

THE PM-KISAN CHALLENGE

Relevant for: Indian Economy | Topic: Agricultural Finance & Insurance

This year's Interim Budget is being regarded as a big spread for farmers. The government announced its decision to transfer 6,000 every year directly to 12 crore farmers holding cultivable land up to 2 hectares through the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme. While this is a progressive step, is it enough to mitigate India's severe agrarian distress?

The agriculture sector employs over 50% of the workforce either directly or indirectly, and remains the main source of livelihood for over 70% of rural households. However, the droughts of 2014 and 2015, ad-hoc export and import policies, lack of infrastructure, and uncertainty in agricultural markets have adversely affected agricultural productivity and stability of farm incomes. Consequently, agriculture growth rates have been inconsistent in the last five years — 5.6% in 2013-14, (-) 0.2% in 2014-15, 0.7% in 2015-16, 4.9% in 2016-17 and 2.1% in 2017-18. This is a major concern. PM-KISAN is aimed at boosting rural consumption and helping poor farmers recover from distress. Although the scheme is valuable in principle, without adequate focus on proper strategy and implementation, it is unlikely to make any meaningful impact.

The merit of cash transfers over loan waivers and subsidies lies in their potential greater efficiency in enabling poor households to directly purchase the required goods and services as well as enhance their market choices. Therefore, the impact of a welfare measure such as PM-KISAN can only be realised through financial support that provides farmers with adequate purchasing power to meet their daily basic necessities. Given that India's poverty line is 32 per person per day in rural areas and 47 in urban areas, according to the Rangarajan Committee, the income support of 17 a day for a household, which is the amount offered by PM-KISAN, is largely insufficient for even bare minimum sustenance of vulnerable farmers. Therefore, to be effective, any cash transfer scheme should first ensure that there is enough cash provided to help bring an affected community out of poverty. For instance, the Rythu Bandhu in Telangana, that the Centre is said to have replicated, provides 4,000 per acre to each farmer in each season, and the Krushak Assistance for Livelihood and Income Augmentation scheme in Odisha offers a direct cash transfer of 5,000 for a farm family over five seasons, among other benefits.

Moreover, given the volatile market and price fluctuations in different regions, it is important to index the cash transfers to local inflation. The failure of an ambitious plan of Direct Benefit Transfer in kerosene in Rajasthan is a case in point, where the cash transferred to families has been insufficient to purchase kerosene, as the market price increased substantially.

While cash transfers to households may appear simple, the scheme requires significant implementation capabilities. In a country where a majority of the States have incomplete tenancy records and land data are not digitised (for instance, in Jharkhand, Bihar, Gujarat and Tamil Nadu), identification of beneficiaries is daunting.

The results of a joint study conducted by NITI Aayog and the Union government's Department of Food in 2016 suggest that the government's pilot programmes to replace subsidised food grains with cash in three Union Territories (Chandigarh, Dadra and Nagar Haveli, and Puducherry) have failed due to data inconsistencies. While 50% of the people received less cash, 17% received more than they were entitled to. More than 40% of the money transferred could not be verified to have reached the beneficiaries. In the absence of updated land records and complete databases, the scheme may end up benefitting only those who hold land titles and not the small, marginal or tenant farmers who are the most vulnerable. Besides, the scheme does not provide

a clear design of transfers and a framework for effective grievance redress. In the Mahatma Gandhi National Rural Employment Guarantee Scheme, for instance, State governments still struggle to resolve complaints and curb corruption.

PM-KISAN is an ambitious scheme that has the potential to deliver significant welfare outcomes. However, the current top-down, rushed approach of the government ignores governance constraints and is therefore likely to result in failure. An alternative bottom-up strategy and well-planned implementation mechanism would allow weaknesses to be identified and rectified at the local level. The most effective modalities can then be scaled nationally and ensure success.

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