



## INDIA'S EXPENDITURE ON CAPITAL FORMING SECTOR: AGRICULTURE AND ALLIED ACTIVITIES

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### **Abstract**

*Indian agriculture needs to be given an uplift to build a solid foundation for the estimated upcoming Five Trillion Economy of the world. This paper indicates what agriculture and its allied activities are given by the government in absolute terms and how it reduces to insufficient percentage in front of our lion sized economy.*

**JEL Classifications:** *H<sub>0</sub>, H<sub>5</sub>, H<sub>6</sub>, Q<sub>10</sub>*

**Key Words:** *Agriculture, Plan Expenditure, Union Budget, Capital Formation*

### **Introduction**

“Agriculture sector is often not given due credit for its contribution in the economic growth of the country, rather it is contingent to what happens in other sectors of the economy”

Kuznets S. (1961)

Though the contribution of the agriculture sector in India's growth is falling over a period of time, its significance in terms of providing employment and other cultural identities has remained intact. India is still an agrarian economy in terms of job generations to millions of people. India is a leading nation at international level when it comes to agro products. Then, why is it so that this sector is getting fewer support from the major investor of this economy- The Government?

In India, we are aware that the ministries of different sectors would need to provide their estimation about plan expenditure on various schemes, after being assessed by the planning commission, for the budget estimate of every next fiscal year. Though in practice the overall estimated budget size for the next fiscal year rely on the projected availability of resources with the finance ministry, it was by convention assumed that every annual budget size would sprung from the permitted size by the over – all Five Year Plan.

So, we have analysed the expenditure of the Union Government on Agriculture and Allied activities, which is considered as an important capital forming sector among the other nine sectors of the economy. The information is covering the period from 1987 – 1988 to 2015 – 16, till the Planning Commission got replaced by NITI Ayog on 1<sup>st</sup> January 2015 and from 2016-17 to 2022-23.

The Union Budget had provision for total plan outlay till the budget of 1987-88. However, from the budget of 1987-88 onward only central total plan expenses are subject to be informed in the Union Budget. So in our analysis we have considered the plan spending allocation from the year 1987-88 to 2015-16. From 2016-17 onward plan spending has been replaced by active spending. So, after the NITI Ayog came into picture, we have used total expenditure figures given by the Union Government in its various budgets, for our analysis in this paper.

### **Objective**

To study financial support provided by the union government to the agriculture sector in India.



### Literature Review

According to Sertoglu K. and et al. (2017) more agriculture funding could result in positive economic growth in Nigeria, Patrick Enu (2014) also concluded that in Ghana various sub sectors of agriculture contribute significantly in the economic growth.

The Malaysian economy, in order to meet its sustained growth objective, has to focus on making its agriculture sector as a global player by adopting a more competitive approach, apart from providing subsidies, was the suggestion given by Ahmad, T. T. M. A., & Suntharalingam, C. (2009).

### Research Methodology and Analysis

In this paper, researcher has opted for secondary data, available from various Union Budgets and IMF. The important variable studied is expenditure by the government of India incurred on Agriculture and its allied activities. Tabulations, Graphs and Percentage methods have been adopted to understand the actual weightage given to this particular sector of India.

The Table 1 brief the year wise Central Total Plan Expenses. It indicates year after year Budgeted Estimates (BE) as well as Revised Estimates (RE) is increasing.

