1. Lifting Growth, Containing Inflation

Context:

- With GDP growth rate plummeting to 4.5 per cent and with the agriculture GDP (GDPA) growth at 2.1 per cent in the second quarter of this fiscal year, everyone concerned with the economy is anxious.
- The question being asked is whether the Indian economy can be put back on the 7-8 per cent growth trajectory and can agri-GDP grow at least at 4 per cent.

Why Agriculture is Important for Economic Growth and containing Inflation:

- Agriculture still engages about 44 per cent of India's workforce. If the masses do not gain from the growth process, their incomes remain subdued, and then the demand for manufactured goods, housing and other goods will remain low. Low demand in the economy is one of the main reasons behind India's great slowdown today.
- Interestingly, it is during this slowdown that inflation has started to surge after a long period of low inflation. Inflation is led by different components of the food segment — cereals, pulses, and vegetables — in the consumer price index (CPI).

Challenges in Boosting Demand:

- First challenge is to boosting demand without causing undue inflation (beyond the threshold level of 6 per cent to be maintained by the RBI).
- Another, there is the challenge of not slipping on the fiscal deficit target of 3.3 per cent, although the Comptroller and Auditor General of India (CAG) has already indicated that the real fiscal deficit of the country is much more if one accounts for the loans taken by many public sector undertakings (PSUs).

Government Initiatives to Boosting the Economy:

- Government announced an investment package for infrastructure of about Rs 102 lakh crore over the next five years, which implies more than doubling the growth in infra-investments from its current levels.
- However, the challenge remains in the resource mobilisation part. The announcement does not unveil any clear strategy on the resource mobilisation front.

Concerned Areas:

- The government should take a look at the massive inefficiency in the grain management system under the National Food Security Act (NFSA) to find the Required Resources.

- The NFSA **gives certain quantities of wheat and rice to 67 per cent** of the population at **Rs 2/kg and Rs 3/kg respectively,** while the economic cost of these to the Food Corporation of **India is Rs 25/kg and Rs 35/kg** respectively. This led to a provision of Rs 1.84 lakh crore for food subsidy in the last Union budget.
- The massive accumulation of grain stocks is the **result of a deeply inefficient strategy for food management** wherein the procurement for wheat and rice (paddy) remains open-ended, but the disbursal of those stocks remains largely restricted to the public distribution system (PDS).
- The open market operations (OMO) are much less compared to what is needed to liquidate the excessive stocks. If the government decides to liquidate half of it, it can garner Rs 50,000 crore to finance at least half of its infrastructure projects.
- The blueprint for **reforming the Grain Management System** was presented to the PM by the **Shanta Kumar panel.**

Measures should be taken to Address the Concern:

- First, while the poor under the Antyodaya category should keep getting the maximum food subsidy, **for others, the issue price should be fixed at, say, 50 per cent of the procurement price**
- Second, **limit subsidised grain distribution under NFSA to 40 per cent** of the population rather than the current 67 per cent. Because poverty level in India is drastically reduced. since 2011 — it was 21 per cent as per the Tendulkar poverty line
- Third, **limit the procurement of rice particularly in the north-western states of Punjab and Haryana where the groundwater table is depleting** fast, and invite private sector participation in Grain Management.

Conclusion:

- If the government can implement just these three points, it can save another Rs 50,000 crore annually. On top of this, it will help the government to reduce its fiscal deficit. And if it liquidates stocks fast, it can contain inflation too.