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BUDGET OFFERS NO RELIEF FOR FARM SECTOR IN DISTRESS

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Finance Minister Nirmala Sitharaman must be given credit for honestly disclosing the sleight of hand used by previous finance ministers while presenting budget numbers. The use of off-budget elements to present a prettier picture of the state of the economy has been an old habit of previous finance ministers. Food Corporation of India (FCI) is a good example. It was saddled with a debt of 3.74 trillion by the end of December despite provisions of food subsidy made in the previous budget documents. Same is the case of fertilizer subsidy with unpaid dues of 50,000 crore. She bravely acknowledged this in the budget of last year and has been bold enough to repay these from the central government budget, clearing unpaid dues of the fertilizer subsidy bill and a large part of the debt of FCI.

Unfortunately, the honesty in clearing the dues as far as food and fertilizer subsidy during the pandemic year may be bold, but it also implies that the actual spending on both these heads is much less than what is reported in the budget documents. The issue is not what is reported in the budget documents but whether the government has been honest in providing the much-needed support and relief to the agricultural sector at a time when large parts of the farming community have been on protest for more than two months. It also raises the important issue of trust in the government, a major reason for the deadlock between farmers and the government. These are amplified when the finance minister reels out the number of farmers benefiting out of procurement operations as part of minimum support price (MSP) operations, but most items of expenditure on agriculture witness decline in the revised estimates (RE) compared to budgeted estimates (BE) of last year.

What matters is the money spent on essential agricultural schemes. The budgeted expenditure on interest subsidy for short-term credit to farmers is lower than the BE and the RE for last year. Market Intervention Scheme and Price Support Scheme (MIS-PSS) has seen a 25% cut in the budget estimate for 2021-22 than the actual expenditure in 2019-20. Even the much-publicized flagship Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) scheme has a lower revised expenditure of 10,000 crore than the budgeted estimate for 2020-21. The budgeted expenditure for 2021-22 is the same as RE of 2020-21 but lower by 10,000 crore compared to BE of 2020-21. This is true for most of the schemes with total allocation for central sector schemes in agriculture showing a decline of 11,472 crore from 1.16 trillion in BE 2020-21 to 1.05 trillion in BE 2021-22. Same is the case with centrally sponsored schemes in agriculture, which has seen a decline of 11,383 crore from 1.34 trillion in BE 2020-21 to 1.23 trillion in BE 2021-22.

The situation is no different for expenditure on rural development and employment generation schemes, which play an important role in reviving the rural economy going through a period of severe distress. With the growing importance of the rural non-farm sector, expenditure on rural development schemes on rural infrastructure and employment generation play an important role in reviving the rural economy. However, the story for most schemes of rural development is no different from the allocation and expenditure on agriculture. The budgeted expenditure on social pensions, which provide a paltry 200 per month (fixed in 2006) to the most vulnerable is the same as the BE of last year but lower than the RE of last year even though they have suffered the most due to the pandemic. Even the budget for the flagship Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is 73,000 crore, only 1.8% higher than the actual expenditure of 2019-20, not even covering for the increase in wages in MGNREGA by 11% last year alone. It is 52% lower than the RE of last year despite the fact that it continues to see unmet demand this year. For Pradhan Mantri Gram Sadak Yojna (PMGSY), the budgeted expenditure for 2021-22 is lower by 4,500 crore and marginally higher than the actual spending in 2019-20, not even enough to cover inflation between the two years.

This budget was presented against the backdrop of severe distress in the economy, which is expected to decline by 8% this year. Even this decline in aggregate GDP does not capture the distress among the informal workers, farmers and rural economy, which has seen a decline in wages, falling farm gate prices of agricultural commodities and large job losses. Precisely, why this budget was supposed to provide a path of recovery to an economy, which has been battered by slowdown and collapse of demand in the last two years followed by the worst pandemic in a century. It failed to provide the path to recovery, but it even failed to provide relief at the time of unprecedented crisis, the least that was expected of it.

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