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The role of agricultural and industrial sectors in GDP: Perspective for Afghanistan

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Abstract
This paper attempts to investigate the importance of the industrial and agricultural sector in Afghanistan's GDP. For this purpose, the secondary data for three years (2016-17, 2017-18, and 2018-19) are used. It was found that industrial and agricultural sectors play fundamental role in the country's GDP. The study found that industrial sector contributes more than 21 percent, and the agriculture sector more or less 20 percent to GDP. In addition, it was found that private sector play stronger role than the public sector in the country's GDP. Moreover, fruits were major component in the foreign trade therefore; it is comprised 46 percent of the export sector. During the study, it was found that the export sector has changed positively in recent years. For instance, in the last three years total exports increased from US $596.6 million to US $ 875.2 million.

Key words: *Industrial sector, Agricultural sector, GDP, exports.*

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I. Introduction

After the interference of the international community in 2001, approximately, $107 billion has been donated for Afghanistan in order to support the Afghan economy as well as government expenses. However, the country still suffers from the trade balance deficit. Each year, billions of dollars worth products are imported and only limited goods/services are exported. According to the National Statistical Information Authority (NSIA), total trade for the country was (7139.6), (8624.5), and (8281.8) million dollar for the years 2016-17, 2017-18, 2018-19. Each year, there is a deficit in the country's trade balance. For instance, in the year 2018-19, the total trade was US $8281.8 million which comprised from US $ 875.2 million exports and US $ 7406.6 million of imports which shows a deficit of US $6531.4 million. At the recent years, there is a positive change in the export sector of the country. This means that the exports are encouraged to increase and the imports are decreased. For example, figures show that the country's exports have increased in the recent years. In the years of 2016-17, 2017-18 and 2018-19, the country's exports were US $596.5 million, US $831.9 million and US $875.2 million which show positive slope. The imports section of the trade balance shows slightly decrease in the recent years so the imports were US $6543.1 million, US $7792.6 million and US $7406.6 million in the years 2016-17, 2017-18, and 2018-19 which show decrease from one year to the next year (NSIA, 2017, 18, 19). The agricultural and industrial sectors play important role in the exports, however, more of the exports belong to the agricultural sector therefore it contributes nearly 61 percent to the export section of the trade balance.

Evidence shows that agricultural and industrial sectors have important role in economic growth and development of a country especially in the developing world. According to the recent research findings, these sectors not only contribute to the country's GDP but also create opportunities for employment. The share of agriculture and industry is 14.6% and 28.6% respectively to India's GDP (Sahoo, 2012) and the same sectors contribute around 21 percent, 19 percent, and the services sector 53 percent in GDP of Pakistan (Ajmir, 2014).

Afghanistan is aid dependent country therefore; international community donates billions of dollars each year. In the year of 2018-19, international community donated around US $3792.66 million to Afghanistan which almost comprises 19 percent of the total GDP of the country (NSIA, 2018-19).

II. Literature Review

The agricultural and industrial sectors remained important in terms of the country's GDP. These sectors are not only important for the country's GDP but also for the employment as well. Around 80 percent of the people are employed (formal & informal) in the agricultural sectors and more or less 250000 people are employed in the industrial sector of the country. Besides this, agricultural and industrial sectors contribute almost 25 percent and 20 percent to the country's GDP (Rahimi, 1395). There are some barriers to agricultural development in the country for instance, traditional market, lack of enough agricultural process enterprises, lack of national and international standards, lack of facilities in the tax system and the decrease of the outputs (Mayen, 1395). Trade and business facilities play important role in the agricultural and industrial development, however, there are number of problems against business development in the country. Lack of paved roads between urban and rural areas, existence of large numbers of unskilled labor force in the market, lack of secured income to invest, insecurity and the existence of weak economic policy (Dardmal, 1396). The agriculture and industry sectors also play an important role in the regional economies. The economy of Pakistan can broadly be described into three sectors agricultural, industrial and services sectors. The agricultural sector contributes around 21 percent, industrial 19 percent, and the services sectors 53 percent in GDP (Ajmir, 2014). Agriculture and Industry both are considered as two basic pillars of a developing economy like India. Without development of agriculture, no country can exist and without industrialization no country can develop. Both agriculture and industry play vital role in the balanced economic development of an economy. The share of agriculture and industry is 14.6% and 28.6% respectively to India's GDP, but their importance in the country's economic, social, and political structure goes well beyond this indicator (Sahoo, 2012).

III. Objectives of the Study

The main objectives for this study are defined as below:

- To understand the role of industrial and agricultural sectors in Afghanistan's GDP.
- To specify the main components of the industrial and agricultural sectors.

