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YOJANA MAGAZINE ANALYSIS

(September 2024)

(Part 2/3)

TOPICS TO BE COVERED

PART 1/3

- PUBLIC FINANCE & DEVELOPMENT: EVALUATION OF INDIA'S BUDGETARY PRIORITIES
- INCLUSIVE HUMAN RESOURCE & DEVELOPMENT

PART 2/3

- RESILIENCE IN AGRICULTURE
- MANUFACTURING & SERVICES

PART 3/3

- INNOVATION RESEARCH & DEVELOPMENT
- ENERGY SECURITY

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PRODUCTIVITY & RESILIENCE IN AGRICULTURE

The **Government of India** is dedicated to transforming the nation into a developed **country by 2047**, with agriculture being a crucial sector in this initiative.

- A. Currently, agriculture provides livelihoods for approximately **42.3%** of the population and contributes **18.2%** to the national GDP at current prices.
- B. In the **Union Budget (2024-25)**, agriculture was highlighted as one of the priority sectors in the strategic roadmap for "**Viksit Bharat.**"
- C. The Finance Minister identified nine priority areas, placing "**Productivity and Resilience in Agriculture**" at the forefront, with an allocation of **Rs 1.52 lakh crore** to support ongoing schemes and **new programs for agricultural development** and **farmers' welfare.**

AGRICULTURAL PERFORMANCE

- **Food Grain Production:** India achieved a record food grain production of **329.7 million tonnes** in **2022-23**. However, in **2023-24**, there was a mild decline to **328.8 million tonnes** primarily due to poor and delayed monsoons.

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- **Growth in Horticulture and Allied Sectors:** Sectors like horticulture, animal husbandry, dairying, and fisheries are also registering significant growth, contributing positively to overall agricultural production.
- **Challenges:** The agricultural sector faces several challenges, including:
 - **Climate change**
 - **Degradation of natural resources**
 - **Low productivity levels**
 - **Significant infrastructure deficits**

The Union Budget aims to address these challenges comprehensively through various provisions and allocations.

RESEARCH & INNOVATION

- **Importance of Research:** Scientific research plays a critical role in agricultural development, underscored by the **3 I's: Intervention, Invention, and Innovation.**
- **Research Infrastructure:** India has one of the **largest agricultural research, extension, and education networks globally.** The government plans to review the agricultural research setup to focus on **increasing productivity and developing climate-resilient crop varieties.**

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- **Government Funding:** There will be government funding to develop specific interventions addressing emerging challenges, with involvement from the private sector in overseeing research.
- **Target for Crop Varieties:** The government has set a goal to release **109 high-yielding and climate-resilient varieties** of **32 field and horticultural crops**. These varieties will be resistant or tolerant to various **biotic and abiotic stresses**, such as high temperatures, **droughts, and waterlogging**.

BUDGETARY ALLOCATION

- The **Department of Agricultural Research and Education**, under the Ministry of Agriculture and Farmers Welfare, received an allocation of **Rs 9909 crore**, an increase from **Rs 9876.60 crore** in the revised budget of the previous fiscal year.
- A study indicates that for every **rupee invested** in agricultural research (including education), there is a return of **Rs 13.85**.
- In 2022-23, the expenditure on agricultural research was **Rs 19.65 thousand crore**, leading to the release of **347 new varieties** and hybrids of **44 field crops** for cultivation. Additionally, **99 new varieties** of horticultural crops were notified for commercial cultivation.

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NATURAL FARMING INITIATIVES

- The government aims to enroll **one crore farmers** in natural farming within the **next two years**. Farmers will receive support through certification and branding services to enhance marketing and profitability.
- **Establishment of Bio-Input Centers: 10,000 need-based bio-input resource centers** will be set up to provide specific inputs directly to farmers. Scientific institutions and **Gram Panchayats** will play roles in this initiative.
- **Promotion of Natural Farming:** Natural farming was highlighted in the **Finance Minister's 2019 budget speech** as a means to double farmers' income. This **non-chemical system integrates crops, trees, livestock, and indigenous practices with resource** recycling and on-farm optimization.
- **National Mission on Natural Farming:** This independent scheme, initiated from **2023-24**, aims to create awareness, **provide training, and build capacity for farmers**. The **Indian Council of Agricultural Research (ICAR)** has developed effective natural farming models and appropriate practices tailored to different agro-climatic zones.

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VEGETABLE PRODUCTION & SUPPLY CHAIN

- **Clustering for Production:** The government plans to develop large-scale clusters for vegetable production closer to major consumption centers to enhance nutritional security and farmers' income.
- **Public Awareness of Nutrition:** Rising awareness about health and nutrition has increased market demand for vegetables, especially in urban areas. India is now the second-largest producer of vegetables globally, with **212.55 million tonnes** produced in 2022-23.
- **Perishability and Infrastructure:** Due to the perishable nature of most vegetables, quick transportation and long-term storage facilities are crucial.
- **Promotion of Farmer Producer Organizations:** These organizations will enhance the marketing and supply chains for vegetables, addressing collection, storage, and marketing needs. The government has initiated various measures to improve supply chain management from farms to retail.

