

IV

Capital Formation in Agriculture

8.55 The falling public investment in agriculture has been a cause for concern because it is crucial for the development of infrastructure like irrigation, electricity, agriculture research, roads, markets and communications. Investment in agriculture declined from 1.6 per cent of GDP in 1993-94 to 1.3 per cent in 1998-99 (Table 8.24). This decline was due to a fall in public investment in agriculture from Rs 4,467 crore in 1993-94 to Rs 3,869 crore in 1998-99. There has, in fact, been a continuous

decline in public investment in agriculture from 1994-95 till 1998-99. Although, the declining trend in public investment was halted in 1999-2000, with the public sector capital formation rising to Rs 4122 crore from a level of Rs 3869 crore in preceding year, there has not been any improvement in the share of investment in agriculture in GDP from the preceding year's level of 1.3 percent. This calls for a review of our policies which have led to diversion of scare resources in the form of subsidies for fertilizers, rural electricity, irrigation, credit and other agricultural inputs, away from the creation of productive assets.

TABLE 8.24						
Capital Formation in Agriculture						
(at 1993-94 prices)						
(Rs Crore)						
Year	Total	Public	Private	Per cent share		Investment in
				Public	Private	Agriculture
						as Per cent
						of GDP
1993-94	13,523	4,467	9,056	33.0	67.0	1.6
1994-95	14,969	4,947	10,022	33.0	67.0	1.6
1995-96	15,690	4,849	10,841	30.9	69.1	1.6
1996-97	16,176	4,668	11,508	28.9	71.1	1.5
1997-98	15,942	3,979	11,963	25.0	75.0	1.4
1998-99	14,895	3,869	11,026	26.0	74.0	1.3
1999-00	16,582	4,112	12,470	24.8	75.2	1.3
2000-01*	16,545	4,007	12,538	24.2	75.8	1.3

* Quick Estimates