



Original Article

Impact of Agricultural Economics on Rural Development in India.

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Manuscript ID:
RIGJAAR-2025-021223

ISSN: 2998-4459
Volume 2
Issue 12
Pp. 111-114
December 2025

Submitted: 12 Nov. 2025
Revised: 17 Nov. 2025
Accepted: 18 Dec. 2025
Published: 31 Dec. 2025

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Web: <https://rlgjaar.com>



DOI:
[10.5281/zenodo.18143419](https://doi.org/10.5281/zenodo.18143419)

DOI Link:
<https://doi.org/10.5281/zenodo.18143419>



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Abstract

India is primarily a rural nation, with two-thirds of its population and 70% of its workforce living in rural regions. The rural economy accounts for 46 % of the national income. Despite the increasing trend of urbanization, it is anticipated that over half of India's population will remain rural by 2050. Therefore, the growth and development of the rural economy and its population are crucial for the overall growth and inclusive development of the country. Traditionally, agriculture has been the main sector of the rural economy and a significant source of rural employment. The shift in the composition of output and occupations from agriculture to more productive non-farm sectors is viewed as a vital driver of economic growth and transformation in both the rural and overall economy. However, there has been a lack of serious efforts to analyse and comprehend the transition within India's rural economy. Economic research on rural India has primarily concentrated on changes in rural employment, categorized by gender and at a broad sectorial level between agriculture and non-agriculture. The study emphasizes the significant changes that have occurred in India's rural economy, which have often been overlooked. Contrary to the widespread belief regarding the dominance of agriculture in the rural economy, approximately two-thirds of rural income is now derived from non-agricultural activities. Additionally, it is remarkable to note that more than half of the value added in India's manufacturing sector comes from rural areas. Nevertheless, the notable expansion of the non-agricultural sector in rural India has not resulted in substantial employment growth or a decrease in disparities in worker productivity. This highlights the necessity for a new strategy to guide the transition of the rural economy.

Keywords-Rural employment, Impact of Agriculture on Rural development in India, Agricultural Economy, Rural transformation.

Introduction

Agricultural economics plays a crucial role in rural development by enhancing income, generating employment, and improving overall welfare. A strong agricultural sector contributes to better infrastructure, enhanced nutrition, and the alleviation of poverty. By utilizing economic principles in agriculture, strategies can be formulated to boost productivity, enhance market access, and ensure equitable prices for farmers. This creates a beneficial multiplier effect across the rural economy, facilitating a shift towards a more prosperous and sustainable future. The acceleration of economic growth and the transition from an agrarian economy to an industrial or modern economy hinge on the effectiveness of the agricultural sector in facilitating this shift. Given that a significant portion of the workforce is engaged in agriculture, where labour productivity remains low, it is essential to achieve a more rapid growth in agriculture to enhance the remuneration of employment. Although a substantial increase in the agricultural workforce in India is unlikely, it becomes crucial to utilize the underemployed and unemployed individuals.

India gained freedom in 1947. Farms faced big problems then. Land sat in tiny bits. Output stayed low. The nation fixed this with key changes. Lawmakers pushed to join small plots into larger ones. This cut travel time for tools and boosted crop gains. Government spent big on farms. Cash built major dams and canals. Systems like Bhakra Nangal watered dry fields. They fed the Green Revolution in the 1960s. High-yield seeds paired with water to double wheat and rice harvests. Price rules helped too. Minimum support prices set fair rates. The state bought grains direct from fields. This filled warehouses and curbed hunger. Markets faced controls. Traders could not cheat farmers on weights or deals. Credit grew easy for growers.

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How to cite this article:

Darade, H. N. (2025). Impact of Agricultural Economics on Rural Development in India. Royal International Global Journal of Advance and Applied Research, 2(12), 111–114. <https://doi.org/10.5281/zenodo.18143419>



Banks shifted after 1969. Leaders sent them to villages. Regional rural banks started in 1975 to serve far spots. Cooperatives pooled cash for cheap loans. All this eased debt traps.

India holds edge in choice crops. Cotton threads clothes worldwide. Groundnut and soy seeds plant vast acres. Protein meals feed livestock. Spices flavour kitchens. Basmati rice scents plates from Middle East to Europe. To tap world sales, leaders eyed WTO rules. The Agreement on Agriculture, or AOA, set trade terms. It pushed open doors. India slashed import taxes. It dropped other blocks like quotas. Plan called for more exports to lift farm speed. Growth did not pick up as hoped. Cereal sales lost pull. Support prices rose fast. Local grains cost too much abroad. World prices jumped wild. Bugs and diseases crossed borders. Cheap foreign grains poured in. New sellers fought hard. Exports stalled. Farm push needed fresh paths. Government intervention in this sector is deemed essential to enhance production and sustain supply, thereby keeping commodity prices within manageable limits. The Centre has led

institutional reforms supported by a financial stimulus to rejuvenate private investment, infrastructure development, and post-harvest technology. Additionally, it has enacted three Acts aimed at rectifying the structural deficiencies present in the sale, marketing, and storage of agricultural produce regulated by the state-operated APMC markets. Given that agriculture falls under the state list of the Constitution of India, it is crucial to evaluate how states should revise their current policies and institutions to align with the new Central laws, with the goal of increasing farmers' income levels and promoting sustainable agriculture.

