

WILL THE 6,000 FARMER PAYOUT HELP?

Relevant for: Indian Economy | Topic: Issues related to direct & indirect Farm Subsidies and MSP

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme, announced in the Interim Budget, is the biggest scheme launched by the Government of India till date for providing structured support to small and marginal farmers.

Under the scheme, 6,000 per year will be provided to farmers holding cultivable land of up to two hectares. This has been done because the government is aware that the smaller the land holding, the greater the need for financial support.

This is a Central Sector Scheme and will be funded fully by the Government of India. The guidelines of the scheme have been issued. The government has developed a portal for managing the scheme (<http://pmkisan.nic.in>), which has gone live. The States have to upload the data of the beneficiaries on the portal. The Ministry of Agriculture and Farmers' Welfare will transfer the benefit directly into the accounts of the beneficiaries. The amount will be credited into the account of the beneficiary within 48 hours of its release by the government.

In the 2018-19 Budget, the government announced that minimum support price (MSP) would be 1.5 times the cost of production for all the notified commodities. The Pradhan Mantri Annadata Aay Sanrakshan Abhiyan was approved by the Cabinet last year to ensure remunerative prices to the farmers. There have been various interventions to boost the production of pulses and oilseeds. Earlier, in 2016, the government launched the Pradhan Mantri Fasal Bima Yojana to provide insurance to farmers from all risks. Thus, in the broader framework of farmers' welfare, it is easy to understand the importance of the PM-KISAN scheme.

The government was concerned that although our farmers work very hard, and we have had record foodgrain production in the last three years, they were unable to get good prices for their produce, especially for non-MSP commodities, because of the adverse terms of trade, including depressed international prices.

What has gone unnoticed is that the government is also trying to bring all farmers into the fold of institutional credit. The target is to bring more than six crore farmers into the Kisan Credit Card (KCC) regime. Directions have been issued for this to the States and banks. They have been advised to issue KCCs within 15 days of application by the farmers. All the charges which were being levied by the banks, including documentation and inspection charges, up to 3 lakhs have been waived. Credit should go to the Indian Banks' Association for taking such a farmer-friendly decision.

It is important to keep in mind that the average annual income of small and marginal farmers is well below the average income of all farmers. The benefit being given to small and marginal farmers through PM-KISAN will provide them assured supplemental income and also meet their emergent expenses, especially immediately after harvest. The scheme will be implemented with an estimated expenditure of 1 lakh crore till 2019-20, benefiting 12.50 crore small and marginal farmer families.

Besides being unique, the scheme is also sustainable and will increase the confidence of small and marginal farmers.

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Earlier, we were told there was a battle cry during India's freedom struggle. It went like this: "*Mujhe khoon do, mein tumhey azaadi doonga* (give me blood and I will give you freedom)." When the Interim Budget was being read out by Finance Minister Piyush Goyal, it sounded more like, "*Mujhe vote do, mein tumhey paisa doonga* (give me votes and I will give you money)."

Politics in India is not 'accidental' as in *Uri*, the movie. The farm crisis is real. Admittedly, it is not a recent phenomenon. It is not the creation of this particular party in power. It is the result of policies adopted by most of the political outfits that have governed this nation and its States for the past many decades.

The explanation for politicians turning a blind eye to the crisis is simple. While solutions to the bottlenecks in business and industry could be dished out in comfortable offices in New Delhi or State capitals, agriculture, for long, had no spokesperson or lobby in India. All the so-called elites of India looked down on farmers as poor and unwanted citizens that the country could well do without.

All this suddenly changed. The drastic alteration took place when three of the five States that went to polls at the end of 2018 turned hostile to the BJP. Those victories were not so much victories for the Congress as they were a resounding defeat for the BJP. The underlying message was crystal clear: All the noise about 'vikas' (development) meant nothing to the farmer. The toiling Indian in the field decided, after 71 years of utter neglect, that enough is enough. The farmers realised that numbers favoured them. They were not willing to be pawns in the hands of those who debated whether or not the Constitution of India could be printed on a postage stamp.

