

PM-KISAN: A DIRECT INCOME SUPPORT SCHEME FOR FARMERS

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Abstract

The Central Government has launched PM-KISAN Scheme to provide an assured supplemental income to the small and medium farmer families so that the farmers can meet their emergent need of finance for harvesting and, can earn and live a respectable living. Such support will help them in avoiding indebtedness as well and falling into clutches of money lenders. Farmers will be happy that their voice is being heard by the government. Agriculture budget has been increased from 3.52% (Rs. 67,800 crores) of the budget in last time to 5.39% (Rs. 129,585 crores) of the total budget this time due to higher requirements under the said scheme. The proposals are apparently good but there are allegations also against the interim budget proposals. However, the PM-KISAN Scheme is a welcome move for hard working farmers who are involved in subsistence farming but not getting the full value of their produce. The government should focus on implementation of the policies by carefully addressing the gaps in the budget.

Key Words: PM-KISAN, farmers, interim budget, agriculture

I. INTRODUCTION:

The Interim Budget 2019-20 has been presented by the Honourable Finance Minister on 1st February, 2019. The Central Government has launched, *inter alia*, PM-KISAN Scheme to provide an assured supplemental income to the small and medium farmer families so that the farmers can meet their emergent need of finance for harvesting and, can earn and live a respectable living. Such support will help them in avoiding indebtedness as well and falling into clutches of money lenders. Farmers will be happy that their voice is being heard by the government. The present paper will not only focus on PM-KISAN but also on various aspects of the interim budget proposals related to agriculture and allied activities of our country.

II. OBJECTIVES OF THE PAPER:

The objectives of the present paper are –

- (a) To focus on the scenario of Indian agriculture at present
- (b) To examine the interim budget proposals to bring down the problems related to Indian agriculture
- (c) To find out the limitations of the budget proposals
- (d) To give suggestions and draw conclusion.

III. THE PRESENT SCENARIO OF INDIAN AGRICULTURE

Indian agriculture is an inherently risky sector which poses five main risks – input risk, market risk, price risk, credit risk and weather related risk. Despite high cost of farm inputs, non-availability of irrigation, water disputes among states, market imperfections and controls, and greater risks of climate change, our hard-working farmers have produced a record 284.8 million tonnes of food grains in 2017-18. The First Advance Estimates also show that the production of food grains during the Kharif season of agriculture year 2018-19 was 141.59 million tonnes (against target of 141.20 million tonnes) as compared to 140.73 million tonnes during the same period in 2017-18, higher by 0.61 per cent against previous year. But, farmer suicides and distress sales of vegetables as reported by various newspapers indicate a gloomy picture of the agriculture of our country. In addition, the cost of production has gone up since last few years and farmers are not getting the full price of their produce.

As agriculture is a state subject, the states are free to adopt portions or the entire model APMC Act. As a consequence, the agricultural marketing under the APMC Acts in different states has led to policy distortions and fragmentation. Farmers are bound to sale a large number of commodities in local *mandis* because of the APMC Act. It is a fact that in local *mandis* different layers of intermediaries often manipulate the price which will ultimately deprive farmers of their fair share and trap the farmers in a vicious circle of indebtedness. So APMCs have emerged as some sort of government sponsored monopolies in supplying of services or facilities. Beside this, declining prices of agricultural commodities in the international market and fall in food inflation in India since 2017-18, relative to non-food sector, have reduced the returns from farming. In recent times the MSP regime is a most debated and controversial issue. Though the government has fixed the MSP of all 22 crops at minimum 50% more than the cost but in most of the cases the increase in MSP is sharper than the rise in consumer and wholesale price indices. As a result, there are no takers at that support price. Another problem is that the Indian agriculture is dominated by marginal farmers who have small holdings. These small and fragmented land holdings on account of repeated divisions has also contributed in decline in the income of the farmer family. Doubling income of these farmers via increase in productivity is a trivial task.

