

Nexus of agriculture growth and poverty reduction in India

Abstract

Poverty is an issue of concern in developing countries as it remains the most elusive social evil to derail the economic progress of the country and social status of population. India remains fastest growing economy in the world, however efforts have to be made to improve the standard of living and social wellbeing of people. Agriculture as primary sector benefits the poor sections of the population by providing employment opportunities and play a key role in reducing poverty. The present study was conducted to assess the impact of agriculture growth on poverty reduction by using secondary data and sixteen states of India were purposively selected. An attempt was made to analyse the relationship between poverty, Agriculture GDP per worker and Non-Agriculture GDP per worker using pooled regression analysis. The findings of the study shows that as every one per cent increase in Agriculture GDP per worker found to have reduced poverty by 0.11 per cent as against 0.04 per cent in Non-Agriculture GDP per worker. This shows that increase in Agriculture GDP per worker causes higher poverty reduction as compared to Non- Agriculture GDP per worker. This is true in case of agrarian economy like India as majority of population are dependent on agriculture for their sustenance. However, it suggested that the balanced mutual growth between various sectors of the economy will help to alleviate poverty in the country.

Key words: Poverty reduction, Agriculture GDP per worker, Non- Agriculture GDP per worker

Introduction

In the realm of rapidly developing and continuously prospering world poverty remains the most elusive social evil to away with. In fact for all underdeveloped and developing countries, poverty is one of the innate threats to derail their economic progress and hard earned social status. For a quite a sometime India remains fastest growing economy in the world and there are multiple efforts to improve the standard of living and social wellbeing of 1.3 billion people.

However, the efforts in the last seven decades have not brought in desired results as lives of more than 20 million people starts in poverty and end in it (Alok., 2020, Datt *et al.*, 2020). As estimated 711 million people (10 % global population) are living extreme poverty that is living less than \$1.90 a day in 2021. Global Multidimensional Poverty Index (MPI) 2020 report indicates that India is 62 among 107 countries with an MPI score of 0.123 and 27.9 per cent population identified as multi-dimensionally poor which accounted for 36.8 per cent of rural and 9.2 per cent of urban. This forms the basis for surmounting poverty as its effects are quite disastrous for rapidly developing country unless they devise alleviation measures. Therefore, the key of alleviating poverty levels rest on provisioning basic amenities and most crucial among all is to ensure food and nutritional

security as duo turns out to be game changer in reducing poverty levels (Das and Mohanty.,2020, Dah and Baselot.,2021) . For achieving these foundational securities, continues agriculture development is warranted owing to its strategic position in poverty reduction, sizable economic contribution and growing employment opportunities. Indeed a significant population, about 41.49 per cent of workforce directly depend on agriculture for their livelihood and more than 70 per cent of rural household population professionally engage in agriculture (Economic Survey, 2021). And hence, agriculture is a strategically important economic sector and a type of economic activity for every country (Tripathi and Prasad.,2010, Clement *et al.*, 2010), in turn, the development of agriculture will play greater role in eradicating the poverty. Thus, concentrating the above, the study was taken up to analyse the nexus between agriculture growth and poverty reduction in India.

Methodology

The study is based on secondary data, collected from the different published sources such as National Sample Survey Office reports, Hand book of Statistics on Indian states of RBI, Economic Survey reports and Census, 2011 reports.

The study is conducted by considering country as a whole, where the poverty rates of two time periods i.e. period I (2011-2012) and period II (2019-2020) of all the twenty eight states and six union territories were collected (Anonymous,2021a and Anonymous,2021b) and the annual average reduction in poverty rates were calculated. Among all, sixteen states shows the annual average reduction in poverty rates and only those states were selected for the next step of analysis. The study also analyses the relationship between poverty, agriculture GDP per worker and non-agriculture GDP per worker by using pooled regression analysis for panel data.

Pooled regression analysis

The mathematical form of equation is,

$$\ln P_{it} = \beta_0 + \beta_1 \ln AgGDP/Wk_{it} + \beta_2 \ln NonAgGDP/Wk_{it} + \epsilon_{it}$$

Where,

P = poverty rate

$\ln AgGDP/Wk$ = Agriculture GDP per worker

$\ln NonAgGDP/Wk$ = Non-Agriculture GDP per worker

ϵ is the error term

i is the panels (states)

t is the time (years)

The Agriculture GDP per worker and Non-Agriculture GDP per worker were calculated using below mentioned equations.

