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A STUDY OF CAPITAL FORMATION IN INDIA: WITH SPECIAL REFERENCE TO INDIAN AGRICULTURE

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ABSTRACT

Capital Formation assumes paramount importance in the context of policy making by the State and Central Governments. It acts as an indicator in the measurement of economic growth of State. Agriculture sector is the mainstay of the Indian economy, contributing about 15 per cent of national Gross Domestic Product (GDP) and more importantly, about half of India's population is wholly or significantly dependent on agriculture and allied activities for their livelihood **(GOI,2011).** Institutional credit played a very important role in the development of agricultural sector. As a result of credit, Indian agriculture developed over time and showed all signs of resilience to natural shocks like droughts and famines. It acted as a means to provide control over resources to enable the farmers to acquire the required capital for increasing agricultural production. It enabled the farmer to go for short-term credit for purchase of inputs and other services and the long-term credit for investment purposes. Public investment in agriculture is the responsibility of the States, but 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. In this background, the present paper is an attempt to analyze the trends in public investment in Indian agriculture. This is more important in agriculture where we are faced with the task of increasing production to keep pace with the increase in population against the odds of the vagaries of monsoon. This paper studies the capital formation in the Indian Economy during post-reform period.