GS-III: A road to economic revival runs through agriculture.

News

One of the world’s fastest growing economy, India is now facing sluggish growth with the RBI sharply cutting GDP growth forecast to 6.1% for 2019-2020 which is slowest in last 6 years.

Effects on primary sectors:

The ripples of the slowdown are gradually moving to the primary sectors which are already reeling under an unprecedented confluence of pressure. Real agriculture and allied GVA grew by 2.9% during 2011-12 to 2017-18 while National Agriculture Policy 2000 it should be around 4% to attain an overall economic growth of 8%.

The current growth rate in farm sector is less than adequate to take on developmental challenges originating SDGs mainly zero hunger, gender equality, no poverty, life on land. The key to addressing the slowdown lies in selective group of reforms in the key sectors.

Reasons for the Slowdown in the Economic Growth:

- The slowdown in the Indian economy is partly cyclical and partly structural.
- Two cyclical factors are Shadow banking stress (NBFC crisis) and weaker global demand.

Structural factors may include:

- The rates of savings and investment in the Indian economy have declined, as also exports and total credit.
- This has led to a slowdown among the major industries, like the automobiles, diamond, textiles industry, and several Micro, Small and Medium Enterprises (MSME) are experiencing a continuous decline, which has led to the retrenchment of 3.5 lakh workers so far.
- Agriculture is in crisis today on account of rising costs of inputs and low prices of produces, and low public investments in this sector.
- Apart from it, there is income stagnation in urban areas.
- The slowdown in consumption is the major worry for India’s economic slump (consumption has been the main driver of India’s growth).
- There is a sharp fall in Private Consumption and as well as Public Expenditure.
- Externally, the US-China trade war is the leading dampener in India's growth story.
- In addition to this, the timing of some of the policy changes, the goods and services tax, demonetisation, measures to curb corruption, and the move to flexible inflation targeting led to a combination of lower inflation, higher real rates, and lower nominal growth.

Way Forward:

To occasional dip on growth due to various reasons will slow the pace to achieving the $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.