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● INTERIM BUDGET

Promises, pitfalls for farm sector

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Goal should be reducing poverty, ensuring sustainable food security of farmers

THE INTERIM BUDGET placed a strong focus on the rural and farm sectors. Under the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN), every family owning not more than two hectares of cultivable land is entitled to receive ₹6,000 per year via direct benefit transfer. It is likely to cover 12 crore small and marginal farmers and has annual budgetary allocation of ₹75,000 crore. Each smallholder is entitled to receive the amount in a bank account in three tranches of ₹2,000 each. Other benefits include interest-free crop loans up to ₹3 lakh if farmers timely repay previous outstanding, 2-5% of interest subvention if crop is damaged by natural calamities and timely claim payout, and waiving off of insurance premium for major food and commercial crops. Animal husbandry and fisheries have been included under Kisan Credit Card and there is a provision of availing interest subvention based on frequency of repayment. Overall, the Budget appears to be supportive of farm-based rural economy.

But we need to understand far-reaching impacts. While PM-KISAN aims to cover small and marginal farmers (85% of farmer population), landless agricultural labourers and tenant farmers are left in the lurch. There are concerns at operational level—land record reconciliation, digitisation of land records, costs incurred in consolidation of land records.

So, PM-KISAN may be seen as a consolation prize to debt-ridden and distressed farm families—it cannot trickle down ‘real’ benefits other than a meagre cash incentive to peasant economy. On the corollary, if beneficiary farmers wish to lease their lands to tenant farmers or keep their lands fallow for some time, are they eligible to receive cash benefits? Who will be accountable to check the opportunistic behaviour of farmers? In this case, monitoring costs can outstrip Budget provisions, as concerned state governments will have to deploy manpower to keep vigil on farmer fields, and pattern of their spending or consumption from the income support.

As agriculture is a state subject, the Centre should not interfere much, other than creating an enabling environment through responsive bureaucracy

PM-KISAN spelt out that furnishing a proper land record and bank account details is necessary to become a beneficiary. Land revenue and block agriculture offices are likely to be responsible for reconciliation and digitisation of land records. Except a few states, others are still lagging in this area. Also, bankers will be busy opening the already left-out

farmers ‘no-frills’ accounts for direct benefit transfer. The mammoth drive of implementing PM-KISAN can increase opportunity costs of critical (human) resources, operational risks and, eventually, shoot up operating expenses and strain the fiscal health of concerned states.

Take the case of interest subvention on timely repayment of crop loans and waiving off of premium. Consequences can worsen rural credit market, crop insurance businesses, and arrest the growth of farm sector. Will under-performing rural banks be able to direct credit to farm sector below the prime lending rate or cost of funds, and strive to maintain operating efficiency and drive for financial inclusion? What is the logic behind waiving off of crop insurance premium? Instead, underwriting processes related to crop loss assessment and claim payout need to be authentic and fastened by insurance agencies at the auspices of state governments.

Agriculture is a state subject; the Centre shouldn’t interfere, other than creating an enabling environment through responsive bureaucracy—legal compliance, easing of doing business, market infrastructure, trade facilitation. In other words, the promise of the Budget for the farm sector shows a departure from reality, as pitfalls are many. It is plausible to infer the Budget has not brought rational, sustainable solutions to long-standing policy concerns for agrarian distress.

From a rational viewpoint, farmers need to utilise agricultural inputs (land, water, crop protection chemicals) efficiently, and also allocate capital and farm resources to the market-led production schedule. The Centre should allow public and private institutions and market agencies to render services to the farm sector at a fair price. Remember, the goal should be to reduce poverty, ensure sustainable food security, and inclusive growth and wellbeing of farmers. Only this will alleviate the farm sector.