The Agriculture GDP per worker, as the name implies, the ratio of total GDP for the sector divided by the number of economically active workers claiming agriculture as their main source of income.

Non-Agriculture GDP per worker was defined as the difference between total national and agricultural GDP divided by the difference between total national and agricultural employment.

The high correlation between the variables, agriculture GDP per worker and non-agriculture GDP per worker stimulated the problems of multicollinearity. Hence, to test the presence of multicollinearity problems and to verify the presence of heteroscedasticity, Variance Inflation Factor (VIF) and the Breusch Pagan test were conducted.

Where, VIF was calculated using the formulae,

$$VIF = \frac{1}{1 - R^2}$$

Results and Discussion

For the selection of states the average annual reduction of poverty rates for all the twenty states and eight union territories were calculated and the states which shows reduction in poverty rates were only selected for the next step of analysis.

Table 1: Average annual reduction in poverty rates of selected states

Sl. No.	State/UT	Poverty rates (%)		
		Period I	Period II	Annual Average Reduction Achieved
Northern States				
1	Himachal Pradesh	8.10	7.60	-0.06
2	Punjab	8.30	5.60	-0.30
3	Chandigarh	21.80	5.97	-1.76
4	Delhi	9.90	4.79	-0.57
Southern States				
5	Karnataka	20.90	13.20	-0.86
6	Kerala	7.10	0.70	-0.71

7	Tamil Nadu	11.30	4.90	-0.71
8	Pondicherry	9.70	1.72	-0.89
9	Goa	5.10	3.80	-0.14
Eastern states				
10	Odisha	32.60	29.40	-0.36
11	Sikkim	8.20	3.80	-0.49
12	Arunachal Pradesh	34.70	24.27	-1.16
13	Chhattisgarh	39.90	29.90	-1.11
14	Manipur	36.90	17.90	-2.11
15	Mizoram	20.40	9.80	-1.18
Western states				
16	Maharashtra	17.40	14.90	-0.28
Average		18.27	11.14	
S.D.		11.86	9.59	
C.V. (%)		64.91	86.04	

*Period I -2011-2012, Period II – 2019-2020 Source: www.indiastat.com

The Table.1 shows the average annual reduction in poverty rates among selected states where Manipur shows the highest poverty reduction with 2.11 per cent followed by Chandigarh (1.75 %). Particularly in northern parts of states Chandigarh stood first followed by Delhi (0.57 %) and same in southern states the union territory Pondicherry (0.89 %) shows the higher levels of poverty reduction followed by Karnataka (0.86 %) and Goa (0.14 %) has registered with very lesser percentage of poverty reduction among southern states and the selected states of the country as well. The Manipur state shows the highest reduction in poverty levels followed by Mizoram with 2.11 and 1.18 per cent respectively in eastern parts of states where as in western parts of the country Maharashtra shows the 0.28 per cent of poverty reduction. It must noted from the table that variability in poverty reduction over the years has been increased by 21.13 per cent. The results are in line with the studies of Satapathy and Jaiswal, (2018) they found that reduced poverty rates over the years.

Table 2: Annual and decadal growth of Agriculture GDP per worker and Non- Agriculture GDP per worker in India

States	Agriculture GDP per worker				Non- Agriculture GDP per worker			
	Period I	Period II	AAGR (%)	Decadal Change	Period I	Period II	AAGR (%)	Decadal Change
Arunachal Pradesh	8.023	9.778	1.994	17.946	0.002	0.005	7.628	68.653
Chhattisgarh	4.190	0.751	-50.920	-458.284	0.026	0.064	6.695	60.257
Goa	4.898	6.315	2.494	22.444	0.009	0.015	4.713	42.417
Himachal	0.866	7.239	9.782	88.042	0.012	0.031	6.946	62.518