India's federal framework emphasizes agricultural development and the central government's involvement through various programs and financial assistance.

Review of Literature

Better economic conditions for rural homes play a key role in cutting the wide gap in income per person between rural and urban areas. This gap stays high year after year. To close it, the rural economy must grow much faster than urban India. Most rural jobs and output come from farming in the past. Now, a shift happens. Output and jobs move from farming to non-farm areas like small factories and services. Experts see this shift as a main driver of growth in rural and overall economy. In India, it moves slow. Studies show this trend exists. Aggarwal and Kumar noted it in 2012. Maurya and Vaishampayan saw it too that year. Papola agreed in his 2012 work. Yet progress drags. This paper looks close at changes in the rural economy. It checks effects on new jobs and job types over 40 years. It digs into why output grows in non-farm work but jobs do not match. Rural India needs more factory jobs, trade, or local services. Output rises there. Jobs lag behind. The paper spots reasons for this gap. It points to weak skills training

or poor links to markets. Findings lead to clear steps. Push rural growth that creates jobs. Focus on skills, roads, and credit for small business. Such steps speed the shift and lift incomes. They help all of India grow even.

Objectives

1. To enhance the infrastructure within rural regions
2. To decrease unemployment by creating job opportunities.
3. To ensure access to clean water, educational facilities, electricity, and effective communication.
4. To examine the influence of agriculture on enhancing the quality of life for the rural populace.

How Agricultural Economics Propels Rural Development

1. **Income and employment:** Agriculture serves as the foundation of the rural economy, offering direct employment and income to a significant segment of the population. Policies in agricultural economics that enhance production and productivity lead to increased incomes for rural households and can generate jobs in related sectors such as dairy, poultry, and fisheries.
2. **Poverty reduction:** A rise in agricultural income is closely associated with decreased poverty rates and enhanced living standards. By tackling challenges such as low productivity and limited market access, agricultural economics plays a crucial role in elevating rural communities out of poverty.
3. **Infrastructure development:** The economic growth spurred by a robust agricultural sector creates a demand for improved infrastructure, including roads, irrigation systems, and storage facilities. These advancements, in turn, further boost agricultural output and enhance rural connectivity.
4. **Food and nutritional security:** Enhancing agricultural production and efficiency is essential for guaranteeing food security in rural regions. Economic policies can encourage crop diversification and effective farming practices to ensure a balanced diet and mitigate the risk of food shortages.
5. **Empowerment and diversification:** Agricultural economics can steer rural development by promoting the diversification of rural households into secondary activities such as horticulture, animal husbandry, and mushroom cultivation, which augment income and provide more stable livelihoods.
6. **Improved market access and fair pricing:** The examination of agricultural economics underscores the importance of market access in addressing numerous rural challenges. By evaluating supply and demand, it advocates for policies that ensure farmers receive equitable prices for their products and have improved access to markets, which is essential for generating profits and reinvesting in their farms.



Role Of Agriculture in Indian Economy



The image depicts the diverse role of agriculture in the Indian economy, emphasizing its crucial contributions to employment, national income, trade, and industrial supply chains.

1. **Providing Raw Material to Industries:** In the continuous production of goods, there exists a persistent requirement for raw materials. To meet this demand, a majority of industries within the country source these raw materials directly from agricultural fields. In India, approximately fifty percent of the revenue generated by the industrial sector is derived from industries that are based on agriculture. Consequently, the industrial sector in India exhibits a significant reliance on the agricultural sector.
2. **Importance in International Trade:** Significance in Global Commerce It serves a crucial function in producing foreign exchange revenue via the exportation of goods like tea, spices, cotton, and rice.
3. **Share in National Income:** Agriculture serves as the primary source of income for both central and state governments. The national government derives considerable revenue from increasing land revenue. Furthermore, the transportation of agricultural products contributes to revenue for the Indian railways, thereby assisting the government in generating income.
4. **Largest Employment Providing Sector:** Agriculture serves as the main source of income in India, over half of the country's total population is involved in the agriculture sector, making it the sector with the highest number of employees nationwide. In contrast to developed countries, approximately 54.6% of India's total population is engaged in agriculture, whereas in developed nations like the UK, USA, France, and Australia, only 2% to 6% of the total population participates in the agriculture sector.
5. **Contribution to capital formation:** Agriculture plays a significant role in India's capital formation. Higher agricultural income and productivity result in increased savings, which can be allocated towards

physical capital investments such as machinery and irrigation systems, while also generating tax revenue that can be utilized for public infrastructure projects like roads and canals. Moreover, the surplus generated from agriculture is essential for foreign exchange, thereby facilitating the growth of other sectors and contributing to overall economic advancement.