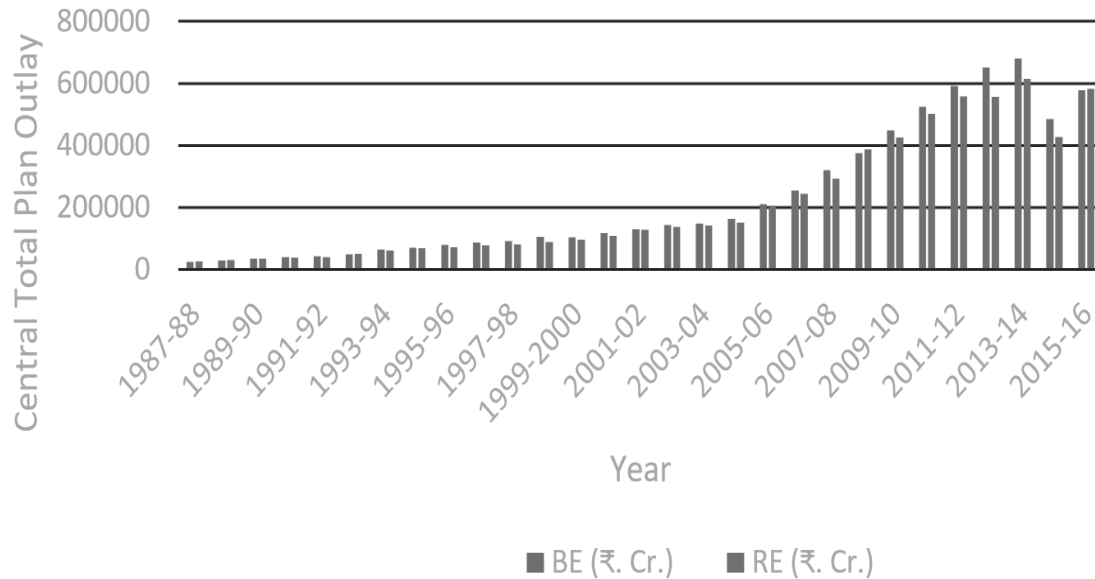
**Table .1, Central Total Plan Outlay (in ₹. Cr.):**

Year	BE <sup>^</sup>	RE <sup>^</sup>	Year	BE <sup>^</sup>	RE <sup>^</sup>
1987-88	24622	25701	2002-03	144038	136867
1988-89	28715	30166	2003-04	147893	141766
1989-90	34446	35713	2004-05	163720	150818
1990-91	39329	38053	2005-06	211253	205338
1991-92 <sup>+</sup>	42148	40172	2006-07	254041	244229
1992-93	48407	49719	2007-08	319992	292337
1993-94	63936	61454	2008-09	375485	388078
1994-95	70141	68316	2009-10	447921	425590
1995-96	78849	71680	2010-11	524484	502250
1996-97	87086	77518	2011-12	592457	558172
1997-98*	91839	81033	2012-13	651509	556176
1998-99	105187	88482	2013-14	680123	614134
1999-00	103521	96310	2014-15	484532	426811
2000-01	117334	108587	2015-16	578382	582707
2001-02	130181	127856			
<sup>^</sup> BE= Budget Estimate, RE = Revised Estimate					
<sup>+</sup> Interim Budget Values					
<sup>*</sup> Provision for Indira Awas Yojana and National Social Services Sector are included in Rural Development Sector from this budget.					

**Source: Compiled from Various Union Budgets. Jagtap S. (2019)**



**Diagram 1. Central Total Plan Outlay**



Source: Jagtap S. (2019)

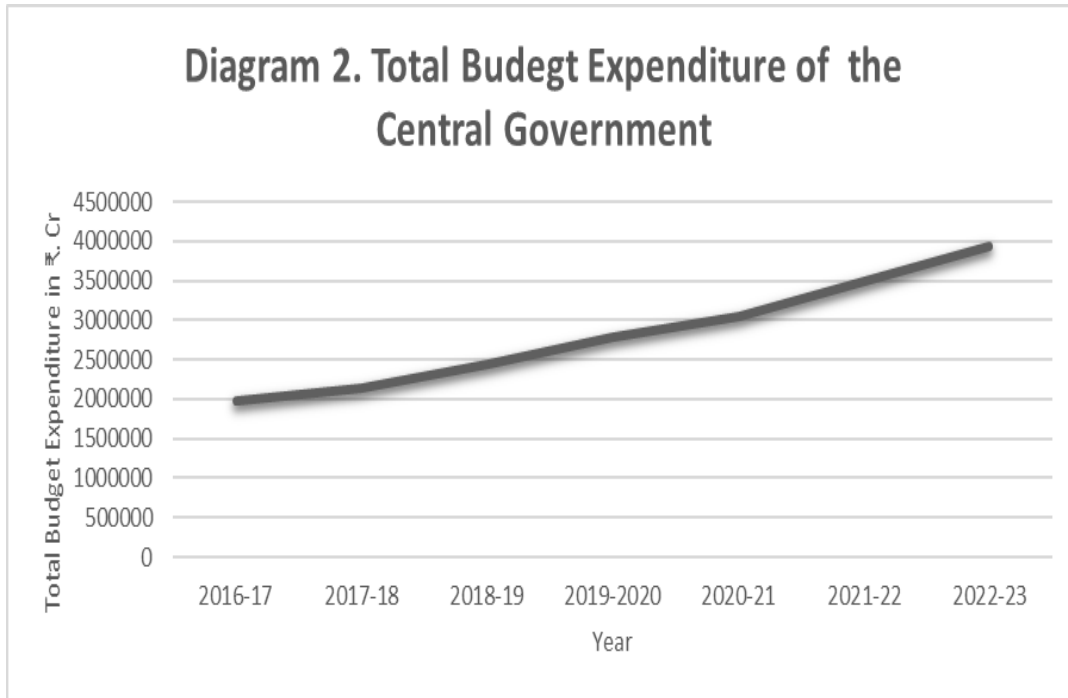
Diagram 1. Shows the total planned fund allocation for the different sectors out of the total budget size of the central government was very low till the year 2005-06.