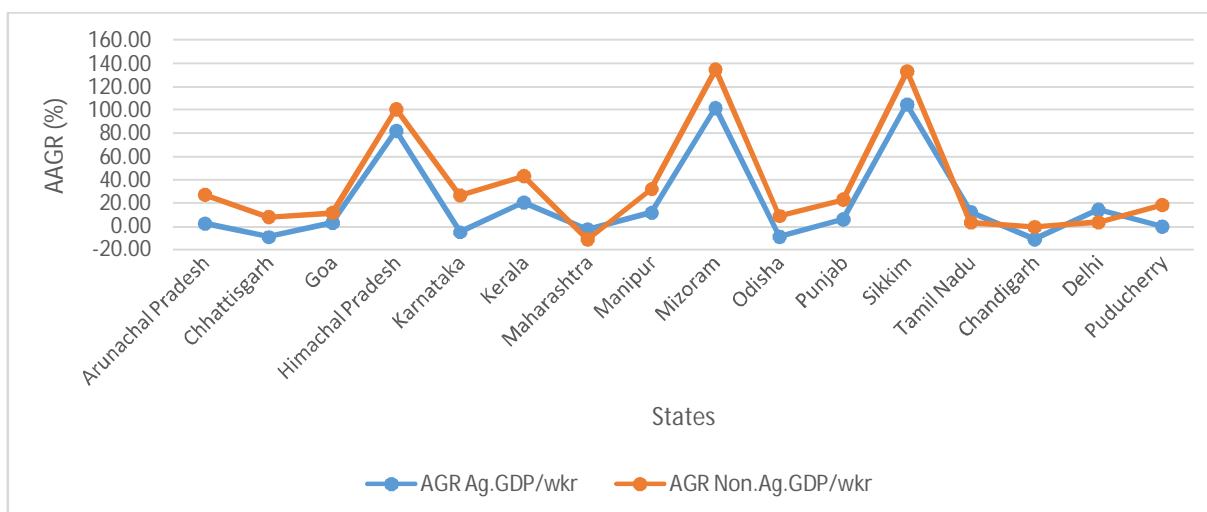
Pradesh									
Karnataka	3.059	1.693	-8.965	-80.684	0.083	0.318	8.213	73.919	
Kerala	0.803	2.284	7.203	64.830	0.057	0.172	7.442	66.976	
Maharashtra	1.676	1.252	-3.767	-33.905	2.475	0.566	-37.502	-337.518	
Manipur	2.551	5.225	5.686	51.176	0.002	0.005	7.169	64.522	
Mizoram	0.461	4.677	10.016	90.148	0.001	0.005	8.310	74.786	
Odisha	4.415	0.940	-41.052	-369.471	0.040	0.102	6.765	60.887	
Punjab	3.137	4.919	4.026	36.235	0.039	0.096	6.628	59.655	
Sikkim	0.809	8.440	10.046	90.410	0.002	0.006	7.981	71.830	
Tamil Nadu	0.462	0.982	5.887	52.979	0.125	0.018	-66.084	-594.755	
Chandigarh	6.666	0.085	-858.151	-7723.357	0.005	0.009	5.325	47.927	
Delhi	0.658	1.508	6.260	56.343	0.595	0.006	1041.802	-9376.217	
Pondicherry	0.658	0.646	-0.201	-1.808	0.003	0.008	6.909	62.183	
Mean	2.71	3.55	-56.23	-506.06	0.217	0.089	-65.92	-593.25	
S.D.	2.37	3.12	214.58	1931.25	0.619	0.152	261.06	2349.50	
C.V. (%)	87.56	88.01	-381.62	-381.62	285.359	171.145	-396.04	-396.04	

Note: *Period I -2011-2012 Period II – 2019-2020

AAGR-Average Annual Growth rate

The Table.2 shows the average annual growth and decadal growth in Agriculture GDP per worker from the period I to period II was observed to be 56.23 per cent whereas Non- Agriculture GDP per worker was 65.92 with the variation of 381.62 and 396.04 per cent respectively where Non- Agriculture GDP per worker has registered the highest variability than that of Agriculture GDP per worker. The states Chhattisgarh, Karnataka, Odisha and Chandigarh shows the negative average annual growth in Agriculture GDP per worker and the states Tamil Nadu and Delhi shows negative growth in Non- Agriculture GDP per worker whereas the state Maharashtra shows the negative growth in both Agriculture GDP per worker and Non- Agriculture GDP per worker which might be due to the slow trickle down in economic growth in rural economy and the highest population (second largest populous state in country). It was worth to mark that the variation has been increased in agriculture GDP per worker (87.56 to 88.01 %) from period I to period II whereas it shows the decreased pattern in non- agriculture GDP per worker(285.359 to 171.145 %).

