

Indian Demographic crisis

What is the issue?

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- Official estimates prove that currently Indian economy is facing troubles in agricultural sector, factory output and joblessness.

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- Radical solutions are needed to address these issues and to revive the economy.

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What is the status of Indian industries?

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- Exports have fallen by a large amount, and the recent cheer over monthly data is premature.

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- Organised manufacturing slowed to 1.2 per cent in the June quarter against 5.3 per cent in the preceding quarter.

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- Construction which is the second largest employment generator in India is undergoing its biggest slowdown since 2008.

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- Agriculture sector which sustains 50% of the population constitutes less than 12% of the GDP.

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What are the troublesome areas of agricultural growth?

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- Majority of the youths belonging to farming households in India were not interested in pursuing farming as an occupation.

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- A large share of landless and marginal farmers preferred exploring livelihood options in cities.

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- Farm loan waivers are not being an effective solution, as many experts have pointed out, akin to only a temporary symptomatic relief to a deep-rooted problem.

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- Interventions on increasing agricultural productivity is only part of the solution, as it is often a supply surplus in perishables that induces price crashes leading to poor or no recovery and trapping the farmer in debt.

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- Many Farmers are facing a fragmented supply chain with grossly inadequate access to either infrastructure, the market, credit or proper insurance.

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- The inflation targeting mandate of the macroeconomic policy dispensation (RBI and finance ministry) is also problematic for farmers.

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What are the worsening areas of industrial growth?

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- **Manufacturing** -During 2015-16, MSMEs made up almost as much as 50% of total exports.

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- According to latest estimates, MSMEs contributed 37.33% of total manufacturing output in the country.

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- **Real estate** -Latest CMIE data shows a stalling rate of 12.7% constituting projects worth Rs.1.27 trillion in realty sector, which is the mainstay of construction in urban India.

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- This is corroborated by flat cement output for some time now, as well as low capacity utilisation of about 65% in FY 2017.

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- **Service sector** - There are unprecedented layoffs in IT sector recently, and it is estimated that the hiring prospects are going to be bad until the first quarter of 2018.
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- And then there is the potential impact of artificial intelligence on relatively low end service sector jobs.
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- **Job creation** - Some reports suggest that the MUDRA initiative aimed at creating microenterprises across India's villages, towns and cities has proven to be a dark horse.
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- There are no rigorous evidence about MUDRA's impact on job creation and incomes.
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What needs to be done?

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- A specific push for value chain up gradation including food processing, packaging, etc. by cooperatives or farmers groups / producer companies can be explored.
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- To create mass employment in industry, the manufacturing sector needs to take the lead and perform.
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- Farmers can be easily absorbed in manufacturing without much additional skilling, and with an export-oriented thrust.
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- Government-backed infrastructure projects such as 'Housing for All' reflect some hope for construction sector job creation nonetheless.
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- There is a positive spike in youths enrolled in formal higher education, the economy has to be ready to offer young people jobs 1 million every month.
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Source: Business Line

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