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Will the 6,000 Farmer Payout Help?

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(This editorial is based on the article “Will the ₹6,000 Farmer Payout Help?” which appeared in The Hindu for 8th February 2019. In this editorial, we’ll discuss the Pradhan Mantri Kisan Samman Nidhi i.e. PM-KISAN, scheme.)

With a view to augment the income of the Small and Marginal Farmers (SMFs), **the government launched the new Central Sector Scheme, namely, “Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)” in the current financial year.**

The Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme, **announced in the Interim Budget**, is one of the biggest scheme launched by the Government of India till date for providing structured support to small and marginal farmers.

- **Under the scheme, ₹6,000 per year will be provided** to farmers holding cultivable land of **up to two hectares.**
- The scheme will be implemented with an estimated expenditure of ₹1 lakh crore till 2019-20, **benefiting 12.50 crore small and marginal farmer families.**

Objective

- The PM-KISAN scheme aims **to supplement the financial needs** of the SMFs in procuring various inputs to ensure proper crop health and appropriate yields,

commensurate with the anticipated farm income at the end of each crop cycle.

- **This would also protect them from falling in the clutches of moneylenders** for meeting such expenses and ensure their continuance in the farming activities.

Benefits

- India's current agrarian crisis has created a chance to use this **innovative economic policy. This scheme is one of the solutions.**
- **Smaller the landholding, the greater the need for financial support.** Most of the farmers in India have small holdings and this scheme is a small positive step in addressing their needs.
- **This is a Central Sector Scheme and will be funded fully by the Government of India.** The guidelines of the scheme have been already issued. It will not burden state governments.
- The government has developed a portal for managing the scheme (<http://pmkisan.nic.in>), which has gone live.
- **The Ministry of Agriculture and Farmers' Welfare will transfer the benefit directly into the accounts of the beneficiaries.** The States have to upload the data of the beneficiaries on the portal which will minimize the leakages through corruption and interference of middlemen.
- It will help the farmers, who grow non-MSP commodities, and farmers affected by adverse terms of trade, including depressed international prices.
- **Government is also trying to bring all farmers into the fold of institutional credit.** The target is to bring more than six crore farmers into the Kisan Credit Card (KCC) regime. This will help farmers to get out of the vicious credit circle.
- **An assured income can also encourage farmers to boost productivity and help them earn more.** The cash received, if invested in agriculture for higher returns, will be a support to the credit and insurance systems and promote agricultural growth in the country.

Drawbacks

- **The genesis of the current crisis lies in the faulty and ad hoc export-import policy, lack of infrastructure and cartelization and collusion in agricultural markets, which have prevented farmers from realizing the market prices for agricultural produce.**
- Cash transfers do nothing to resolve any of these, nor are they any guarantee of protection against unforeseen events, whether natural or policy-induced.
- **It is neither a substitute for the structural reforms needed** in agriculture nor does it adequately compensate the farmer for the risks and uncertainty of crop cultivation.
- The current crisis may have worsened due to the sharp fall in agricultural crop prices, but is finally a result of multiple failures of policy. But it is also a crisis which is caused

by the failure of the non-farm sector in creating enough jobs as is evident from the deceleration in real wages in rural areas.

- **Lack of land records** bank details and the absence of proper tenancy records will also benefit the absentee landlords.
- There are concerns at operational level land record reconciliation, digitization of land records, costs incurred in the consolidation of land records.
- The situation is slightly more complicated in the northeastern States, as land ownership rights in the region are community-based, making it difficult to identify beneficiaries.
- 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.
- **The farm crisis is real.** Admittedly, it is not a recent phenomenon. Farmers with two hectares of land want not just ₹2,000 every four months, as the Pradhan Mantri Kisan Samman Nidhi promises. That is not even enough to fill diesel in their hired tractors.

Way Forward

- It is important to keep in mind that the average annual income of small and marginal farmers is well below the average income of all farmers. **The benefit being given to small and marginal farmers through PM-KISAN will provide them assured supplemental income and also meet their emergent expenses, especially immediately after harvest.**
- New India requires modern irrigation facilities. It needs seeds and scientific and modern technological knowledge that can help and guide in reducing costs. It needs a rapid transition to cost-effective organic farming. It needs timely delivery of inputs and transport systems to enable commercialization of agricultural products and activities. It does not need doles.
- The answer, of course, is to build rural infrastructure in markets and give tariff protection against subsidized imports. But urban interests become a constraint.
- **The Interim Budget has rhetoric, but the NITI Aayog, which wrote this, does not have any fund allocation powers, unlike the reformed Chinese planning set-up where strategic plans are buttressed with funds.**