PULSES & OILSEED PRODUCTION

- Despite impressive self-sufficiency in food grains, milk, and other major commodities, the production of pulses and oilseeds faces challenges, leading to reliance on imports.

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- **Strengthening Production:** The government has committed to enhancing production, storage, and marketing of pulses and oilseeds to achieve self-sufficiency. The Finance Minister stated the aim for 'Atma Nirbharta' for oilseeds like mustard, groundnut, sesame, soybean, and sunflower.
- **National Food Security Mission-Pulses:** This mission operates in **28 states and 2 Union Territories**, focusing on area expansion and productivity enhancement through various interventions, including cluster demonstrations and seed production.
- **Incentives and MSP:** The **Minimum Support Price (MSP)** for pulses has been increased to encourage production, while similar measures are in place for oilseeds, resulting in an **impressive increase** in production by **43%** for pulses and **44%** for oilseeds over the last decade.

ALLIED SECTORS

Dairy Sector Initiatives:

- **Economic Contribution:** Allied sectors such as animal husbandry, dairying, and fisheries are significant growth drivers. The government allocated **Rs 4521 crore** to the

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Department of Animal Husbandry and Dairying (DAHD) for ongoing schemes and new facilities.

- **New Institutions and Research Facilities:** Provisions have been made for establishing an **Animal Health Institute**, a **Small Livestock Institute**, a **Breed Improvement Centre**, and a **Centre of Excellence** for animal husbandry.

Fisheries Sector Overview

- **Contribution to Employment:** The fisheries sector, deemed a "sunrise sector," supports around **30 million people**, primarily from marginalized communities.
- **Production and Growth:** India produced **17.54 million tonnes** of fish in the last year, ranking as the third-largest producer globally. The budget allocation for the fisheries sector has increased by **54%**, from **Rs 1701 crore** to **Rs 2616 crore**.
- **PM Matsya Sampada Yojana:** The flagship scheme, receiving **Rs 2352 crore**, aims to enhance aquaculture productivity and double exports to **Rs 1 lakh crore**, while generating **55 lakh** employment opportunities.

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Fisheries Development Initiatives

- **Integrated Aqua Parks:** Five such parks will be established, alongside the launch of **Blue Revolution 2.0** to foster sustainable development in the sector.
- **Shrimp Farming Support:** Financing for shrimp farming and processing will be facilitated through the **National Bank for Agriculture and Rural Development (NABARD)**, alongside a network of **Nucleus Breeding Centres (NBC)** for shrimp brood stock, improving the genetic quality of aquaculture species and reducing dependency on imports.
- **Customs Duty Reductions:** The Finance Minister announced reductions in Basic Customs Duty (BCD) on specific inputs for shrimp and fish feed, promoting the sector further.

DIGITAL EMPOWERMENT OF FARMERS

- The government is integrating digital technologies in agriculture to empower farmers and improve service delivery.

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- **Digital Public Infrastructure (DPI):** The Finance Minister announced the implementation of DPI for agriculture, facilitating a digital crop survey in **400 districts** and aiming to cover details of **six crore farmers** and their lands within three years.
- **DPI Components:** DPI consists of:
 - **Agri Stack:** Registers farmers, village maps, and crops.
 - **Krishi Decision Support System (Krishi-DSS):** Integrates data on weather, soil, and government schemes.
 - **Krishi Mapper (KM):** A geospatial mobile application for land-based schemes, enhancing crop estimation and soil health interventions.

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FOCUS ON MANUFACTURING & SERVICE SECTOR

Importance of Manufacturing in the Economy

Manufacturing has historically been a cornerstone for the development of economies worldwide. In India, the manufacturing industry generated **16-17%** of the country's GDP before the pandemic. This sector is projected to be among the fastest-growing, with the potential to export goods worth **US\$ 1 trillion** by **2030**. Currently, manufacturing accounts for **17%** of India's GDP and employs over **27.3 million workers**. The Indian government aims to increase the manufacturing output to **25%** of the economy by **2025** through various programs and policies.

GOVERNMENT INITIATIVES

- **SAMARTH Udyog Bharat 4.0:** Launched by the Ministry for Heavy Industries & Public Enterprises, this initiative focuses on boosting the competitiveness of the manufacturing sector, especially in capital goods.
- **Industrial Corridors and Smart Cities:** The government is developing industrial corridors and smart cities to ensure holistic development, which will promote advanced manufacturing practices.

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INDUSTRY 4.0 & AUTOMATION

India is progressing towards **Industry 4.0** through initiatives like:

- **National Manufacturing Policy:** Aims to increase manufacturing's share in GDP to **25% by 2025**.
- **Production-Linked Incentive (PLI) Scheme:** Launched in **2022**, this scheme is designed to develop the core manufacturing sector to meet global standards.
- **Automation and Process-Driven Manufacturing:** The shift towards automation is expected to enhance efficiency in the manufacturing industry.

