

Nurture farm sector for inclusive growth

The Budget should focus on revitalising the agri sector which, in spite of a healthy monsoon, has been hit by demonetisation



CHANDRAJIT BANERJEE

After two back-to-back years of drought, India's rural economy benefited in 2016-17 from a normal monsoon and helped raise demand for boosting the GDP. Demonetisation impacted the agricultural marketing system where payments are largely made in cash by intermediaries, which is then used immediately for purchase of inputs. As access to formal and digital financial systems is limited in rural areas, Budget 2017-18 would need to pay special attention to villages for spurring overall economic growth.

The agriculture, forestry and fishing sector grew robustly by 3.3 per cent in the second quarter of the year, with foodgrains, during the kharif season, soaring by almost 9 per cent. More than half of the value added in the sector now comes from livestock, forestry and fisheries, which expanded by 3.6 per cent. Almost 50 per cent of Indian workers are dependent on

farming and related activities for livelihood, and therefore boosting demand in the economy relies strongly on their incomes.

Low productivity a challenge

India is the largest producer in the world for produce such as milk, bananas, okra, etc, and the National Horticulture Mission has resulted in crop diversification. A recent positive development is increase in agri exports to over \$32 billion.

However, low agricultural productivity remains a challenge, given India's increasingly fragmented land holdings, low use of technology, inadequate mechanisation and other issues. There is need for a national agriculture strategy with the farmer as entrepreneur.

CII has called for a system of aggregating land on lease that would attract large players to invest in farming technology and inputs. A Model Land Leasing Act is required, along with revival of the cooperative movement that can bring together thousands of farmers on the line of the Amul cooperative model.

The Government had brought out a landmark crop insurance, the Pradhan Mantri Fasal Bima Yojana, which covers more than 35 million farmers and 38 million hectares. This can be extended rapidly to cover the entire cropped area espe-



Left out Let policy shed its lights on them RAMESH SHARMA

cially by targeting States where implementation has been slow. The scheme deploys technology to settle claims faster, and the effective roll-out of compensation would incentivise more farmers to embrace the scheme quickly.

It is also important to provide timely credit to farmers. There is a suggestion to enable non-banking finance companies to provide loans coupled with availability of inputs, seeds and fertilisers. Regarding R&D and mechanisation, digitalisation of the extension system could help reach services to farmers, while linking them with village services kiosks tasked to deliver gov-

ernment services. The agriculture sector would gain tremendously from linkages to food processing. Currently, just about 2 per cent of our fruits and vegetables are processed. The Government has placed food processing as a priority sector, under Make in India with 100 per cent foreign direct investment. Eight mega food parks have begun operations, with as many as 37 planned altogether.

A sourcing hub

The next stage would be to promote India as a preferred sourcing hub for the world, and attract more global players in the sector. Global best practices and quality and safety of food products must be inculcated among industry and laboratories as well as testing and certification facilities should be readily accessible to farmers and food industry.

The Budget must prioritise spread of digital payments in rural areas to enable a smooth transition to less cash use. The Jan Dhan Yojana has opened almost 260 million bank accounts, many of which are seeded with Aadhaar and have access to RuPay cards. Digital infrastructure in villages can help catalyse linkages through this system to wider financial markets, and last-mile connectivity needs to be en-

sured. Citizens in rural areas also need to be financially literate and aware of benefits of digital payments as compared to cash use.

A key concern is regarding the status of households Below the Poverty Line (BPL). The BPL limit should be revised in accordance with inflation rates and also with rising incomes so that poor households are not deprived of its benefits once more of their transactions enter the formal channels.

The Budget can also develop infrastructure schemes that would offer short-term employment opportunities to migrant workers who may have returned home temporarily. These projects should be labour-intensive such as roads, minor irrigation and water conservation works, agricultural warehousing, etc. Some of the funds deployed under MNREGA could be used for these projects. The Government may also consider stepping up skill development for training and re-skilling by fast-tracking the district-level skill centres proposed in the previous Budget.

The agriculture sector is the base of the economy. Every effort should be made to strengthen this sector and enable it to emerge as the springboard for inclusive growth.

The writer is the director general of CII