The above facts warn about the impending obstacles to the government's target of doubling farmers' income by 2022. We must address the challenges to agriculture as the sector continues to be the main driver of rural economy. As per the Economic Survey 2018 agriculture employs about 49 per cent of the workforce and contributes 16 per cent of the GDP of India. According to the first advance estimates, Gross Value Added (GVA) for 2018-19 is estimated to grow by only 3.8 per cent as compared to growth of 3.4 per cent in 2017-18 at 2011-12 prices. In this background, there is a dire need for providing structured income support to the poor landholder farmer families in the country for procuring inputs such as seeds, fertilizers, equipment, labour, etc. and to meet other needs. Agriculture budget has been increased from 3.52% (Rs. 67,800 crores) of the budget in last time to 5.39% (Rs. 129,585 crores) of the total budget this time due to higher requirements under PM-KISAN scheme. The budget also emphasized the importance and need of doubling the farmer's income.

IV. THE INTERIM BUDGET PROPOSALS:

The following are the Interim Budget proposals announced by the Honourable Finance Minister on agriculture and allied activities for 2019-20 –

- (a) **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) Scheme:** The Central Government has launched PM-KISAN Scheme to provide an assured income support to small and marginal farmers having up to 2 hectares of cultivable land. The vulnerable landholding farmer families will be provided Rs. 6000 per year in three instalments of Rs. 2000 each via DBT to their bank accounts with retrospective effect from 1st December, 2018. The first instalment will be paid by 31st March, 2019. Around 12 crore small and medium farmer families will be benefited from this scheme. This scheme will be funded by Government of India and will need an annual expenditure of Rs. 75000 crores. The primary aim of PM-KISAN scheme is to provide assured supplemental income to the small and medium farmer families, to meet their emergent need of finance just before the harvest season so that the farmers can earn and live a respectable living. Such support will help them in avoiding indebtedness as well and falling into clutches of money lenders. The PM-KISAN Scheme is a welcome move for hard working farmers who were involved in subsistence farming and struggles to invest in agriculture inputs or technology but not getting the full value of their produce. Farmers will be happy that their voice is being heard by the government.
- (b) **Setting Up of Rashtriya Kamdhenu Aayag:** Besides PM-KISAN, the budget has provided a robust agenda for the animal husbandry sector which has been operating in an unorganized way. The Government has announced setting up of "Rashtriya Kamdhenu Aayag to upscale sustainable genetic upgradation of cow resources and to enhance production and productivity of cows. The provision to upgrade the genetic quality of cows under the Rashtriya Kamdhenu Aayag will ensure a positive impact on the dairy as well as the overall animal healthcare industry. This will help many dairy and cattle farmers to formalize their operations and invest in quality food and nutrition for animals. The Aayag will have a positive impact on the Indian dairy industry in the long run. The Aayag is also responsible for looking after effective implementation of laws and welfare schemes for cows. Further, to boost milk production and productivity the allocation for Rshatriya Gokul Mission is increased to Rs. 750 crores. The increased outlay will give a further push to milk productivity and production in the country. It will boost milk productivity of around 150 million indigenous cows with extremely low productivity.

