

## A study on FDI in agriculture sector in India

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### Abstract

Agriculture of India is very oldest and also written in history about 1100 BC. The country has second in all over the world in terms of agriculture position. As per GDP is concerned of 2013, it is 13.7% in agriculture and other allied works like fisheries, forestry, animal production etc. The work force employed are about 50%. As agriculture plays important role in Indian economy, thus, it roles is very large in economic sector of India.

**Keywords:** Foreign Direct Investment, Agriculture, GDP

### Introduction

In India, agriculture plays an important role in defining the sustainability and growth of the country and that's why it has always been the prominent sector. Agriculture alone holds almost 19% gross domestic products (GDP) of India. Milk, jute, organic fibers, and pulses are produced in India in maximum amount. For the production of sugarcane, wheat, rice, vegetables, fruits, groundnuts, and cotton, India is at second number in the world. Certain plantation crops and spices are also produced by India in highest number. Besides these products India is also an efficient producer of livestock, poultry, and fisheries too which are directly or indirectly dependent on agriculture.

The history of Indian agriculture is mentioned in Rigveda, written about 1100 BC. Today, India holds second position in the world in agriculture output. In 2013 it was estimated that 13.7% of the GDP is accounted by agriculture and some allied sectors such as forestry and fisheries which is about 50% of the total workforce. The economic contribution of agriculture to India's GDP is steadily declining with the country's broad-based economic growth. Agriculture plays a significant role in the overall socio-economic fabric of India and thus it is demographically the broadest economic sector of the country.

As Per the 2016, FAO world agriculture statistics, India is the world's largest producer of certain products. These products are milk, some spices, many fresh fruits and vegetables. It also includes some fibrous crops such as jute. Several staples such as millets and castor oil seed are also produced in largest amount. India is the second largest producer of wheat and rice, many dry fruits, certain agriculture-based textile raw materials, roots and tuber crops, pulses etc are produced by Indian agriculture sector. India ranks second or third position for production of these products. India is also second or third largest producer of farmed fish, eggs, coconut, sugarcane etc. India was one of world's five largest producers of 80% of agriculture-based products in 2015. India is also one of the world's five largest producers of livestock and poultry, with one of the fastest growth rates, as of 2015.

### Review of Literature

Suggested that livestock sector should come up with some more advancement. These sector should be need specific, location

specific and local language contents with the application of computer software's and other electronic material so that diseases related with livestock can be controlled, management dairy herd, livestock production and for marketing of livestock and livestock produce can be achieved.

Suggested that if production is good then it automatically reduces the prices. On the other hand if there is crop failure farmers hardly get any benefit in terms of higher price. West Bengal an eastern province of India is the most densely populated area. The state is mainle responsible for the production of paddy crop at very large scale which is the source of livelihood of millions of rural people living here. As per the report of the commission for Agricultural Costs and Prices (CACP) in 2011 profitability in paddy cultivation gradually come down to 10 per cent which was 13 per cent in 2007.

Examined the problems being faced by the agricultural sector. These problems should be taken into consideration by efforts made for poverty reduction and economic development. The researchers suggested that the efforts should change the challenges into economic opportunities for the Indian rural poor population. India being a participant to World Trade Organization's General Agreement on Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment.

Studied and estimated that foreign direct investment (FDI) is restricted in the retail sector. In 2006, the Indian government opened retail policy for the first time. The government allowed 51 per cent FDI through the single brand retail route (a classification of organized retail in India). Since then, there has been a steady increase in FDI in the retail sector, and the cumulative FDI in single-brand retail stood at \$195 million by the middle of 2010.

### Research Methodology

This study will intend to understand the term motivation and its characteristics with the evidence of reviewed literatures. We will adopt the method as it brings out continuous updated proof in agriculture investment. This section sets forth the research framework for the investigation related to motivation in agriculture sector in India and evaluates the effect.

### Analysis of Study

The FDI Inflows to Agriculture Services are allowed up to 100% and allowed through the automatic route covering horticulture, floriculture, development of seeds, animal husbandry, pisciculture, aqua culture, cultivation of vegetables, mushroom and services related to agro and allied sectors. Only in Tea sector, 100% FDI is allowed, including, plantations of tea.

In India, agriculture is an important sector of the Indian economy and accounts for almost 19% of Indian gross domestic products (GDP). Agriculture is the main stay of the Indian economy as it forms the backbone of rural India which inhabitants more than 70% of total Indian population.

The Ministry of Agriculture, the Ministry of Rural Infrastructure, and the Planning Commission of India are the main governing bodies that define the future role of agriculture in India and it aims at developing agricultural sector of India. No FDI / NRI / OCB is allowed in the Indian Agriculture sector. Only in Tea sector 100% FDI is allowed, including plantations of tea. This requires Government of India approvals. Further, it requires compulsory divestment of 26% equity in favor of the Indian partner or Indian public within a maximum period of five years. This also requires approval from the concerned state government in case of change in use of land for such activities. And this holds true for any fresh investments in the above-mentioned sector.

### FDI in Indian Agriculture Sector and The Latest Developments are as follows:

- 100% foreign direct investment (FDI) allowed through the automatic route covering horticulture, floriculture, development of seeds, animal husbandry, pisciculture, aqua culture, cultivation of vegetables, mushroom and services related to agro and allied sectors
- Farm credit target of 225,000 crore for 2007-08 has been set with an addition of 50 lakh new farmers to the banking system
- 35 projects have been completed in 2006-07 and additional irrigation potential of 900,000 hectares to be created and training of farmers arranged.
- A pilot programme for delivering subsidy directly to farmers have been arranged
- Loan facilitation through Agricultural Insurance and NABARD has also been facilitated
- Corpus of Rural Infrastructure Development Fund to be raised

### Conclusion

Agricultural Ministry must also frame strong policies for subsidies and their utilization. We also need to create better domestic agricultural infrastructure and market opportunities to attract foreign investors in this sector. Union govt. should frame policies in this regard with state govt. which should be free from beaurocratical procedure; outdated laws & traditions, corruption and non-transparency then this will lead to fair production in economy. Proper attention should be given to all allied activities if we want faster, sustainable and more inclusive growth in agriculture.

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