

VACC
UNDERSTANDING INDIA
UNIT-VII (INDIAN ECONOMY: FEATURES, PROBLEMS AND PROSPECTS
LECTURES: 4
MARKS: 5

CONTENT:

- 1. Indian agriculture and industry: role, problems and prospects**
- 2. Growth of service sector in India**

PRACTICE QUESTIONS AND ANSWERS

Q/1. What is the percentage of India's current workforce employed in the agriculture sector?

Ans: According to the Economic Survey 2023-24, 45.8 percent of workforce are employed in the agriculture sector in India.

Additional note: India's workforce is nearly 56.5 crore as of now, with more than 45 percent employed in agriculture, 11.4 percent in manufacturing, 28.9 percent in services, and 13.0 percent in construction. (Data: Economic Survey, 2023-24).

Q/2. What is Green Revolution?

Ans: The Green Revolution was an era in India's history that began in the 1960s, during which high yielding variety (HYV) seeds, mechanised farm tools, irrigation systems, pesticides, and fertilisers were used to transform agriculture into a modern industrial system. This period, which was primarily directed by Indian agricultural scientist **M. S. Swaminathan** was part of **Norman E. Borlaug's** bigger Green Revolution initiative, which used agricultural research and technology to boost agricultural output in underdeveloped countries.

The Green Revolution in India began in 1968, under the leadership of Congress leader Lal Bahadur Shastri, and resulted in a rise in food grain output, particularly in Punjab, Haryana, and Uttar Pradesh. Environmental activists like Vandana Shiva, on the other hand, have studied the long-term repercussions of the green revolution, and believe that it has resulted in more environmental, financial, and sociological issues for the country, like droughts, rural debts, and farmer suicides. Farmers, the land, food, and water supplies have all suffered as a result of chemical use, according to reports. Agriculture systems in many areas collapsed as a result of this.

Q/3: Give a highlight on the sector-wise contribution to India's national income?

Ans: The services sector is the largest sector of India. Gross Value Added (GVA) at current prices for the services sector is estimated at 146.44 lakh crore INR in 2023-24. The services sector accounts for 54.72% of total India's GVA of 267.62 lakh crore Indian rupees. With GVA of Rs. 73.93 lakh crore, the Industry sector contributes 27.62%. While Agriculture and allied sector share 17.66%. (Data: Ministry of Statistics and Programme Implementation)

Q/4: What is a Sunrise industry?

Ans: A sunrise industry (sometimes also called as emerging industry) is a new industry that is growing fast and is expected to become important in the future. Examples of sunrise industries include hydrogen fuel production, petrochemical industry, food processing industry, space tourism, and online encyclopedias.

Q/5: Mention the challenges faced by the Indian agriculture and industry sector.

Ans:

Challenges in the Agriculture Sector

1. **Fragmented Land Holdings:** Small and scattered land parcels reduce productivity and mechanization viability.
2. **Inefficient Irrigation and Water Management:** Over-reliance on monsoons, declining groundwater levels, and uneven irrigation infrastructure.
3. **Low Productivity:** Use of outdated farming techniques and limited access to high-yield varieties or advanced technologies.
4. **Market Access Issues:** Farmers struggle with limited access to markets, fluctuating prices, and weak supply chains.
5. **Lack of Crop Diversification:** Heavy dependence on water-intensive crops like rice and wheat, even in areas unsuitable for them.
6. **Inadequate Infrastructure:** Poor storage facilities, leading to high post-harvest losses.
7. **Policy Constraints:** Uncertainty in minimum support prices (MSP) and over-regulation of markets.
8. **Climate Change and Environmental Degradation:** Increased frequency of extreme weather events and soil degradation due to overuse of chemical fertilizers.
9. **Financial Distress and Farmer Debt:** Farmers face challenges accessing formal credit, often relying on exploitative informal loans.
10. **Limited Technological Adoption:** Low penetration of modern agricultural technologies and digital solutions.

