



Agriculture in the Indian Economy: Growth, Employment, and Structural Challenges


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Agriculture has historically constituted the backbone of the Indian economy, providing livelihood support to a substantial proportion of the population while ensuring food and nutritional security for the nation. Over the decades, however, the relative contribution of agriculture to India's Gross Domestic Product (GDP) has declined sharply, even as its role in employment generation and poverty alleviation remains critical. This article critically examines the evolving role of agriculture in the Indian economy, with particular emphasis on trends in growth, structural transformation, income dynamics, employment patterns, and institutional constraints. It argues that the declining share of agriculture in GDP primarily reflects the faster expansion of the industrial and services sectors rather than an absolute decline in agricultural output. Despite moderate growth in agricultural GDP and notable contributions from allied sectors such as livestock, fisheries, and dairying, the sector continues to face persistent challenges including low productivity, fragmented landholdings, and widening rural-urban income disparities. The article concludes by underscoring the need for sustained public investment, comprehensive institutional reforms, and effective Centre-State coordination to achieve inclusive, resilient, and sustainable agricultural growth.

Keywords: agriculture, indian economy, structural transformation, agricultural growth, employment, poverty alleviation, allied sectors, farm incomes

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1. Introduction

Agriculture occupies a distinctive and enduring position in the Indian economy. Although its contribution to national income has steadily declined over the past few decades, the sector continues to provide direct and indirect employment to nearly half of the country's population. This apparent paradox characterized by a diminishing share in Gross Domestic Product (GDP) alongside sustained employment dependence lies at the core of India's structural transformation challenge. In 1990–91, agriculture accounted for approximately 35 per cent of India's GDP; by 2022–23, this share had declined to nearly 15 per cent. Importantly, this decline does not signify stagnation or contraction in agricultural output but rather reflects the comparatively faster growth of the industrial and services sectors.

Despite this structural shift, the continued concentration of a large workforce in agriculture, combined with relatively low productivity and modest income growth, has far-reaching implications for poverty alleviation, income inequality, and the overall pace of economic development. The sector's ability to generate adequate and sustainable livelihoods remains a central concern, particularly in rural regions where alternative employment opportunities are limited. Furthermore, since agriculture is constitutionally a state subject, effective policy formulation and implementation require close coordination between the Union and State governments to ensure coherence, efficiency, and long-term sustainability.

A comprehensive understanding of agricultural growth trends, employment patterns, and income dynamics is therefore essential for designing policy interventions aimed at inclusive and balanced development. Enhancing agricultural productivity, promoting diversification of rural livelihoods, and facilitating a smooth transition of labour to non-agricultural sectors remain critical elements of India's broader development strategy.

2. Declining GDP Share of Agriculture: Structural Transformation

The declining share of agriculture in India's GDP is a well-recognized feature of economic development and structural transformation.

As economies grow, labour and resources are expected to shift progressively from low-productivity sectors such as agriculture to higher-productivity sectors, notably manufacturing and services. In the Indian context, however, this transformation has been uneven and incomplete, giving rise to significant developmental challenges.

Between 1990–91 and 2022–23, agriculture's contribution to GDP declined sharply from around 35 per cent to approximately 15 per cent. This reduction was not the result of an absolute decline in agricultural output or Gross Value Added (GVA), but rather the outcome of substantially faster growth in the industrial and services sectors. Since the early 2000s, the services sector has emerged as the principal engine of overall economic growth.

While such a shift is generally considered desirable, India's experience reveals a critical mismatch between output transformation and employment reallocation. The capacity of non-agricultural sectors particularly manufacturing to absorb surplus labour from agriculture has remained limited. Consequently, agriculture continues to employ a disproportionately large share of the workforce, resulting in disguised unemployment, low labour productivity, and persistently depressed farm incomes.

This divergence between sectoral output growth and employment transition represents one of the central challenges of India's development trajectory and has important implications for rural livelihoods, income inequality, and inclusive growth.

3. Growth Performance of Agriculture and Allied Sectors

In terms of output performance, agriculture and allied activities in India have demonstrated moderate resilience in recent years. The sector has recorded an average annual growth rate of around 4 percent, reflecting relative stability despite structural bottlenecks and climatic uncertainties. Within this broader framework, allied activities particularly livestock, dairying, fisheries, and horticulture have emerged as important drivers of agricultural growth, contributing to diversification, income augmentation, and risk mitigation for rural households.

During 2021–22, agriculture and allied sectors registered a positive growth rate of 3.9 per cent, even amid widespread disruptions caused by the COVID-19 pandemic. This performance highlights the sector's role as a stabilizing force during periods of macroeconomic stress. Timely policy interventions under the *Atma Nirbhar Bharat* initiative, combined with continued institutional support through minimum support prices (MSP), input subsidies, and expanded access to institutional credit, played a crucial role in sustaining production and safeguarding farm incomes.

From a longer-term perspective, agricultural growth in India has exhibited considerable inter-temporal variability across Plan periods. The Ninth Five Year Plan witnessed a pronounced deceleration in agricultural growth, a trend that persisted during the Tenth Plan, when the sector recorded an average annual growth rate of approximately 2 per cent. This slowdown raised serious concerns regarding rural distress, food security, and poverty reduction. In response, a range of corrective policy measures were introduced during the Eleventh Plan, including increased public investment, enhanced credit flow, and renewed emphasis on technology dissemination. These initiatives contributed to a recovery in agricultural growth, with average rates improving to around 3.0–3.3 per cent.

Despite this recovery, growth during the Eleventh Plan remained below the targeted 4 per cent annual rate considered necessary for sustained poverty reduction and broad-based rural development. This experience underscores the persistent challenge of accelerating agricultural growth while ensuring inclusiveness and long-term sustainability.

