

## 1. Tackling Slowdown: Ignite Rural Demand for Quicker Economic Recovery

### Context:

- Hastening economic recovery has now Clearly Taken centre stage. Since Independence Day 2019, the FM has periodically announced a slew of Fiscal and Financial Measures aimed at revving up the Economy.

### Causes for the Current Slowdown:

- Is India's economic slowdown in sync with the global synchronised slowdown? It is hard to find a definite answer, but in a limited sense it could be 'yes'.
- This is clear by looking at the last three quarters' data that show mostly **continuous decline in exports**—6.1% decline by registering \$26.13 billion in September-end 2019 from \$30-plus billion in earlier years
- What is apparent from India's current slowdown is that there is a **deficient sectoral demand**, as seen in real estate.
- With the fall of real estate demand, supportive sectors also took a hit. Steel, cement and other allied industries found production activities coming to a significant halt—this resulted in lay-offs.
- This **structural fall in demand in metropolis and semi-urban areas created a ripple effect on workers' incomes**. The fall in incomes led to a fall in demand across India.
- **With capacity utilisation in most manufacturing firms hovering around 70%**, and projected to continue to move downwards with IIP and core industries' persistent decline, investment in industrial activity, especially in electrical power, remains stalled.

### Necessity to Building up Aggregate Demand:

- With poor competitiveness and a slowing world economy, Indian goods and services are not expected to win new overseas customers.
- In a domestic-driven economy like ours, the answers have to be found within, and the process of amelioration must begin in our vast Rural Geography.

### Igniting Rural Demands:

1. Additional liquidity could be pumped into the rural economy through the tried and tested **MGNREGA scheme**, for which 8.5 crore job-seekers stand registered.

Their wages could be raised in line with respective state minimum wages, and the restriction of giving work for 100 days annually temporarily raised to 200, with the limitation of one family member being employed also done away with.

2. Other available platforms are the successful Gram Sadak Yojana (rural roads) and the Awas Yojana (rural housing). While basic connectivity to nearby marketplaces may have been provided to several villages under PMGSY, only low hanging fruit has been plucked. Covering all 6.5 lakh villages and making roads truly all-weather and wide enough to carry the load of tractors without pushing two-wheeler users off the roads remains. Scope for building more houses under PMAY is also considerable.
3. PM KISAN, too, is capable of greater usage, and can have quick impact on farmers, tenants, and landless labourers.
4. The MSP mechanism also needs a relook. Rather than just basic staples, the poor today seek more proteins and vitamins viz. pulses, vegetables, milk, eggs, and fruits, and these need to be brought under MSP's purview.

With greater assured irrigation facilities today, compared to 40 years ago when the scheme was introduced, farmers' cropping patterns have undergone changes; crops covered by the scheme need to be periodically reviewed to reflect contemporary preferences and priorities.

More importantly, the government need not physically buy the produce—only paying the price differential between the assured and open market prices should suffice. The experience of the Bhavantar scheme in Madhya Pradesh could be used to devise the new programme.

5. The expensive PDS, too, needs drastic modifications. Instead of giving subsidised food grains to all 23 crore ration-card holders only those at the bottom end of the poverty line need be made eligible, and they too should be given the option between subsidised food and cash transfers.

While effecting such structural reforms will need extensive stakeholder consultations, an immediate way to put more disposable income in the hands of the poor would be to enhance the subsidy as a one-time measure.

### **Conclusion:**

- The recent urgency shown by the government to introduce measures for economic recovery are undoubtedly a welcome sign—being decisive, and going deeper by targeting rural demand is now the need of the hour.