Such a realisation also implied deep understanding. The farmers decided that the neo-liberals want a laissez faire economy only to help big businesses.

The past and present governments were concerned primarily with restructuring corporate laws, refunding financial institutions that were sick because of bad lending, providing subsidies to industries and attracting foreign investments. They completely forget or knowingly ignore the fact that real India is in no way involved with their cocktail circuits, foreign jaunts, and monogrammed jackets.

Farmers with two hectares of land want not just 2,000 every four months, as the Pradhan Mantri Kisan Samman Nidhi promises. That is not even enough to fill diesel in their hired tractors. Farmers are not begging for doles. The system of governance has to understand who the small farmer is. What does the word share-cropper imply? Who is a tenant farmer? Are the land records sorted out in rural India, or are they all being purposefully kept vague to enable big sharks to grab large tracts? What is land settlement and why has most of the country not gone through this process? These are the questions that we need to ask.

It is time for a New India. This New India requires modern irrigation facilities. It needs seeds and scientific and modern technological knowledge that can help and guide in reducing costs. It needs a rapid transition to cost-effective organic farming. It needs timely delivery of inputs and transport systems to enable commercialisation of agricultural products and activities. It does not need doles.

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In the Interim Budget, the government has made a number of major political statements, which is understandable in an election year.

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) gives direct annual income support to farmers with a land holding of two hectares. This borrows from Arvind Subramanian's basic income support scheme for substantial sections of the rural workforce. Congress president Rahul Gandhi had stated this as his objective for the economy as a whole, if voted to power, despite criticism. However, the Budget has shown an implicit appreciation of the idea and proposed it for a large part of the rural labour force. Landless labourers are a category in the Census and National Sample Survey Office, but as the Finance Secretary clarified, they cultivate at least kitchen plots, and so are marginal farmers for revenue purposes and are eligible for the scheme.

When we count the economic costs we factor in the terminal costs (for the year when the scheme is fully implemented) as a percentage of, say, GDP or agricultural GDP, but such schemes take time to implement and the initial costs are lower.

Of course, there is no way of testing if sufficient funds have been provided for the scheme. Small farmers till around two-fifths of the land but are two-thirds of the labour force, since agricultural labourers also till small plots of land. The Budget speech compares the revised estimates for this year with the Budget estimates for the next fiscal. Since Budgets get scaled down when the fiscal crunch begins mid-fiscal year, this gives a false sense of expansion. Is there an economic case for the scheme in the real world? The terms of trade have been moving against agriculture (Commission for Agricultural Costs and Prices reports) since 2013. So, when income in real terms goes up by, say, 6% annually, the farmer's real income in terms of what she gets for what she sells goes down. She is agitating because there is a real issue.

The answer, of course, is to build rural infrastructure in markets and give tariff protection against subsidised imports. But urban interests become a constraint. The Interim Budget has rhetoric, but the NITI Aayog, which wrote this, does not have any fund allocation powers, unlike the reformed Chinese planning set-up where strategic plans are buttressed with funds. So, you live from day to day. Direct Transfers are then the oxygen you need.

The Budget speech also reiterates the government's stated goal of doubling farmers' income. The government is obviously sceptical of this; otherwise an additional Direct Transfer sounds rather excessive, even in the months before an election. The budgeted figure for MSP or other support will have to be based on a cost concept that includes rent and interest on farm investments, as a committee I chaired on cost concepts for MSP had argued.

By calling it an Interim Budget, a legal constitutional hassle has probably been avoided. But the argument that the amount that a new government can spend can be decided now is unconvincing. The new lot, even if the same party comes to power, will not be that generous in giving credit to their predecessors. The fun and games will start with the rains. Knowing our country, we can be reasonably confident that Direct Transfers have come to stay.

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Pakistan's identity crisis, going back to the debates since its creation, remains unresolved

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