

GREEN SHOOTS OF ECONOMIC GROWTH

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

[India's dream of becoming a \\$5-trillion economy by 2024](#) is now in the open with a 'blue sky' vision envisaged in the [Economic Survey this year](#). The document lays down a clear strategy to augment the growth of key sectors by shifting gears as the current economic conditions are smooth in terms of macroeconomic stability to expand growth. However, unless there are adequate investment reforms in primary sectors, steps taken to augment growth in other sectors would be futile.

According to the Food and Agriculture Organisation (FAO), insufficient investment in the agriculture sector in most developing countries over the past 30 years has resulted in low productivity and stagnant production.

In India, with a steadily decreasing share of 14.4% in Gross Value Added since 2015-16, the sector's contribution to a \$5-trillion economy would be around \$1 trillion — assuming a positive annual growth rate hereafter.

What a \$5 trillion economy would look like

Investment is the key to unlocking the potential of a developing economy. However, the myopic policy regime in the past several decades has resulted in sluggish investment growth in the farm sector. Therefore, strengthening the sector with an enabling investment package (both public and private) is critical.

First, the wave of investment should touch segments such as agro-processing, and exports, agri-startups and agri-tourism, where the potential for job creation and capacity utilisation is far less. Integrating the existing tourism circuit with a relatively new area of agri-tourism (as a hub-and-spoke model), where glimpses of farm staff and farm operations are displayed to attract tourists, would help in boosting the investment cycle and generate in-situ employment.

\$5 trillion target achievable, says Chief Economic Adviser

Second, investment needs to be driven to strengthen both public and private extension advisory systems and the quality of agri-education and research through collaboration and convergence. It would also serve as a stage to demonstrate resource conservation and sustainable use through organic, natural and green methods, and also zero budget natural farming.

Third, given that India has the highest livestock population in the world, investment should be made to utilise this surplus by employing next-generation livestock technology with a strong emphasis not only on productivity enhancement but also on conservation of indigenous germplasm, disease surveillance, quality control, waste utilisation and value addition. This would lead to a sustained increase in farm income and savings with an export-oriented growth model.

Fourth, investment in renewable energy generation (using small wind mill and solar pumps) on fallow farmland and in hilly terrain would help reduce the burden of debt-ridden electricity distribution companies and State governments, besides enabling energy security in rural areas.

Fifth, a farm business organisation is another source of routing private investment to agriculture. Linking these organisations with commodity exchanges would provide agriculture commodities more space on international trading platforms and reduce the burden of markets in a glut

season, with certain policy/procedural modifications.

Finally, data is the key driver of modern agriculture which in turn can power artificial intelligence-led agriculture, e-markets, soil mapping and others. Currently, there are issues of enumeration, maintenance and accessibility to help maintain agri-data on various fronts. There also needs to be a centralised institutional mechanism to help maintain farm level-data available for real time (virtual) assessment, while also helping plug the loopholes in subsidy distribution, funding and unrealistic assumption in production estimation. This will help in effectively implementing and monitoring various schemes for a pragmatic food system.

Union Budget 2019-20 first take: Moving strategically to a \$5-trillion economy

It is widely accepted that resource conservation comes with behavioural change, which needs dedicated investment in behavioural farm research sets. Perhaps this would help find a way to leverage nudge policies/choice architecture for resource conservation, fertilizer use, irrigation and electricity consumption. Above all, there is a need to converge fragmented investments (public, private and foreign) to address the structural weaknesses in the agriculture sector, enunciated in the Economic Survey 2016-17.

Though economic transition has seen significant growth contribution from services and industry, agriculture remains the most trusted sector in helping alleviate poverty, hunger and malnutrition and ensuring better income distribution.

An earlier experience of BRIC (Brazil, Russia, India and China) nations has shown that a 1% growth in agriculture is at least two to three times more effective in reducing poverty than similar growth in non-agricultural sectors. Public investment in agriculture research and development in terms of percentage share in agri GVA stands at 0.37%, which is fairly low in comparison to between 3% and 5% in developed countries.

Also, in real terms, current investment can create an enabling environment to route private investment in R&D. Therefore, public investment in agriculture should see a commensurate rise with a healthy mix of education, research and extension encouraging 'blue-sky thinking' in all segments, while pushing for a targeted pruning of public expenditures on subsidies, kind transfers, loan waivers and populist measures.

Agriculture and its allied sectors are believed to be one of the most fertile grounds to help achieve the ambitious Sustainable Developmental Goals (SDGs). However, with the current pace of agriculture growth, India requires 'patient capital', as financial returns to investment are unlikely to materialise in the initial years. An inclusive business model facilitating strong investor-farmer relations should be created, with a legal and institutional framework for governance. Expanding institutions is essential to accommodate the developmental impacts of foreign agricultural investment.

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