After which it started expanding rapidly till 2013-14 then it showed the reduction. The information on real expenses on these sectors, the government started publishing from the year 2009-10 only. The study has concluded that budgeted fund allocation is always more but revised spending is low and when it comes to actual fund released it has further lowered than what was announced in the budget.

The total budgeted expenditure of the government for various activities has grown tremendously over a period of time. Table 2 gives us the overview about it from 2016-17 to 2022-23.

**Table 2. Central Government Total Budgeted Expenditure (in ₹. Cr.):**

Year	Total Expenditure
2016-17	1978060
2017-18	2146735
2018-19	2442213
2019-2020	2786349
2020-21	3042230
2021-22	3483236
2022-23	3944909
Source: Compiled from Various Union Budgets	



Source: Derived by The Research Scholar from Table 2.

Let us evaluate the expenses related to agriculture and its allied sector for which the central government is taking up deliberate steps to improve so that capital forming assets will be developed and hence it will contribute to the growth of the economy. While allocating the funds to this sector it is always presumed that more equitable distribution of the income will happen and employment generating activities will increase.

### Agriculture and Allied Activities

Agriculture and Allied Activities includes agriculture, forestry, logging and fishing. Over a period of observation, the spending allocated to agriculture and allied activities is found to be gradually decreasing as percent of Central Total Expenditure. The expenses also include the North- East states’ development of the primary sector. Agricultural growth is not only vital to attend the target of GDP growth it is also essential for the sustainability of the development process.

Table 3. Agriculture and Allied Activities

Year	Central Total Plan Outlay (₹. Cr.)		Percent of Central Total Plan Outlay	
	BE	RE	BE	RE
1987-88	912	1157	3.70	4.50
1988-89	1078	1290	3.75	4.27
1989-90	1203	1371	3.49	3.84
1990-91	1584	1392	4.02	3.65



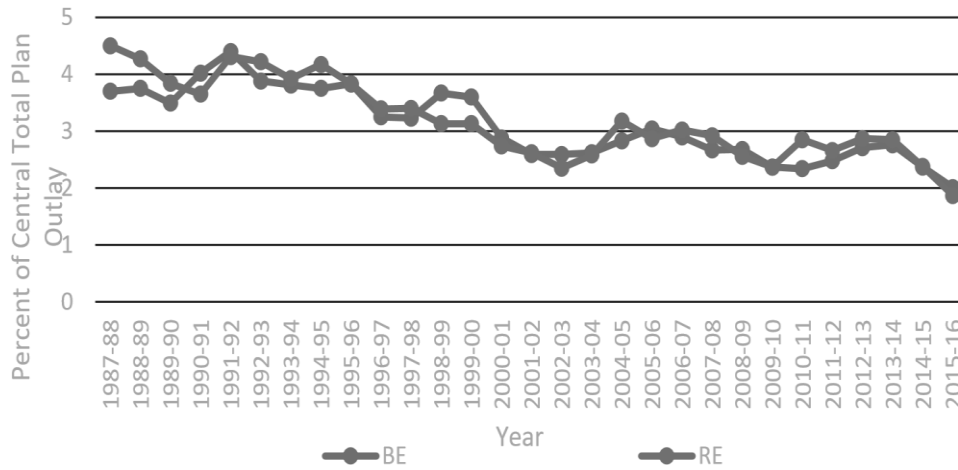
1991-92	1858	1735	4.40	4.31
1992-93	1879	2099	3.88	4.22
1993-94	2436	2410	3.81	3.92
1994-95	2637	2853	3.75	4.17
1995-96	3022	2747	3.83	3.83
1996-97	2831	2630	3.25	3.39
1997-98	2969	2756	3.23	3.40
1998-99	3864	2777	3.67	3.13
1999-00	3736	3017	3.60	3.13
2000-01	3381	2982	2.88	2.74
2001-02	3380	3351	2.59	2.62
2002-03	3733	3219	2.59	2.35
2003-04	3866	3671	2.62	2.58
2004-05	4643	4799	2.83	3.18
2005-06	6425	5907	3.04	2.87
2006-07	7385	7391	2.90	3.02
2007-08	8558	8544	2.67	2.92
2008-09	10074	9969	2.68	2.56
2009-10	10629	10123	2.37	2.37
2010-11	12308	14362	2.34	2.85
2011-12	14744	14855	2.48	2.66
2012-13	17692	15971	2.71	2.87
2013-14	18781	17557	2.76	2.85
2014-15	11531	10199	2.37	2.38
2015-16	11657	10942	2.01	1.87

