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A ROAD TO ECONOMIC REVIVAL RUNS THROUGH AGRICULTURE

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

One of the world's fastest growing economies, India, is now facing sluggish growth, with the Reserve Bank of India sharply cutting GDP growth forecast to 6.1% for 2019-20, which is lowest in last six years; there has been a sharp decline in the performance of key sectors.

While some economists feel this slow pace is also a stage to bounce back and is cyclical, others (policy pundits) see this as a gross failure of economic reforms and even a colonial legacy, which only time will tell. Whatever the reason for the slowdown, the opportunity to speed up must accommodate a diverse body of opinion and options for sustainable and inclusive growth.

The conventional approach of fiscal and monetary stimulus options to address the relics of a slow pace would only give immediate relief and not an enduring solution. Hence key policy measures as they exist now must reach out to emancipate that which is dragging growth while stimulating key sectors.

The ripples of the slowdown are gradually moving to the primary sectors which is already reeling under an unprecedented confluence of pressure. Real agricultural and allied gross value added (GVA) grew by 2.9% during 2011-12 to 2017-18, while in the National Agricultural Policy (2000), it should have been around 4%, to attain an overall economic growth of 8%. A highly skewed and unprecedented monsoon, erratic rainfall, and extreme natural events are creating havoc as far as farms and farmers are concerned which in turn are likely to disrupt supply chains, fuel inflation and have a negative impact on consumption, all of which can further dampen the prospects of revival of the economy.

In addition, the current growth rate in the farm sector is less than adequate to take on developmental challenges originating from the Sustainable Development Goals, mainly zero hunger, no poverty, life on land, and gender equality. Hence any key reforms packages in improving the economy should also take cognisance of the crisis in the agricultural sector.

The key to addressing the slowdown lies in a selective group of reforms in the key sectors.

As always the push must start with the primary sector. First, there is a great need to accept the role of agriculture in invigorating crucial economic segments. The sector is a potential enabler and employer for more than 50% of the population; it also has the potential to revive "animal spirits" by ensuring farm viability: increasing the ratio of farm to non-farm income to 70:30 by 2022-23 from the present 60:40. According to the agriculture census 2015-16, the real income of farmers doubled in almost 20 years from 1993-94 to 2015-16. As the target to double farmers' income by 2022 is nearing, there must be fast-lane options and swift actions to ensure curated reforms on land, market, price, and ameliorate supply side constraints. As reiterated in the past, the Agricultural Developmental Council (ADC) in line with the GST Council is a dire need to make agricultural reforms more expressive and representative. For better income distribution, there is also a need to revisit regional crop planning and the agro-climatic zone model at the highest possible level so as to make agriculture the engine of sustainable economic growth in India 2.0 by 2022.

Second there is a strong case to believe that deindustrialisation 2.0 and creative destruction is under way from the decreasing growth rate, and that slowly fading reform to stimulate the traditional sectors is adding to unemployment and job loss. There is immense need to promote occupations which are less influenced by the slowdown such as farming, handloom, handicrafts and others.

Third in the Economic Survey 2018-19, the working age population will continue to rise through 2041. Therefore, there is urgent need to increase the job-to-investment ratio which is currently very low. Some estimates say that 1 crore investment in India can create only four formal jobs. What has been less noticed and assessed in any survey is that inter-State migration has a huge impact on personal consumption expenditure. Giving a policy nudge to *in-situ* employment creation is a must for a stable income and spending. Also, there must be efforts to have an accurate picture of unemployment data in order to have policy that is closer to facts. Fourth, there is a need to reconsider the few distorting reforms that are often stated to revive the short-term chaos in the long run. Finally, the sweet spot created by low oil prices in the past is slowly taking its turn to hit the economy to further cut down aggregate demand.

The occasional dip in growth due to various reasons will slow the pace to achieving a $5-trillion economy by 2024. This is the right time to execute a slew of doable agricultural reforms as the role of agriculture in reversing the slowdown is immense in the light of its nearly 20% contribution to a $5-trillion economy. Therefore, a blend of efforts from a range of sectors, agriculture and allied sectors is warranted to enable overall growth.

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