Challenges in the Industry Sector

1. Infrastructure Deficiency: Gaps in transport, electricity, and connectivity infrastructure hinder industrial growth.
2. Inadequate Investment: Low private and foreign direct investment (FDI) in key industries due to policy uncertainties.
3. Skill Mismatch: Shortage of a skilled workforce aligned with industrial demands, despite numerous initiatives.
4. Regulatory Bottlenecks: Complex and outdated regulations, including delays in project approvals and licensing.
5. Low R&D Expenditure: Insufficient focus on innovation and research, leading to technological obsolescence.
6. MSME Sector Challenges: Micro, small, and medium enterprises (MSMEs) face difficulty in accessing credit, technology, and markets.
7. Dependence on Imports: Reliance on imported machinery, technology, and raw materials weakens self-reliance.
8. Environmental Concerns: Rising pressure to adopt sustainable practices and comply with stricter environmental norms.
9. Global Competition: Difficulty competing with global firms due to higher production costs and lower efficiency.
10. Logistical Issues: High logistics costs and inefficiencies in supply chain management reduce competitiveness.

Common Challenges across Both Sectors

- Policy Coherence: Misalignment between agricultural and industrial policies, hindering rural-industrial linkages.
- Lack of Financial Inclusion: Limited access to affordable credit affects both farmers and small industrialists.
- Technological Lag: Both sectors are slow to adopt advanced technologies such as AI and IoT.
- Climate Risks: Both are vulnerable to climate change, impacting productivity and long-term sustainability.

Q/6: How the two sectors agriculture and industry are interdependent?

Ans: Agriculture and industry in India are highly interdependent, forming the backbone of the economy. Their relationship is symbiotic, with each sector supporting the other in various ways. Here are some examples of their interdependence:

Ways Agriculture Supports Industry

1. **Supply of Raw Materials:** Agriculture provides essential raw materials like cotton, jute, sugarcane, tea, tobacco, and oilseeds for agro-based industries such as textiles, sugar, and food processing.
2. **Market for Industrial Goods:** Farmers and rural populations form a significant market for industrial products, including machinery, fertilizers, pesticides, and consumer goods.
3. **Labor Supply:** Seasonal agricultural laborers often migrate to industries during lean agricultural periods, supplying manpower to sectors like construction and manufacturing.
4. **Input for Bio-industries:** Agricultural by-products such as straw, husks, and bagasse are used in industries like paper production, biofuels, and bioplastics.
5. **Capital Formation:** Surpluses generated in agriculture can be invested in industrial development, enhancing capital accumulation in the economy.

Ways Industry Supports Agriculture

1. **Provision of Machinery and Equipment:** The industrial sector manufactures tractors, harvesters, irrigation pumps, and other equipment that modernize agriculture and increase productivity.
2. **Production of Agricultural Inputs:** Industries produce fertilizers, pesticides, and seeds, essential for improving crop yield and quality.
3. **Processing and Value Addition:** Food processing industries convert raw agricultural produce into value-added products like packaged foods, juices, and snacks, reducing wastage and increasing farmers' income.
4. **Infrastructure Development:** Industries contribute to building storage facilities, cold chains, and transportation infrastructure, critical for reducing post-harvest losses.
5. **Employment Opportunities:** Industries absorb surplus labor from agriculture, reducing rural unemployment and underemployment, and providing alternative income sources.

Q/7. Highlight some initiatives taken by the Government of India to support its industrial sector?

Ans: The Government of India has implemented several initiatives to support and strengthen the industrial sector. These initiatives aim to promote manufacturing, boost exports, enhance infrastructure, and foster innovation. Below are some key initiatives:

1. Make in India

- **Launched:** 2014

- **Objective:** To transform India into a global manufacturing hub by encouraging domestic and foreign investment in 25 key sectors like automobiles, textiles, aviation, and defense.
- **Impact:** Simplified regulatory processes, increased FDI inflows, and improved ease of doing business.