**Source: Jagtap S. (2019)**

Table 3. show plan outlay on agriculture and allied activities though seems to be fluctuating but over a period it is falling. Similarly, Table 4 given below indicates, budgeted as well as revised estimated amount as present of total expenditure of the union government on this sector from the year 2016-17, is falling. Though the absolute allocation to this sector has increased.



**Diagram 3 Agriculture and Allied Activities Fund Allocation from 1987-88 to 2015-16:**



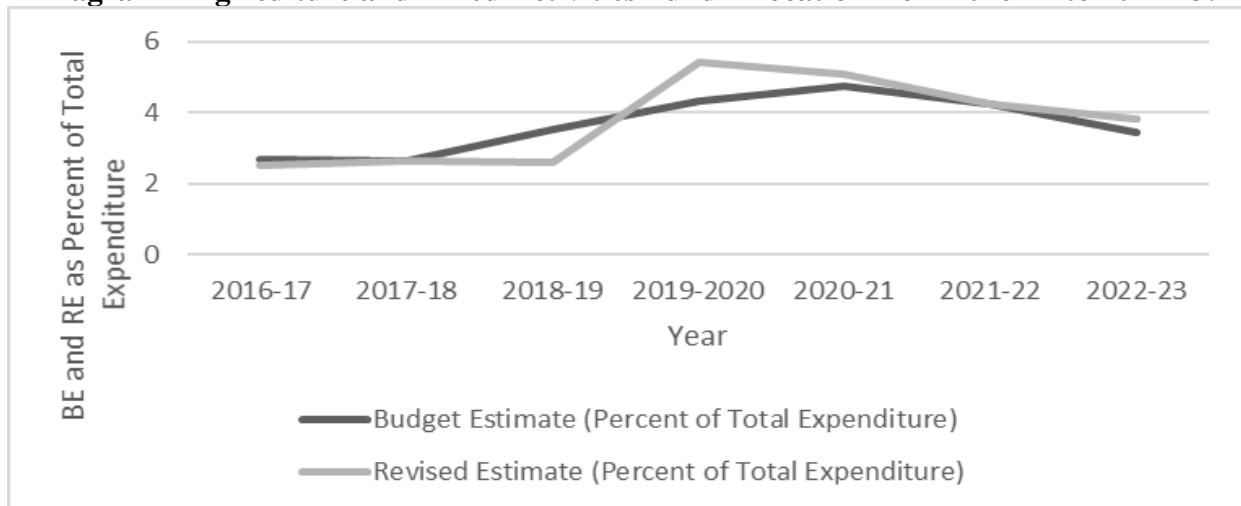
Source: Jagtap S. (2019)

**Table 4 Budget and Revised Estimated Expenditure as Percent of Total Expenditure of the Union Government**

Year	Budget Estimate (Percent of Total Expenditure)	Revised Estimate (Percent of Total Expenditure)
2016-17	2.68	2.54
2017-18	2.63	2.65
2018-19	3.54	2.61
2019-2020	4.33	5.43
2020-21	4.77	5.08
2021-22	4.24	4.25
2022-23	3.45	3.84

Source: Compiled from Various Union Budgets.