IV. Research Methodology

This research is a qualitative and descriptive study that examines the role of industrial and agricultural sectors in Afghanistan's GDP. For convincing results, only the most accurate and reliable sources of secondary data were used.

The secondary data was collected from reliable and valid sources, including books, academic papers, reports, working papers, websites, laws and national statistical reports published by government agencies.

The relevant data were analyzed by tables and charts using the Excel program

V. Definition of GDP, Economic Growth and Economic Development

GDP measures the total output produced within a country's borders whether produced by that country's own firms or not during a specific time period that is usually one year therefore, it is said that ″Gross domestic product (GDP) is the total final output of goods and services produced by the country's economy, within the country's territory by residents and nonresidents, regardless of its allocation between domestic and foreign claims″ (P.Todaro & C.Smith, 2010).

The gross domestic product (GDP) is the godfather of the indicator world. As an aggregate measure of total economic production for a country, GDP represents the market value of all goods and services produced by the economy during the period measured, including personal consumption, government purchases, private inventories, paid-in construction costs and the foreign trade balance (www.investopedia.com 2011).

Economic Growth is a recent phenomenon in human civilization. Nicolas Kaldor (1961) has summarized this growth process in the US and the majority of Western countries succinctly in terms of four stylized facts of economic growth. First, labour input has grown more slowly than and output therefore, capital per capita (K/L) and output per capita (Y/L) have increased secularly. Second, the capital output ratio (K/L) has remained fairly constant, has had no discernible trend and has more or less converged across industrialized economies. Third, the rate of return on capital (profit) and the real interest rate have no trend whereas real wage rates have followed a rising trend as the secular rise in productivity (Y/L) and per capita capital (K/L) are translated into higher real wages. Fourth, the share of income devoted to the capital (rK/Y) and labour (wL/Y) show no trend and remains fairly constant as the capital stock per person trends to grow along with output per person (Bhattarai, 2004).

In addition to the previous explanation, economic growth can be defined shortly as:

″ A positive change in the GDP over one year is called economic growth″(C.Colander, 1993-2001).

The concepts of Economic Growth and Economic Development are used interchangeably in the field of Economics. However, there is remarkable difference in these two concepts. Economic Growth is quantitative concept while Economic Development shows both qualitative and quantitative aspects.

″Development has traditionally meant achieving sustained rates of growth of income per capita to enable a nation to expand its output at a rate faster than the growth rate of its population″ (P.todaro & C.Smith, 2010).

VI. Perspectives for Afghanistan

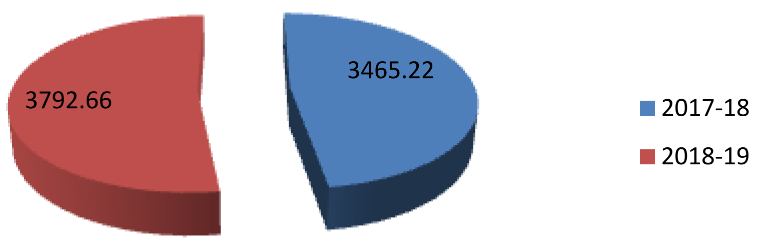
The GDP in Afghanistan has three parts such as agriculture, industry and the services. This research focuses mainly on agricultural and industrial sectors. The GDP of the country is considered without puppy cultivation. According to NSIA, the country's GDP was more or less US $ 20 billion in the recent years.

Table 1: Afghanistan total GDP and growth rate in recent years- US $ Billion

Years	GDP	Growth Rate
2016-17	19.7	2.1
2017-18	20.2	2.9
2018-19	19.9	2.7

In the Table1, puppy is excluded from the GDP. The table indicates that GDP is not fixed, however, it is volatized. In the year 2016-17, total GDP is US $19.7 billion, but in the next year it increased up to US $ 20.2 billion, and in the last year declined to US $ 19.9 billion.
Moreover, Afghanistan depends on foreign aids therefore; international community hands over millions of dollars each year.

Fig 1: International community aid for Afghanistan- US $ Million



In Figure1, the donation of the international community has been indicated. The donated amount is spent by local and internal NGOs. In the year 2017, US $ 3.47 billion aid was committed out of which US $0.17 billion of aid was spent by local NGOs and US $ 0.15 billion was spent by international NGOs.

6.1. The role of Industrial sector in GDP

The main components of the Industrial sector are as following:
Mines and quarry manufacturing
- Electricity, Water and Gas
- Construction

Table 2: Industrial sector components and its share in GDP- US $ Million

Item	2016-17	2017-18	2018-19
Mines & quarry	149.7	196.3	228.3
Electricity, water & gas	15.9	18.2	16.8
Construction	1851.5	2042.2	2526.6

The above table shows that the construction component plays key role in the industrial sector therefore; it shows an increase from one year to the next.