- (c) **Interest Subvention to the Farmers Engaged in Animal Husbandry and Fisheries:** The government will offer 2% interest subvention to the farmers engaged in animal husbandry and fisheries if they take loan through Kisan Credit Card (KCC). They will get an additional 3% interest subvention for timely repayment of loan. This is an excellent step by the government to promote timely repayment of loan facilitating banks and at the same time helping the distressed farmers. The dairy industry greeted the proposals because it would boost farmers' income. A large number of farmers, especially women working in dairy and fisheries would be able to benefit from the proposed interest subvention. India was the top producer of aquaculture shrimps in the world at more than 6 lakh tonnes last fiscal year, when export of sea foods primarily shrimps, earned the country Rs. 45,000 crores in foreign currency. The interest subsidy will boost shrimp production and exports. It will go some way towards easing the ongoing pricing pain for shrimp farmers. A simplified application form for Kisan Credit Card (KCC) will also be introduced to bring all farmers under KCC cover by ensuring and extending easy and concessional credit.
- (d) **Interest Subvention for Farmers Hit by Severe Natural Calamities:** The government announced 2% interest subvention for farmers hit by severe natural calamities for the first year of rescheduled period and eligible to get assistance from National Disaster Relief Fund (NDRF). Another 3% interest subvention is provided for timely and prompt repayment. Banks lend up to Rs. 3 lakhs to farmers at 7%. As per the proposal the effective rate will be 2% for those hit by calamity and paying on time. It will help both afflicted farmers and banks trying to recover loans.
- (e) **Dedicated Department of Fisheries:** Considering the significant contribution of the fishery sector in fish production and livelihood generation, the government will constitute a separate Department of Fisheries to provide sustained and focused attention towards development of fisheries. At present fishery is clubbed with animal husbandry and dairy under ministry of agriculture, and having a dedicated department will help focus more on the development of the sector. It will help in quicker decisions at the administrative level for fisheries and seafood production and export.
- (f) **Setting Aside Infra Funds for Allied Activities:** Massive investment is needed in irrigation if productivity of India's farms is to be increased. But the budgetary allocation for the same is very low. The interim budget has provided Rs. 5,000 crores for the micro-irrigation. The budget also has provisions for various other infrastructure development funds including Rs. 10,881 crores for the dairy processing sector, Rs. 2000 crores for agri-market, Rs. 7,522.48 crores for fisheries and aquaculture and Rs. 2,477.52 crores for animal husbandry.

V. LIMITATIONS OF THE BUDGET PROPOSALS:

The above proposals are apparently good so far as agriculture and allied activities are concerned but not free from criticism. The main points of allegations are discussed below:

- (a) The PM-KISAN scheme does not provide any assistance to many actual cultivators such as tenants and sharecroppers as the cash transfer would go to owners of land even if they are not actual tillers of the land.
- (b) The ceiling on land holding will make farmers from drought prone areas, who by tradition have higher land holdings but unable to crop due to drought, ineligible to get benefit of the scheme. Some relief measures should be introduced to face erratic rainfall and drought in the country.
- (c) The PM-KISAN Scheme does not include landless labour or farmers who are in dairy, poultry and fisheries – it is for farmers with cultivable land. Accordingly, the farmers lobby expressed disappointment at the non-inclusion of tenant farmers. They say the proposal is not enough to mitigate the stress in the sector. Some are worried to know how such a tiny financial support will reduce farmers' suicide and put them out of agrarian distress.
- (d) The PM-KISAN Scheme has mismatched with and has less to offer than other schemes operating in different states. e.g., Odisha's Kalia and Telangana's Rythu Bandhu Scheme. It is not enough and the poor farmers need more relief to avoid being trapped in a debt circle.
- (e) The interim budget did not address the issue of increase in input costs incurred by farmers in recent years while prices of their output often will be below the Minimum Support Prices announced by the government. Farmers are bearing losses amounting to crores of rupees every day as market prices are below the MSP. In such a situation, a complete loan waiver scheme should be introduced for protection from these fluctuations.
- (f) The budget seems to have ignored the initiatives that would encourage more agriculture linked R&D which would go a long way in enhancing agriculture productivity and incomes.

VI. SUGGESTIONS AND CONCLUSION:

However, this interim budget will be remembered for introducing a direct income support for farmers through PM-KISAN Scheme. Though a lot more can be done, the initiatives are good as a first step and the proposals will give stimulus to the rural economy. Proper execution of the PM-KISAN and other schemes is very much important to ensure benefits are passed on to farmers. So government should focus on implementation of the policies by carefully addressing the lacunas in the budget. Let's wait for the future in anticipation that our Honourable Prime Minister will keep his words, "The interim budget was just a trailer, wait till we bring out the regular budget, which will have much more to offer and help the country emerge as a new India".

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