

# 'Invest in agri-productivity to boost consumption demand, focus on public health issues & strengthen tax administration'

WITH THE rupee under pressure, continuing high food inflation, slower economic growth, and uncertainty about the impact of Trump's second term, it may be wise to be cautious about the immediate prospects of the Indian economy.

On the other hand, it is an opportunity as well. Typically, reflections on policy priorities occupy the first part of the Finance Minister's speech. They assume an outsize importance this year. The FM could use the Budget to signal India's commitment to policies and reforms that would continue India's momentum among the large economies of the world.

Last year the FM announced the elements of an economic strategy. Four population groups — the poor, the youth, women and farmers — were to receive special attention. Their welfare was to be achieved by actions in 9 priority sectors including agriculture, employment, manufacturing, urban development and infrastructure. All of these are needed initiatives on which much has already been said. The Finance Ministry should issue a paper on the progress achieved in these sectors. That would ensure accountability and purchase credibility for future pronouncements.

In addition, the Budget of last year promised an economic policy framework that would set in motion the 'next generation of reforms' for employment and growth. This Budget would be an opportune time to redeem the promise. An ideal framework would consider macro-economic stability, the necessity to invest in people and infrastructure and the imperative to actively engage with the world through trade and investment. Ideally, the framework would resist sector-specific policy support or be very selective in this regard.

The framework would also recognise the federal polity. GST is a case in point. While the simplification of rates cannot be achieved by the Centre alone, the Centre can point to the direction of reform. On its own, it can revise processes to reduce the burden of compliance. To solve such perennial problems in tax administration, the gov-



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ernment should task a standing committee of outside experts to flag anomalies and impractical rules. This will save the government, taxpayers and the economy a lot of money.

India is faced with two major and pressing public health issues. The first is air pollution. It is acute in north India, but other parts of the country are not exempt from it either. The health costs are large. If unchecked, it will drain the region of investments and talent. The second is the health of our children. Despite progress, a third of our children are too short for their age. Expertise and solutions are available within the government and outside. It is hard to see how Bharat can be Viksit without addressing the problem now. For both problems, the states and the Centre must work together. This will be a memorable legacy of a government in its third term.

Food inflation is eating into the incomes of the working class. Price rises are markedly high for vegetables, fruits and

proteins. The paradox is that, despite these price signals, we continue to devote resources to produce too much of cereals. Our supply chains are not up to the task — a fact that has been recognised for over two decades. The government must mobilise and empower its agricultural research system to address such important issues of post-harvest management. The government's Situation Assessment Survey (of 2018/19) shows that farm households that produce much of India's non-grain crops are smaller, less educated and more likely to be SC/ST than the growers of grain crops. With investment (including FDI), this unsung part of the economy will show the way forward for the larger growers still heavily invested in cereals.

In rainfed agriculture, small and marginal farmers use a variety of livelihood strategies — crop agriculture, animal husbandry and fisheries, wage labour and migration. A broad perspective would look not just at crop productivity but also small irrigation projects, flexible assistance in animal husbandry and policies friendly to seasonal migrants.

Investing in agricultural productivity will boost consumption demand — the factor that is constraining private investment and growth. But agricultural incomes are less than 50 per cent of rural incomes (Nabard Financial Inclusion Survey, 2020/21). And for individual households, the importance of agricultural income declines with land ownership. Therefore, the government must think of not only agriculture but also education, health and connectivity in rural areas. These benefits reach widely unlike output and input subsidies.

Coordination across government ministries is necessary for effective action; but this can follow only if policy goals take an integrated view. A positive development has been the resumption of official data flows — especially the long-postponed consumption surveys. But we still await the population census. That's outside the domain of the FM. However, it's the bedrock on which all policies rest.

(Views are personal)