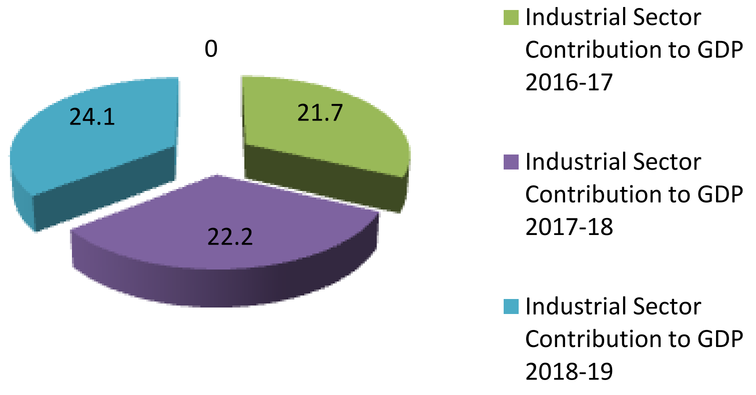
Table 3: Public and Private Sectors Comparison – US $ Million

Year	Public Sector	Private Sector
2016-17	8.37	82.166
2017-18	32.92	74.09
2018-19	13.772	106.28

The country's industrial sector comprises of public and private sectors. The public sector has relatively smaller role than private sector hence, private sector contributes to GDP more than public sector. For instance, the value

added of the private sector was US $ 106.28 million while the public sector was US $13.772 million in the year 2018-19. That shows strong role of the private sector compared to public sector in the industry.
The industrial sector is the second major component of the country's GDP. The services sector is on the top level which contributes more than half of the total GDP. However, the industrial sector contributes to GDP more than 21 percent.

Fig 2: Industrial sector contribution to GDP



6.2. **The role of Agricultural sector in GDP**
The main components of the Industrial sector are as following:
- Cereals
- Fruits
- Vegetable
- Livestock

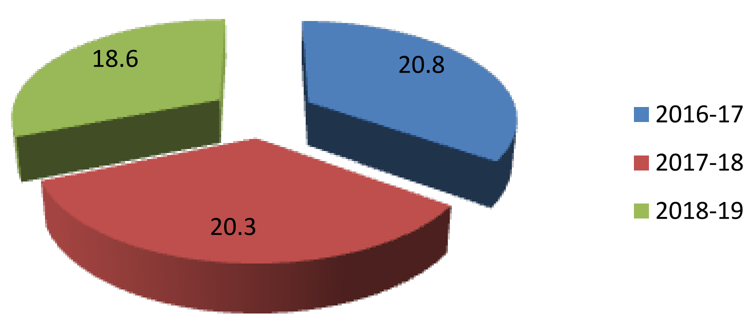
In this analysis, the livestock is ignored and the other three components are discussed.

Table 4: Share of the agricultural sector components in the GDP- US $ Million

Item	2016-17	2017-18	2018-19
Wheat	149.7	196.3	228.3
Fruits	1851.5	2042.2	2526.6
Vegetable	15.9	18.2	16.8

As the Table4 shows, fruits play major role among the agricultural components therefore, it contributes to GDP more than wheat and vegetable. The term fruits conclude fresh and dry fruits. Dry fruits are large part of the exports therefore; out of the total exports, 35 percent are dry fruits. The second component is the wheat which contributes to GDP around US $ 228.3 million.

Fig 3: Agricultural sector contribution to GDP



The above figure shows the agriculture sector contribution to the country's GDP. It indicates that after the industrial sector, agriculture sector play key role in the country's GDP. The figure 1, find out that its share was 20.3 percent of the total GDP in the year 2018-19.

VII. Conclusion And Recommendations

Industrial and agricultural sectors play fundamental role in the country's GDP. After services sector, industrial sector is the second key component for GDP because it contributes more than 21 percent in total GDP. In the industrial sector, private sector plays stronger role than public sector. The, agricultural sector is placed in third position where it contributed nearly 20.8 percent to the country's GDP in the year 2017-18. However, the percentage slightly declined to 20.3 percent in the following year. Fruits were key element of the agriculture sector because fruits comprise 46 percent of the total exports.

I hope to suggest the following steps in order to improve the industrial and agricultural outputs:

It is necessary for the government of Afghanistan to focus on: (a) develop new product (b) import replacement (c) encourage exports (d) install developed machinery in industrial sector (e) support air-corridors (f) provide exhibitions on national and international levels (g) exempt tariff on raw material imports (h) enhance domestic revenues (i) cope with corruption (j) pay attention to strengthen private sector.

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