INVESTMENT AND OUTPUT IN AGRICULTURE AND ALLIED ACTIVITIES IN INDIA – A MACRO STUDY

VIDHYA.S

ABSTRACT

Early growth models stress the importance of capital in the process of development. This is even more crucial in the Agriculture and the allied sector, where there is no technological breakthrough, nor any human capital development. Capital accumulation by the public sector has been declining since the early 1980s and this has been a major cause of concern among the policy circles. But private sector's investment in the agriculture and allied sector has been accelerating from the late 1980s and this is perceived to have substituted the declining public sector investment. But it is also clear that the growth rate of agriculture in the 1990s (the time when private investment accelerated), is lesser than 1980s. Divergence of public and private sector investment after the late 1980s, should not give a cue there is no complementarity between that private investment and public investment and that private investment alone is sufficient for growth. In this study 'Net capital fixed stock' in the agricultural and allied sector is used to explain private investment. Results confirm that there is strong complementarity. Thus there is an urging need to reverse this trend of declining public capital investment so that the long run agricultural growth is sustainable. Using a separate model, it is also shown that volatility in agricultural output is also significantly influenced by 'Net fixed capital stock', thus reinforcing the importance of capital.