4. Agriculture, Employment, and Livelihoods

Agriculture continues to be the largest source of employment in India and plays a vital role in sustaining rural livelihoods. In 2014–15, approximately 45.7 per cent of the workforce was engaged in agriculture and allied activities. Despite ongoing structural transformation, recent estimates indicate that nearly 45 per cent of the population continues to depend on farming and related activities for livelihood security.

The coexistence of high employment concentration with relatively low-income levels highlights agriculture's function as a livelihood safety net for the rural poor. The sector provides subsistence and partial employment, particularly in regions where non-farm employment opportunities remain scarce. Women constitute a substantial share of the agricultural workforce and are disproportionately engaged in labour-intensive activities such as sowing, weeding, harvesting, and post-harvest operations. Consequently, accelerated agricultural growth is essential not only for enhancing rural incomes but also for promoting gender equity and women's economic empowerment.

Empirical evidence consistently suggests that agricultural growth has a stronger poverty-reducing impact than growth in non-agricultural sectors. Several studies estimate that a one percentage point increase in agricultural growth is two to three times more effective in reducing poverty than a comparable increase in non-agricultural growth. This effectiveness arises from the direct impact of agricultural growth on rural incomes, as well as its strong backward and forward linkages with the rural non-farm economy.

5. Food Security and Production Performance

Agriculture plays a central role in meeting the food and nutritional needs of India's growing population. The Green Revolution, combined with subsequent technological and institutional interventions, enabled India to achieve self-sufficiency in major food grains. Food grain output reached approximately 241 million tonnes in 2010–11, reflecting substantial gains in productivity, irrigation coverage, and input use efficiency.

India's food grain production has continued to expand in recent years. According to official estimates for the 2024–25 crop year, total food grain output reached a record level of about 357.7 million tonnes, compared to around 332.3 million tonnes in 2023–24. Rice and wheat production attained historic highs, while pulses and oilseeds also recorded significant gains. These achievements underscore sustained improvements across both staple and non-staple crop sectors.

Despite these successes, nutritional security remains a critical challenge. While cereal production has grown robustly,

diversification into nutrient-rich crops such as pulses, oilseeds, fruits, vegetables, and livestock products is essential to address persistent micronutrient deficiencies and changing dietary preferences. Allied sectors such as horticulture, dairying, and fisheries have shown greater dynamism and resilience, contributing disproportionately to income growth and employment generation.

6. Income Dynamics and Rural–Urban Disparities

Although rural incomes have increased and rural poverty has declined over time, the income gap between rural and urban areas has widened. This divergence reflects the relatively slower growth of agriculture compared to industry and services, as well as limited access to productive non-farm employment in rural areas.

Evidence indicates that the real income of an average farmer grew at an annual rate of about 3.4 per cent between 2002–03 and 2018–19. During this period, average monthly farm household income increased from ₹2,115 to ₹10,218 in nominal terms. While this represents substantial growth, farm incomes remain significantly lower than incomes in non-agricultural sectors, which expanded at faster rates.

Income volatility arising from price fluctuations, climatic risks, and rising input costs continues to undermine livelihood security. Addressing rural–urban disparities therefore require sustained agricultural growth alongside structural reforms that enhance productivity, diversification, and rural employment opportunities.

7. Institutional Context and Structural Constraints

The institutional framework governing Indian agriculture has played a decisive role in shaping productivity and growth. Despite gains achieved through public investment in research, irrigation, and infrastructure, agricultural productivity in India remains below international benchmarks. A key constraint is the predominance of small and fragmented landholdings, which limits economies of scale and technology adoption.

The average size of operational holdings has declined steadily due to population pressure and inheritance-based fragmentation. This structural characteristic restricts farmers' capacity to invest in productivity-enhancing inputs and integrate effectively with markets and value chains. Consequently, further institutional reforms are required, including land consolidation mechanisms, promotion of farmer producer organizations (FPOs), improved access to credit and insurance, and more efficient agricultural marketing systems.

8. Role of Public Policy and Centre–State Coordination

As agriculture is a state subject, effective policy outcomes depend on close Centre–State coordination. While the Union government provides broad policy direction through MSP, credit, insurance, and income support schemes, state governments play a crucial role in implementation through investments in irrigation, extension, and market infrastructure.

Recent initiatives under the *Atma Nirbhar Bharat* framework aim to enhance resilience through credit expansion, agri-infrastructure development, digital platforms, and supply-chain reforms. However, their success ultimately hinges on cooperative federalism, region-specific strategies, and institutional capacity at the state level.

9. Way Forward: Achieving Inclusive and Sustainable Growth

For agriculture to support inclusive growth, poverty reduction, and food and nutritional security, a multi-pronged strategy is required. Sustained public investment in irrigation, research, extension, and rural infrastructure remains fundamental. Greater emphasis on diversification towards high-value crops and allied activities is essential for raising farm incomes and reducing risk.

Institutional reforms such as land consolidation, strengthening of FPOs, improved access to credit and insurance, and efficient marketing systems—are critical for enhancing productivity and profitability. Equally important is the expansion of non-farm employment opportunities to facilitate structural transformation and reduce pressure on agriculture.

10. Conclusion

Agriculture remains central to the Indian economy not because of its contribution to GDP, but due to its critical role in employment, livelihoods, and food security. The declining GDP share of agriculture reflects structural transformation driven by faster growth in industry and services rather than stagnation in agriculture. Given that nearly half of the population continues to depend on the sector, accelerating agricultural growth through coordinated Centre-State action, sustained investment, and institutional reform is essential for achieving inclusive and balanced economic development.

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