6. **Providing of food surplus to the expanding population:** India ranks as the second most populous nation globally. To sustain such a large population, there is an ongoing demand for food supply. Consequently, there is a necessity for agriculture, as well as a requirement to reduce reliance on the agricultural sector for economic stability.

Challenges In Agricultural Economics for Rural Development

Challenges in agricultural economics pertaining to rural development encompass resource depletion (such as water scarcity and land degradation), economic pressures (including rising costs, insufficient investment, and price volatility), as well as social and demographic changes (notably labour shortages, an aging rural population, and skill gaps resulting from technology adoption). Additionally, climate change and heightened international competition further exacerbate issues related to productivity and income stability for rural communities, thereby affecting livelihoods and overall well-being.

- **Climate change:** Severe weather phenomena, including droughts, floods, and heat waves, significantly diminish crop production and the accessibility of essential resources for agriculture.
- **Increasing costs and inadequate investment:** Farmers are experiencing financial pressure due to rising input expenses, including fertilizer, while frequently lacking adequate investment in technologies and infrastructure that enhance productivity.
- **Market instability and competition:** Farmers are subject to global competition and variable pricing, which can significantly affect their earnings and complicate planning.



- **Land fragmentation:** Small plots of land may compel households to participate in both agricultural and non-agricultural activities to sustain their livelihoods.
- **Labour shortages and demographic changes:** Rural regions frequently experience out-migration, resulting in a diminished workforce and an increasingly aging population.

Government Policies for Indian Agricultural Sector for Rural Development

The policies implemented by the Indian government concerning the agricultural sector and rural development emphasize income support, crop insurance, and the adoption of technology. Significant initiatives encompass the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) aimed at providing direct income support, the Pradhan Mantri Fasal Bima Yojana (PMFBY) which offers crop insurance, and programs such as Per Drop More Crop and the Sub-Mission on Agriculture Mechanization (SMAM) designed to encourage micro-irrigation and the use of modern farming equipment. Additional policies advocate for organic farming, soil health management, and livestock development, in conjunction with infrastructure enhancements like those facilitated by the Pradhan Mantri Gram Sadak Yojana (PMGSY), which has significantly improved rural connectivity and access to markets and healthcare.

- **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN):** This initiative provides direct financial assistance of ₹6,000 annually to small and marginal farmers, distributed in three equal instalments to help meet their economic requirements.
- **Pradhan Mantri Fasal Bima Yojana (PMFBY):** This program offers insurance coverage for crop losses caused by adverse weather conditions and other risks, tackling challenges such as high premium costs and insufficient coverage amounts.
- **Agriculture Infrastructure Fund (AIF):** This fund facilitates the development of post-harvest infrastructure, including storage and processing facilities, aimed at enhancing the agricultural infrastructure framework.
- **Pradhan Mantri Gram Sadak Yojana (PMGSY):** This scheme is dedicated to constructing all-weather rural roads, which has significantly improved market access, connectivity for women's self-help groups, and availability of education and healthcare services in rural communities.
- **Rashtriya Krishi Vikas Yojana (RKVY):** Offers financial assistance for agribusiness start-ups and infrastructure development to enhance the value of agricultural produce.
- **Digital Agriculture Mission:** Seeks to create a digital public infrastructure for agriculture, providing services related to crop planning, access to inputs, insurance, and market intelligence.

Conclusion

Agricultural economics plays a significant role in influencing rural development in India. When bolstered by supportive policies such as market access, risk management, and rural livelihoods programs—agricultural growth can

yield substantial welfare benefits and alleviate poverty. Nevertheless, for such growth to be sustainable and inclusive, policies must tackle climate risks, promote gender participation, and create avenues for rural diversification. The empirical strategy suggested here provides a clear method to measure these impacts and guide policymaking at the state level.

Conclusions and Strategic Options for Promoting Employment Growth. The empirical evidence regarding the transformations in the rural economy over the last forty years leads to the following conclusions and strategic options aimed at fostering pro-employment and equitable growth in rural regions.

Acknowledgment

The author expresses sincere gratitude to all those who have contributed, directly or indirectly, to the successful completion of this research paper. I am deeply thankful to the management and Principal of K.V.N. Naik College, Canada Corner, Nashik, for providing a supportive academic environment and necessary institutional facilities.

I extend my heartfelt thanks to my colleagues in the Department of Commerce for their valuable suggestions, constructive feedback, and continuous encouragement throughout the research process. Their intellectual support has been instrumental in refining the ideas and structure of this study.

Finally, I am grateful to my family and well-wishers for their constant motivation, patience, and moral support, which enabled me to complete this work successfully. Any shortcomings or errors that remain are solely the responsibility of the author.

Financial support and sponsorship

Nil.

Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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