2. Atmanirbhar Bharat Abhiyan (Self-Reliant India Campaign)

- **Launched:** 2020
- **Objective:** To promote self-reliance by reducing dependence on imports and boosting domestic industries.
- **Key Measures:**
 - Production-Linked Incentive (PLI) Scheme: Financial incentives for manufacturing in sectors such as electronics, pharmaceuticals, and textiles.
 - Support for MSMEs with collateral-free loans and equity infusion.

3. Start-up India

- **Launched:** 2016
- **Objective:** To create a conducive environment for entrepreneurship and innovation in the industrial sector.
- **Key Features:**
 - Tax exemptions for startups.
 - Simplified regulatory compliance.
 - Access to funding through the Fund of Funds for Startups (FFS).

4. Digital India

- **Launched:** 2015
- **Objective:** To digitalize industrial operations and infrastructure, enhancing efficiency and innovation.
- **Focus Areas:**
 - Promotion of Industry 4.0 technologies like IoT, AI, and robotics.
 - Digital infrastructure development for MSMEs and large industries.

5. National Manufacturing Policy (NMP)

- **Introduced:** 2011

- **Objective:** To increase the share of manufacturing in GDP to 25% and create 100 million jobs.
- **Key Measures:**
 - Establishment of National Investment and Manufacturing Zones (NIMZs).
 - Focus on green manufacturing and sustainable practices.

6. Skill India Mission

- **Launched:** 2015
- **Objective:** To bridge the skill gap in the industrial workforce.
- **Key Initiatives:**
 - Pradhan Mantri Kaushal Vikas Yojana (PMKVY): Imparting skill training.
 - Specialized skill development programs for high-tech manufacturing sectors.

Q/8. What do you mean by 'outsourcing' in the context of service sector?

Ans: In the context of the **service sector**, **outsourcing** refers to the practice of contracting out specific business functions or processes to external organizations or third-party service providers, often to achieve cost efficiency, access expertise, or improve focus on core business activities. This can involve domestic outsourcing (within the same country) or offshore outsourcing (to providers in other countries).

Key Features of Outsourcing in the Service Sector

1. **Specialization:** Companies outsource tasks that require specialized knowledge or skills, such as IT services, accounting, legal work, or customer support.
2. **Cost Efficiency:** Outsourcing reduces costs by leveraging economies of scale, lower labor costs in other regions, or eliminating the need to maintain expensive in-house infrastructure.
3. **Flexibility and Scalability:** Businesses can scale services up or down based on demand without long-term commitments to resources.
4. **Focus on Core Competencies:** By outsourcing non-core activities, companies can allocate more resources and attention to their primary business goals.

Examples of Outsourcing in the Service Sector

1. **IT Services:** Companies outsource software development, cloud services, data management, and IT support to specialized providers.
2. **Business Process Outsourcing (BPO):** Functions like customer care, telemarketing, payroll processing, and human resource management are commonly outsourced.

3. **Knowledge Process Outsourcing (KPO):** High-value services such as market research, data analytics, legal services, and R&D are outsourced to access expert knowledge.
4. **Healthcare Services:** Medical transcription, billing, and coding are outsourced to specialized agencies.
5. **Education and E-Learning:** Content development and online tutoring services are increasingly outsourced to providers worldwide.

Benefits of Outsourcing

1. **Cost Savings:** Reduced labor and operational costs.
2. **Access to Expertise:** Leverage the skills and technology of specialized providers.
3. **Enhanced Efficiency:** Streamlining operations and improving service delivery.
4. **Global Reach:** Operate 24/7 by leveraging different time zones.

Challenges of Outsourcing

1. **Data Security Risks:** Sharing sensitive information with third parties.
2. **Quality Concerns:** Maintaining consistent service quality.
3. **Dependence on External Providers:** Reduced control over outsourced operations.
4. **Job Losses:** Outsourcing may lead to job losses in the home country.