**Diagram 4 Agriculture and Allied Activities Fund Allocation from 2016-17 to 2022-23:**



Source: Derived by The Research Scholar from Table 4.



Since the primary sector is still the important area generating livelihood to a major section of the Indian society, the government intervenes to provide relief. According to the different Planning Commission Reports, especially the Xth Plan Report of 2002-2007, the public investment in irrigation has dropped considerably throughout successive plan times. Similarly, forest development is lagging behind mainly because of pathetic planning aptitude, market imperfections and lack of private participation. Jagtap S. (2019).

The Agriculture and Allied Activities sector is providing livelihood to 54.60 percent of the total worker force of India’s population as agriculture workers as opined by Census 2011. It comprises 45.10 percent cultivators and 54.90 percent agriculture labourers. During 1981, 1991 and 2001 about 60.50, 59.00 and 58.20 percent respectively of agriculture workers out of our total workforce were getting means of support according to the Ministry of Agriculture and Farmers Welfare (2016). Jagtap S. (2019).

The Situation Assessment Survey of Agriculture Households (Jan- Dec, 2013) indicates that the percent of agriculture households indebted is 51.90 percent and average monthly income is just ₹ 6426.00 per agriculture household. Jagtap S. (2019).

If we go by these reports given by government agencies, then it can be concluded that agriculture and allied sectors are stagnating with respect to generating income level to those who are totally depending upon it for living. The absolute number of people employed in this sector, which is at the mercy of monsoon, is increasing in every Census. For instance, as per Census of 1981 the number was 148.0 million, whereas for Census of 1991 it was 185.3 million. Thereafter it increased to 234.1 million and 263.1 million as per Census of 2001 and 2011 respectively. About 13.00 percent of GDP contribution is coming from this sector. It is the largest market for industrial output along with being the principal provider of raw material to industries. Whereas, the planned spending dedicated to this sector is declining over a period of time. This has resulted into poor development of the sector and hence the poor standard of living of the major chunk of the population. It has very badly influenced the export contribution done by this sector to the total national export. For example, in 1990-91 it was contributing 18.49 percent, in 2000-01 14.23 percent and in 2010-11 just 9.94 percent. In the year 2014-15 it has revived a bit to 12.64 percent. But in the year 2016-17 it staggered again. The major causes cited by experts were demonetisation and high export prices as the Indian government took away the export incentives. Madaan (2017). Jagtap S. (2019).

**Table 5 Central Revised Plan Outlay on Agriculture and Allied Activities as Percent of GDP:**

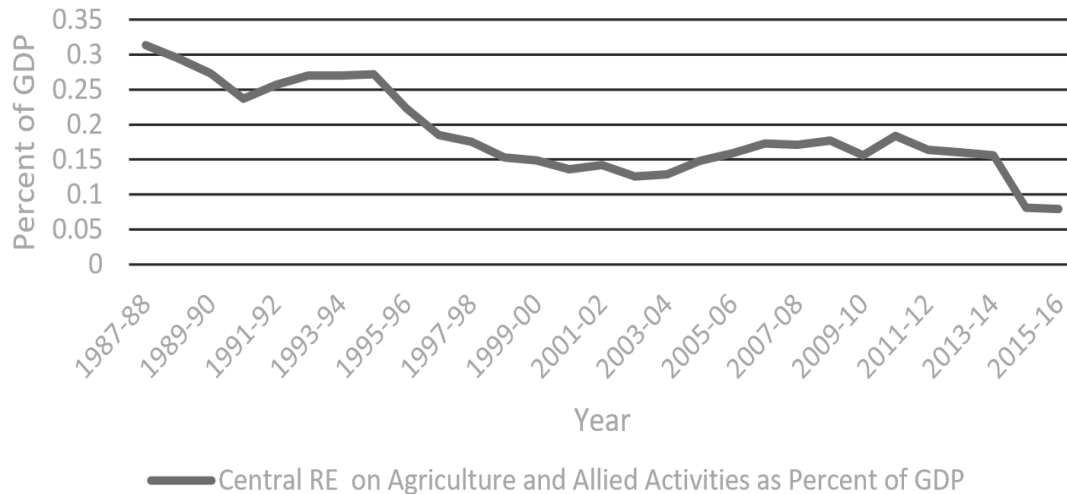
Year	Central Revised Plan Outlay on Agriculture and Allied Activities as Percent of GDP	Year	Central Revised Plan Outlay on Agriculture and Allied Activities as Percent of GDP	Year	Central Revised Plan Outlay on Agriculture and Allied Activities as Percent of GDP
1987-88	0.314	1997-98	0.175	2007-08	0.171
1988-89	0.295	1998-99	0.153	2008-09	0.177
1989-90	0.273	1999-00	0.149	2009-10	0.156
1990-91	0.237	2000-01	0.136	2010-11	0.184
1991-92	0.257	2001-02	0.142	2011-12	0.164