Fig.1: Growth rates of Agriculture GDP per worker and Non – Agriculture GDP per worker



The above figure shows the growth rates of both Agriculture GDP per worker and Non-Agriculture GDP per workers of the selected states where Chhattisgarh, Karnataka, Maharashtra, Odisha and Chandigarh shows negative growth rates in agriculture whereas Maharashtra, Tamil Nadu and Delhi shows negative growth rates in Non- agriculture sector. For most of the states Agriculture GDP per worker shows the stationary variations than non -agriculture GDP per worker.

Relationship between poverty, Agri.GDP per worker and Non- Agri.GDP per worker

The study analyses the relationship between poverty, agriculture GDP per worker and non-agriculture GDP per worker using pooled regression analysis, the results shows the statistically significant and inverse relationship between poverty and with both Agriculture GDP per worker and Non- Agriculture GDP per worker.

Table 3: Relationship between poverty, Agriculture GDP per worker and Non- agriculture GDP per worker in India

Variable	Coefficient	Std. error	t-Statistic	p-value
Constant	1.94	0.70	2.77	0.02
Agriculture GDP per worker	-0.11**	0.18	-0.65	0.03
Non- Agriculture GDP per worker	-0.04**	0.17	-0.21	0.03
No. of panel observations	32			
F Statistic (2,32)	2.54			
Prob. F statistic	0.04			
R-squared	0.75			
Adjusted R- Squared	0.45			
Tests conducted before pooled regression analysis				
Variance Inflation factors (VIF)	4.09			
Breusch-Pagan Test	χ^2	0.09		
	p-value	0.045**		

Note: ** indicates the five per cent level of significance

The estimated coefficient of agricultural GDP per worker was found to be significantly higher than that of non-agriculture GDP per worker and determines that as every one per cent increase in agricultural GDP per worker, there found to be larger decline in poverty as compared to the non-agricultural GDP per worker. The slope coefficient (β_1) of about (-0.11) means that, as one per cent increase in agriculture GDP per worker on an average, leads to about 0.11 per cent decline in the poverty rate in Indian states. On the other hand, as one per cent increase in non- agriculture GDP per worker there is a 0.04 per cent of reduction in poverty. From the results it can also be found that 75 per cent of the variation in dependent variable (poverty) can be explained by independent variables (Agriculture GDP per worker and Non- agriculture GDP per worker) included in model. There is no doubt in noting that the sector agriculture contributes far more to decreasing poverty than the non-agricultural sector.

The higher correlation between the variables agriculture GDP per worker and non-agriculture GDP per worker awakened worries of multicollinearity problems, therefore Variance Inflation Factors (VIF) was calculated. Generally, VIF values varies from one to infinity and the VIF value greater than ten normally indicates problem of multicollinearity. In present study VIF value found to be 4.01, which indicate the no problem of multicollinearity. Study also tests for the Breusch Pagan test to recognize the presence of heteroscedasticity and fails to discern the presence of heteroscedasticity. The results are in consistent with Anjum and Tarique (2017), they also opined the role of importance of agriculture sector in reducing poverty is higher than non- agriculture sector. Chritiaensen and Matin (2018) also concluded with same results as compared to growth outside of agriculture, growth in agriculture generally tends to reduce poverty to the larger extent.

Conclusion

India remains fastest growing economy in the world, however efforts have to be made to improve the standard of living and social wellbeing of people because poverty remains the most elusive social evil to derail the economic progress of the country and social status of population. And therefore agriculture being strategically important economic sector and a type of economic activity for every country benefits the poor sections of the population by providing employment opportunities and play a key role in reducing poverty. By comparing both agriculture and non-agriculture sectors, the significant contributions to poverty reduction were analysed with help of both the sectors GDP growth and the available employment in each sector. The study concludes that as increase one per cent Agriculture GDP per worker, there is a significant reduction in poverty rate as compared to Non- Agriculture GDP per worker. It worth noting that as compared with growth in other sectors, growth in primary sector tends to reduce poverty in larger extent. Thus, with the above evidence the examination suggested for the balanced growth across the sectors of an Indian

economy is essential to bring or move people out of chronic poverty and reduce inequities. Thus, it could be recommend for encouraging agriculture and allied sectors with increased policy focus to generate adequate quantum of employment opportunities for growing rural population which limit rural-urban migration and related distress as agriculture being a main source of livelihood for majority of rural population in India.

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