

Published Date:	Tuesday 5th February, 2019	Publication:	Hindustan Times [New Delhi]
Journalist:	Bureau	Page No:	13
MAV/CCM:	2,628,180/146.01	Circulation:	849,185

PIYUSH GOYAL, Union finance minister

'Cash for farmers is an honorarium'

The government has announced a tax relief measure and a direct income scheme for marginalised farmers in its recent interim budget. Finance minister Piyush Goyal speaks to **Shishir Gupta** and **R Sukumar** about the government's philosophy behind the latest announcements and how it has prioritised reforms over the past five years. Edited excerpts:

It's the Monday morning after the presentation of the interim budget on Friday. Are you happy with the kind of feedback you have received?

It seems the Budget has been universally well received. It continues with the fiscal consolidation path that Prime Minister Narendra Modi and Arun Jaitley set over the past four-and-a-half years. It maintains the glide path of fiscal consolidation. It shows that the Indian economy will continue to be the fastest-growing major economy in the world. It ensures growth gets impetus. It gives a better future to every section of society – the poor, the middle class, the farmers, organised labour, and unorganised labour. Also, sections previously not taken care of, like animal husbandry and fisheries workers, nomadic and semi-nomadic tribes. This is one holistic effort to make a difference and impact to 130 crore individuals at one go.

The payout you have announced for agriculture is a recognition of the problems in the sector. These have been ongoing. What, in your mind, is the real reason for the state of Indian agriculture?

If you look at the track record of this government, we have consistently worked towards sustainable development of agriculture – be it the Pradhan Mantri Fasal Bima Yojana, which gives a 100% reimbursement in the case of any calamity; be it

agricultural credit; be it the effort to give soil cards to every farmer so that he can work scientifically... To top it all, for the first time in the history of India, all 23 major food crops now have minimum support prices, which are 1.5 times the cost of production. Agricultural production has improved, from an era when we had to import some crops – pulses, for instance. The country's farmers have done us proud. India has become a food secure nation. Production has increased, productivity has increased. In this situation, prices have remained low because of high production. In some sense that has helped consumers, with low inflation. Food inflation is near zero. But its impact is felt by the farming community. Therefore what is really required, and especially for small farmers with small landholdings, say half acre... These very small farmers are the ones facing maximum distress. Loan waivers and other things haven't helped them. Many of these loan waivers get cornered by a few people. The CAG report on the 2008-09 loan waiver, for instance, criticised the procedure. The wrong people were getting it [waivers]. We thought it is essential that the country, as a mark of respect to farmers, gives them an emergency support, which they will have at a critical time during harvest. The nation is moving to a three-cropping pattern, so every time, they get some

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money in their hands.

Do you think it is adequate?

These are for the very small farmers. We don't understand the value of ₹6,000 to a farmer who has half-acre or one acre. It is a very valuable additional support. You may have looked at it as ₹500 a month. We have not because we believe that belittles the farmer. We have looked at it as an honorarium. We have also done it without touching any other subsidy. So farmers will continue to get fertiliser subsidy, power subsidy, all of those other things. I have been told it has been very well-received across the country. I just got Mr Nitish Kumar's message this morning. He says the farmers of Bihar will always cherish this. This is now a permanent benefit farmers are going to get.

Are your operational plans for the farm payout ready?

Absolutely. The letter has gone out to states on February 1 asking for compilation of data. All lists made at the local level will be in public domain.

The first payout...

Can happen right away, as soon as the lists come in. The Prime Minister has not decided this based on the election dates. He wanted to make sure that the fiscal situation is such that we could afford this. He wanted to make sure that the process is well delineated.

He wanted to make sure that the right and eligible farmers benefit. He wanted to make sure that it reaches the most deserving. Now it's only the question of states supporting us with data.

A big problem in agriculture is that small farmers are not able to deal with the risks of agriculture, many of which are market driven. How will you address this?

The vision document talks



ARVIND YADAV/HMT PHOTO

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about this. It involves a huge amount of investment in logistics, cold storage, increasing procurement of food products, expanding our footprint in terms of food processing, and ultimately, looking at the international market – in addition to, of course, ensuring India's food security is never compromised.

How have you contained fiscal slippage? The numbers suggest you may have pruned some of the spending on some sectors...

Not really. We have always prioritised what was required at what point of time. For example, we felt the highway programme needed a big thrust, and we gave a thrust to it in our initial years.

Toilets, for instance, we are 98% covered. Tell me, which government would have spent so much money on that? But there is an evolving prioritisation of different programmes.

But because of the formalisation of the economy, the GDP that's just come out, if you look

at the fiscal deficit on the basis of that, it is 3.2% for the current year and 3.1% for next year.

In some sense this [formalisation] explains why statistical organisations are also evolving. India's databases have changed. The nation needs to relook at the way in which we capture data, and analyse data.

How has the operating ratio of railways improved to 96% this year and you have said it will touch 95% next year. It used to be close to 100%.

We focused on increasing both freight and passenger earnings. On the revenue side, we may have actually increased expenditure. Freight is up 10.1% year-on-year. We increased freight by 50 million tonnes.

There have been questions that the tax benefit provided by you is a rebate and not an exemption.

With all exemptions, a person earning even ₹75,000 a month will not have to pay any tax –

provided they make some investments. If I had given this as an exemption, I would have given rise to the debate whether the interim budget should start tinkering with tax slabs and tax rates. That's why I have not changed any of those.

But, as I said, we are clear that the benefits of formalisation of the economy, the larger tax base, more taxes... have to be shared. These are the people who need it the most and they also need certainty upfront.

And industry will be happy because consumption will increase...

I think the purpose was also that they will be able to spend money. When the middle class gets a little more money, when the farmer gets a little more support, that really gives a boost to the economy.

And some of this comes back as indirect taxes. Logically.

You are happy with the direction in which tax revenues are going?

Yes. Everyone today is moving towards the formal economy, especially young people.

This is how they want to work. They don't want to work the way it was earlier.