1992-93	0.270	2002-03	0.126	2012-13	0.160
1993-94	0.270	2003-04	0.129	2013-14	0.156
1994-95	0.272	2004-05	0.148	2014-15	0.081
1995-96	0.223	2005-06	0.159	2015-16	0.079
1996-97	0.185	2006-07	0.173		

Source: Jagtap S. (2019)

**Diagram 5. Central Revised Plan Outlay on Agriculture and Allied Activities as Percent of GDP:**



Source: Jagtap S. (2019)

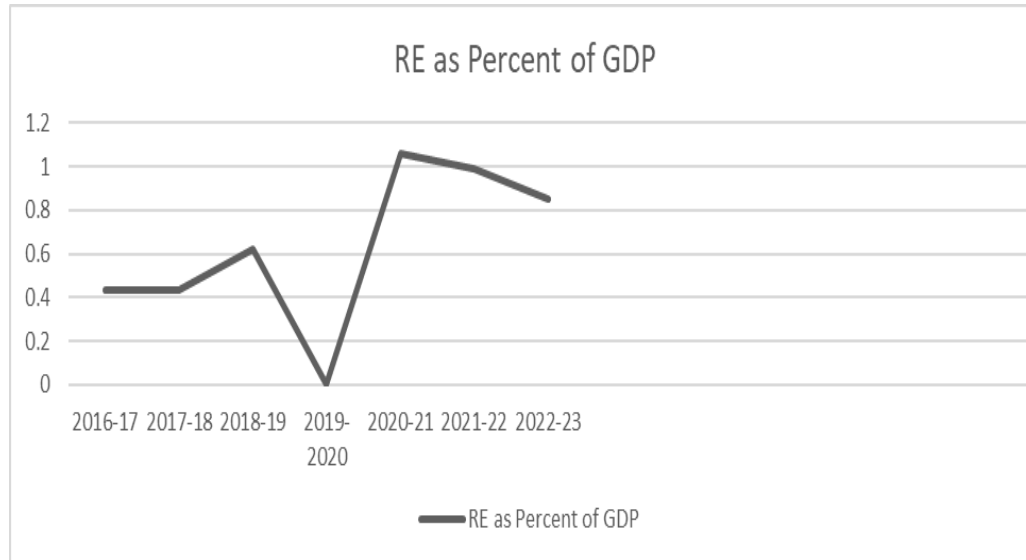
Diagram 5 focuses on how much this particular sector is getting from the central government as percent of the GDP. As the GDP is growing, attention given to this sector in the form of financial assistance for development is reducing. If the contribution made by this segment is about 13.00 percent in the GDP growth, then we can affirm that given fund support is very negligible means always less than 1.00 percent throughout the period. So even if in absolute size the finance allocated to this sector seems to be large it is not enough to provide income generating avenues to the population depending totally upon it. Jagtap S. (2019).

**Table 6 Central Revised Expenditure on Agriculture and Allied Activities as Percent of GDP:**

Year	RE Percent of GDP	Year	RE Percent of GDP
2016-17	0.4312	2020-21	1.0619
2017-18	0.4305	2021-22	0.9899
2018-19	0.6188	2022-23	0.8514
2019-2020	0.8313		

Source: Calculated by research scholar





**Source: Derived by the Research Scholar from Table 6**

Since the inception of the NITI Ayog, the Agriculture sector has gained some increased attention from the government, but it is still way lower than the requirement of the economy.

### Conclusion

The overview of the budgetary support given to agriculture and its allied activities seems to be growing in absolute size as a ratio of total expenditure incurred by the government every year on various activities, it is very meagre. As the size of our GDP is concerned, the attention and funds made available to this sector is very low to believe that India will have sustainable productivity growth in the farm sector.

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