FOREIGN TECHNICAL COLLABORATION

Over the last five years, there has been a notable increase in foreign technical collaborations, particularly in sectors such as:

- **Mobile Phones**
- **Electronics**
- **Food Processing**

The US, Germany, and Japan are significant partners in technology transfer. During the COVID-19 pandemic, India showcased its manufacturing capabilities by rapidly producing

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pharmaceuticals and vaccines, positively altering global perceptions of its manufacturing strengths.

ATTRACTING FOREIGN INVESTMENT

India is becoming a favorable destination for foreign companies due to:

- Streamlined regulatory processes.
- Opportunities for joint research and development.
- Capability to manufacture high-quality products that meet international standards.

As a result, major international companies are establishing operations in India or seeking R&D partnerships.

UNION BUDGET: SUPPORT FOR MANUFACTURING & MSME

The Union Budget for **2024-25** continues to prioritize growth across various sectors, including:

- **Agriculture**
- **Infrastructure**
- **Digital Platforms**
- **Manufacturing**

A key objective is to stimulate rural economic growth, positively affecting the nation's overall development. The budget emphasizes the promotion of **Micro, Small, and Medium**

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Enterprises (MSMEs), particularly in labor-intensive manufacturing, with a comprehensive package that includes:

- **Financing**
- **Regulatory Changes**
- **Technology Support**

NEW INITIATIVES FOR MSMEs

- **Credit Guarantee Scheme:** Introduces term loans for MSMEs to purchase machinery without collateral or third-party guarantees, supported by a self-financing guarantee fund of up to **Rs 100 crore**.
- **Public Sector Bank Involvement:** Banks will develop in-house capabilities for assessing MSME credit, moving away from reliance on external assessments.
- **Continuation of Bank Credit:** A new mechanism will ensure credit availability for MSMEs facing stress, helping them avoid becoming non-performing assets (NPAs).
- **Increased Mudra Loan Limits:** The limit for Mudra loans will be raised from **Rs 10 lakh** to **Rs 20 lakh** for successful borrowers in the 'Tarun' category.

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SERVICE SECTOR IN INDIA

The services sector is a pivotal component of India's economy, not only serving as the dominant contributor to the country's GDP but also attracting significant foreign investment. In the fiscal year 2022-23,

The services sector is a pivotal component of India's economy, serving as:

- **Dominant Contributor:** Accounts for over **50%** of India's GDP.
- **Growth Rate:** Achieved **9.1%** growth in FY22-23.
- **Employment:** Generated nearly **4.06 million jobs** (approximately half of the **8.12 million** total jobs created) in sectors like **IT, banking, and finance**.
- **GVA Contribution:** Contributed **55%** to India's **Gross Value Added (GVA)** at current prices in FY24.
- **FDI Inflows:** Ranked first in **Foreign Direct Investment (FDI)** inflows according to the **Department for Promotion of Industry and Internal Trade (DPIIT)**.

DIVERSE ACTIVITIES

India's services sector encompasses a wide range of activities, including:

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- **Hotels and Restaurants**
- **Transport, Storage, and Communication**
- **Finance and Insurance**
- **Real Estate and Business Services**
- **Community, Social, and Personal Services**
- **Construction-Related Services**

To enhance India's commercial services exports and increase its global market share beyond the current **3.3%**, the government is making concerted efforts aimed at significant GDP expansion.

RECENT PERFORMANCE

- In December **2023**, services exports grew by **1.3%** to **USD 31.6 billion**, driven primarily by **software, business, and travel services**.
- Meanwhile, imports declined by **1.2%**, resulting in record-high net earnings of **USD 16.0 billion**.
- For the period of October-December **2023**, India saw a **5.1%** year-on-year increase in services exports to **USD 87.7 billion**, with a trade surplus of **USD 44.9 billion**, largely attributed to software and business services.

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INFLUENCING FACTORS FOR GROWTH

- The **growth of the services sector is influenced by both domestic and global factors.**
- A wide array of service industries has **experienced double-digit growth in recent years**, supported by **digital technologies and institutional frameworks established by the government.**
- The **ease of doing business in India has significantly improved for both domestic and foreign firms** due to notable advancements in cultural attitudes and government outlook.

EMPLOYMENT POTENTIAL & LINKAGE WITH MANUFACTURING

The services sector shows:

- **High Employment Elasticity:** Indicates potential for significant growth and creation of productive jobs.
- **Skill India Programme:** Aims to skill and upskill **400 million people by 2022**, primarily focusing on private sector initiatives.

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Synergy with Manufacturing

- **Make in India Program:** Strengthening the manufacturing sector with a multiplier effect on services.
- **Startup India Initiative:** Supports innovation in both manufacturing and services.

GOVERNMENT FOCUS IN UNION BUDGET 2024-25

Key areas emphasized in the Union Budget include:

- **Digital Infrastructure:** Investments in high-speed internet connectivity across urban and rural areas.
- **Digital Literacy:** Initiatives to improve workforce digital literacy.

Realizing the Vision of 'Viksit Bharat'

The Union Budget 2024-25 is a significant step toward achieving '**Viksit Bharat**', aimed at:

- Driving economic growth
- Creating employment opportunities
- Enhancing the overall standard of living.

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