

Capital Formation in Indian Agriculture

8.48 The decline in the share of the agricultural sector's capital formation in GDP from 2.2 per cent in the late 1990s to 1.7 per cent in 2004-05 is a matter of concern (Table 8.20). This declining share was mainly due to the stagnation or fall in public investment in irrigation, particularly since the mid-1990s. However, there is indication of a reversal of this trend with public sector investment in agriculture reaching its highest level of Rs. 12,591 crore in 2004-05 since the early nineties. The share of public investment in gross investment increased by over 11 percentage points to reach 29.2 per cent in 2004-05 relative to 1999-2000.

8.49 The improved availability of credit for agriculture and liberalized trade for agricultural products should enhance private investment in agriculture. The Budget for 2005-06 also stepped up public investment significantly for rural roads and rural employment programmes. Major measures taken for agricultural development through

enhanced capital formation include the following:

- A roadmap for agricultural diversification has been prepared with focus on horticulture, floriculture, animal husbandry and fisheries.
- Strengthening of agriculture marketing infrastructure.
- National scheme for the repair, renovation and restoration of water bodies.
- Focus on micro irrigation, micro finance, micro-insurance and rural credits.
- Setting up a Knowledge Centre in every village.
- Setting up a National Fund for strategic agricultural research.
- Provision of urban amenities in rural areas through creation of new growth poles.

Year	Investment in Agriculture (Rs. crore)			Share in agricultural gross investment (per cent)		Investment in Agriculture as a per cent of GDP at constant prices
	Total	Public	Private	Public	Private	
Old Series (at 1993-94 prices)						
1990-91	14836	4395	10441	29.60	70.40	1.92
1995-96	15690	4849	10841	30.90	69.10	1.57
1996-97	16176	4668	11508	28.90	71.10	1.51
1997-98	15942	3979	11963	25.00	75.00	1.43
1998-99	14895	3870	11025	26.00	74.00	1.26
1999-00	17304	4221	13083	24.40	75.60	1.37
New series (at 1999-00 prices)						
1999-00	43473	7754	35719	17.8	82.2	2.2
2000-01	38176	7018	31158	18.4	81.6	1.9
2001-02	46744	8529	38215	18.2	81.8	2.2
2002-03	45867	7849	38018	17.1	82.9	2.1
2003-04	47833	12809	35024	26.8	73.2	2.0
2004-05*	43123	12591	30532	29.2	70.8	1.7
* Quick Estimates. Source : CSO						