

# 'AGRI SECTOR SHOULD BE BOOSTED THROUGH CREDIT FLOWS'

Relevant for: Indian Economy | Topic: Agricultural Finance & Insurance

The Prime Minister's Economic Advisory Council (EAC-PM) on Friday said that the agriculture sector should be bolstered through increased credit flows and schemes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme. The Council also added that it strongly felt that the government should not deviate from its fiscal consolidation path.

"While the prospects for world economic growth does not look very promising, particularly in the advanced economics, there is sufficient amount of growth momentum in emerging market economies," the EAC-PM said in a release, following a review meeting on the state of the economy.

"India is not insulated from global developments. Nevertheless, India's growth is expected to be in the 7-7.5% range in the next few years; one of the fastest in the world."

However, it added that with reforms designed to address the structural problems, growth rates can "easily be enhanced by at least 1%". Among the issues discussed by the EAC-PM were agricultural problems, investment trends (including investments by States consequent to the 14th Finance Commission devolution), fiscal consolidation, interest rate management and credit and financial market issues, the release said.

"The Council felt that the exchange rate management of the rupee by the RBI has been sound despite the volatility in the price of crude oil," it said. "The good news is that oil intensity (use of fossil as a percentage of GDP) is showing a declining trend."

## Credit up tick

"There are indications that financial savings have started going up and there is credit up tick through private banks to the services sector," it added. "The reforms in the financial sector should be strengthened further building upon what the Government is already doing."

The EAC-PM said that it felt that the challenge of insularity being seen in external trade should be reversed through supportive policy interventions because there is a positive turn in exports that is now visible.

The challenges in the agricultural sector should be addressed by looking at credit flows and support to employment programmes such MNREGA, the EAC-PM said.

"The EAC-PM strongly feels that there should be no deviation from the fiscal consolidation target and but there must be continued emphasis on social sector intervention," the release added.

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