-14	6.1	5.6	5.4	5.6	5.9	7.2
2014-15	7.2	-0.2	-3.7	7.4	1.9	7.5
2015-16	8.0	0.6	-2.9	7.5	1.7	9.7
2016-17	8.0	6.8	5.3	10.0	5.5	10.4
2017-18	6.6	5.9	4.4	7.4	6.2	14.7
2018-19	6.0	2.9	-1.0	8.1	0.4	12.0
2019-20	4.9	2.8	NA	NA	NA	NA

Source: Central Statics Office, Ministry of Statistics & Programme Implementation, As per the press note on First Revised Estimates of Annual National Income 2018-19 released by CSO on 31st January 2020. **Note:** *Third Revised Estimates, # Second Revised Estimates, @ First Revised Estimates, ** First Advanced Estimates of GDP, released on 7th January 2020.

VII. Share of Agriculture Sector in GVA:

The share of agriculture, forestry and fishing in GVA has seen a steady decrease over the years from 18.6 per cent in 2013-14 to 17.7 per cent in 2015-16. The decline was mainly due to decline in the share of crops in GVA from 12.1 percent in 2013-14 to 9.4 per cent in 2018-19. While the crops sector share rate showed fluctuating over the period from 2011-12 to 2018-19. The livestock sector has shown a moderately increased. The fisheries sector has been indicating a positive rate from 0.8 percent in 2011-12 to 1.2 percent in 2018-19. The share of Agriculture and allied sectors in GVA is presented in the table - 2.

Table - 2

Share of Agriculture and Allied Sectors in Total GVA of the country at current basic prices in percent					
Year	Agriculture, Forestry & Fishing	Crops	Livestock	Forestry & Logging	Fishing and Aquaculture
2011-12	18.5	12.1	4.0	1.5	0.8
2012-13	18.2	11.8	4.0	1.5	0.9
2013-14	18.6	12.1	4.1	1.5	0.9
2014-15	18.2	11.2	4.4	1.5	1.0
2015-16	17.7	10.6	4.6	1.5	1.1
2016-17*	18.0	10.6	4.8	1.5	1.1
2017-18#	18.0	10.4	5.1	1.4	1.2
2018-19@	17.1	9.4	5.1	1.3	1.2

Source: Central Statics Office, Ministry of Statistics & Programme Implementation, As per the press note on First Revised Estimates of Annual National Income 2018-19 released by CSO on 31st January 2020.

*Third Revised Estimates, # Second Revised Estimates, @ First Revised Estimates

VIII. Sector wise share of percentage in GVA at current prices and constant (2011-12) prices:

The growth in real GVA during 2018-19 has been lower than that in 2017-18 mainly due to relatively lower growth in 'Agriculture, Forestry & Fishing', 'Mining and Quarrying', 'Manufacturing', 'Electricity, Gas, Water Supply & Other Utility Services', 'Financial Services, 'Public Administration and Defense' and 'Other Services'. During 2018-19, at constant prices, the growth rates of Primary (comprising Agriculture, Forestry, Fishing and Mining & Quarrying), Secondary (comprising Manufacturing, Electricity, Gas, Water Supply & Other Utility Services, and Construction) and Tertiary (Services) sectors have been estimated as 1.0 per cent, 6.0 per cent and 7.7 as against a growth of 5.8 per cent, 6.5 per cent and 6.9 per cent, respectively, in the previous year. The shares of broad sectors of the economy in terms of overall GVA during 2011-12 to 2018-19 is presented in the table - 3.

Table - 3

Sector wise share of in GVA at current prices(in percent)								
Sector	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2017-18
Primary	21.7	21.3	21.4	20.9	20.1	20.4	30.3	19.3
Secondary	29.3	28.7	27.9	27.3	27.6	27.0	26.9	26.6
Tertiary	49.0	50.0	50.6	51.8	52.3	52.6	52.8	54.0
Total	100	100	100	100	100	100	100	100

IX. Gross Capital Formation in Agriculture & Allied Sector:

Gross Capital Formation (GCF) in agriculture and allied sectors as a percentage of GVA saw a rise to 17.7 per cent in 2013-14 but declined thereafter to 15.2 per cent in 2017-18. The GCF in agriculture and allied sectors in absolute terms increased from 2,51,094 crore in 2012-13 to 2,73,755 crore in 2017-18 at 2011-12 prices. The GCF of different sectors from 2011-12 to 2018-19 has been presented in the table - 4.

Table - 4

Gross Capital Formation in Agriculture & Allied Sector						(Rs. Crore)
Year	Agriculture, Forestry & Fishing	Crops	Livestock	Forestry & Logging	Fishing and Aquaculture	
2011-12	2,73,870	2,34,400	25,155	2,155	11,763	
2012-13	2,51,094	2,11,507	24,376	2,097	13,113	
2013-14	2,84,424	2,40,087	27,098	2,166	15,073	
2014-15	2,72,663	2,26,079	27,655	2,465	16,465	
2015-16	2,37,648	1,93,117	24,506	2,799	17,226	
2016-17*	2,67,153	2,18,116	26,228	3,846	18,964	
2017-18#	2,83,922	2,30,322	28,858	3,648	21,094	
2018-19@	3,06,749	2,47,126	32,753	4,375	22,495	

Source: Central Statics Office, Ministry of Statistics & Programme Implementation, As per the press note on First Revised Estimates of Annual National Income 2018-19 released by CSO on 31st January 2020.

*Third Revised Estimates, # Second Revised Estimates, @ First Revised Estimates

X. Findings and Conclusions:

The process of economic development in India as with other developing economies has resulted in the inevitable declining share of agriculture and allied sector in Gross Value Added (GVA). However, the declining share does not undermine the significance of this sector as it continues to sustain employment/livelihood and food security of the Indian economy, which has implications for the factor incomes received. Besides, the absorptive capacity of the other sectors in terms of livelihoods or employment opportunities is rather limited. Agriculture and allied sectors grew at 3.5 per cent per annum during 2005-06 to 2018-19 as compared to 2.4 per cent per annum during the previous decade (1995-96 to 2004-05). Real GVA at Basic Prices is estimated to increase from ₹129.07 lakh crore in 2018-19 to ₹135.40 lakh crore in 2019-20. Estimated growth of real GVA in 2019-20 is 4.9 per cent as against 6.6 per cent in 2018-19. GVA at Basic Prices for 2019-20 from 'Agriculture, Forestry and Fishing' sector is estimated to grow by 2.8 per cent as compared to growth of 2.9 per cent in 2018-19. Economists said that the GDP deflator for agriculture is negative for the first time in many years. In other words, farmers are earning less than what they were before. As one of the world's fastest growing economies, India, is now facing sluggish growth, with the Reserve Bank of India sharply cutting GDP growth forecast to 6.1 percent for 2019-20, which is lowest in last six years. There has been a sharp decline in the performance of key sectors. Whatever the reason for the slow down, the opportunity to speed up must accommodate a diverse body of opinion and options for sustainable and inclusive growth.

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