MULTIDISCIPLINARY RESEARCH

Prof. Rajani Shikhare

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CAPITAL FORMATION IN AGRICULTURAL SECTOR

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Abstract:

Capital is the major and government tool or element in the production process. Capital is needed to run any business. According to Marshall, "the man-made component that is used to create greater wealth is called capital." All the tools that come under capital are assets. But wealth and capital are not synonymous. Because not all available wealth is capital. Agricultural capital refers to the wealth that is used by farmers for production in agriculture, for example - tractors, seeds, pesticides, fertilizers, irrigation facilities, etc. All these tools are essential for agricultural production. It also costs money to buy these tools. Capital factors, along with the human factor, play an important role in the development process, regardless of the economy. Capital is the part of the total product that is used for more production, not for consumption. Thus, whatever part of the product is used for consumption, it is not used as capital. Excluding the consumables from the total production, the remainder is used for the production of capital goods. Then the capital reserves increase. The increase in capital stock is called capital formation.

KEYWORD: Capital Formation, Praivate Capital, Public Capital,

Introduction :

Savings are considered to be the mainstay of capital formation in any country. Savings are earned by reducing consumption costs. It is essential for capital formation that savings should be increased by reducing current consumption, but such savings should be invested in productive goods. Because the process of capital formation and economic development in countries should be accelerated. The process of capital formation in any country depends on the availability of savings, consolidation of savings and investment of savings. In order for the economy to recover, capital must be created in every sector of the economy to sustain the process of economic development. Agriculture is a major factor in low-income economies like India. This is because in underdeveloped economies, a large portion of the income comes from the agricultural sector. Fluctuations or changes in agricultural production due to investment or natural factors affect the gross national product. This affects savings and investment in the economy. In other words, in a developing economy, the agricultural sector affects the pace of capital formation as well as the pace of capital formation in the country.

At the same time, industrial transformation and supply-demand balance affect the profitability of investment in agriculture and the effect of income on it, from which savings and investments are made. Infrastructures in sectors other than agriculture are affected by prices of raw materials produced in agriculture, food prices. Therefore, the agricultural sector plays an important role in industrial development and capital formation. It also affects investment in the industrial sector through its influence on agricultural production, industrial raw material prices and wages. Thus the agricultural sector plays an important role in the formation of quarrels.

Definition:

Prof. Narkese, “Capital formation means that society spends a portion of its capital on the production of capital goods - equipment and machinery, machines, transportation facilities, without spending on all its current productivity. It is the various forms of real capital that enhance the efficiency of productive endeavours.”

Dr. According to Singer, “Capital formation must include both physical and immaterial objects.”

Despite the important role of the agricultural sector in the country’s gross national product, the share of the public sector in the total capital formation in agriculture is less than that of the private sector.

Capital formation in and for the agricultural sector:

There is a difference between capital formation in agriculture and capital formation for agriculture. This is because capital formation in some industries benefits the industrial sector. Therefore, the agricultural sector should also get a share of such capital formation. Focusing on this, the Government of India A committee was set up under the chairmanship of BB Bhattacharya. This committee in its report included all such activities, which could lead to expansion in agricultural capital formation. This indirectly helped the agricultural sector to increase production. There are two ways to create capital in the agricultural sector. Why is the rhythm still big? One is the division of capital in the agricultural sector. The other is the creation of capital for the agricultural sector.

Role of Production in Agriculture :

Capital and labour are two important components of production. These two components can be substituted to some extent, and they complement each other. Various functions in agriculture require stable and working capital. Capital formation in the agricultural sector leads to technological advancement and helps to keep the production curve upward. Capital formation brings many benefits, such as increase in production, timely completion of agricultural work, maximum utilization of farm land, spacing between two crops, diversification in agriculture, etc. Thus capital formation only helps to expand the agricultural market. Capital formation helps in improving the quality of agricultural produce through storage facilities and transportation facilities. It also helps in increasing the export trend of agricultural products.

Year	GCF in Agriculture & Allied sector (₹ Crore)			GCF of Economy (by industry of use) (₹ Crore)			Share of GCF in Agriculture & Allied sector in GCF of Economy (%)		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2011-12	35696	238175	273870	658358	2547358	3205716	5.4	9.3	8.5
2012-13	36019	215075	251094	674878	2672444	3347322	5.3	8.0	7.5
2013-14	33925	250499	284424	716140	2608543	3324683	4.7	9.6	8.6
2014-15	37172	235491	272663	774388	2778459	3552847	4.8	8.5	7.7
2015-16*	42522	195127	237648	923710	2808030	3731740	4.6	6.9	6.4
2016-17#	47738	220098	267836	952943	2954923	3907866	5.0	7.4	6.9
2017-18@	54184	219571	273755	1030944	3256045	4286988	5.3	6.7	6.4

Source: Central Statistics Office (CSO)

Public Capital and Private Capital:

In order to understand the role of capital formation in the agricultural sector, it is useful to divide the creation into two types of public capital formation and private capital formation. Private investment, on the other hand, includes the cost incurred by farmers for irrigation facilities, electric motors, tractors and other agricultural implements. Investments in agriculture include investments made by private institutions for storage, market investments as well as manufacturing of machinery, tools and other inputs. It is therefore imperative that investments in agriculture, both public and private, be made to promote agricultural activities.

Summary:

Agriculture is mainly a labour intensive sector. Even so, the agricultural sector requires both stable and active capital. Capital consists of the components that are produced. Which are further used in the form of tools in the manufacturing process to create goods and services. In the agricultural sector, capital is generated by both the public and private sectors. The public sector invests in capital formation, agricultural infrastructure, and the private sector invests in machinery, land development, and irrigation facilities. Therefore, the public sector and the private sector are essential for the development of the Indian agricultural sector.

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