

### Policy | Has PM-Kisan belied expectations?

Several leading economists have long been arguing for phasing out of agricultural subsidies, and their replacement by direct income support (DIS) to farmers. The DIS is considered less distorting, more supportive of sustainability and less prone to corruption and leakages.

Against the wishes of reformists, DIS schemes have not replaced any input subsidies so far. These include subsidy on fertilisers, irrigation, electricity, agricultural credit and crop insurance. Gulati, et al in their book 'Supporting Indian Farms – the Smart Way' have estimated that in FY 1981, the input subsidy amount was only Rs 1,345 crore. By FY 2014, it had ballooned to Rs 154,837 crore. At constant 2011-12 prices, subsidies had increased from Rs 10,656 crore in FY 1981 to Rs 136,121 crore in FY 2014.

The Chief Minister of Telangana was loudly cheered when, on February 25, 2018, he announced Rythu Bandhu, which promised Rs 8,000 per acre to land holders in two instalments of Rs 4,000 each in Kharif and Rabi. Even though it was not a replacement for any existing input subsidy, it was felt that this experiment will pave the way for long-pending reform of subsidies given to agriculture sector. The ruling party's victory in the assembly polls held in December was attributed substantially to the role of Rythu Bandhu.

Following this, Odisha announced Kalia (Krushuk Assistance for Livelihood and Income) from Rabi 2018 under which small and marginal famers were to receive Rs 10,000 per year in two instalment. Odisha went a step ahead and in addition to land holders, it covered landless agricultural households also. They were to receive Rs 12,500 in three instalments of Rs 5,000, Rs 3,000 and Rs 4,500 for livelihood activities such as mushroom cultivation, poultry, etc.

Impressed by the simplicity of Rythu Bandhu and its possible role in Telangana assembly elections, the Centre, in the interim budget on February 1, announced a new scheme, PM-Kisan, with retrospective effect from December. All small and marginal farmers were to receive Rs 6,000 per year in three instalments of Rs 2,000 each. In the interim budget of FY 2019 itself, an amount of Rs 20,000 crore was provided.

Rythu Bandhu of Telangana and PM Kisan excluded tenant farmers, landless cultivators and agricultural labour. Rythu Bandhu was planned over a period of about a year but Kalia and PM-Kisan were implemented in great hurry so as to disburse the money into bank accounts of beneficiaries before the elections (to the Odisha assembly and Parliament) in April and May.

In fact, the JAM trinity of Jandhan, Aadhaar and Mobile connectivity was not insisted upon in PM-Kisan's first (December to March) and second instalments (April to July). These were paid without Aadhaar authentication. Even for third instalment (August to November), Aadhaar is not being insisted upon.

As a result, it is not known how many of the 7.46 crore beneficiaries of PM-Kisan (as on October 14) have received money without Aadhaar authentication.

Andhra Pradesh, Haryana, Jharkhand and West Bengal have also announced similar DIS schemes.

In FY 2020, the Centre and the states have budgeted Rs 75,000 crore and Rs 41,611 crore respectively for DIS schemes. So, an amount of Rs 116,611 crore is available for payment to farmers this year.

The government claims that fertiliser subsidy is being paid through DBT and an amount of Rs 39,230.64 crore was disbursed in FY 2019. In FY 2020 also, it is claimed that Rs 31,821 crore has been paid through DBT. However, there is no real DBT for fertilisers. It is just that the fertiliser companies receive subsidy when individual farmers purchase fertilisers from a dealer and the same is verified through point of sale machine. Real DBT of fertiliser subsidy would pay money to farmers without any insistence on purchase of chemical fertilisers alone. The farmer would be free to purchase organic manure or bio-fertiliser or no fertiliser at all.

While this is not what real DBT is supposed to be, it does have one great advantage. The landholder is not required to himself go to a dealer to purchase fertiliser and the quantity sold is not linked to any particular plot of land. So, unlike PM-Kisan and other DIS schemes, tenant farmers are not discriminated and as was the earlier practice, they continue to get the benefit of fertiliser subsidy by paying highly subsidised prices for fertilisers.

Kalia is the only scheme of direct income support which has reached tenant farmers and agriculture labour, but the accuracy of identification of beneficiaries has not been independently evaluated. Some newspaper reports have suggested that there is a possibility of 3.41 lakh fake beneficiaries.

Since these schemes were primarily launched with elections in view, their usefulness will be known only after an independent assessment. For example, it is not known if farmers are using the money to purchase organic manure in place of chemical fertilisers. The Abdul Latif Jameel Poverty Action Lab (J-PAL) of Massachusetts Institute of Technology (MIT), set up by Nobel laureates Abhijit Banerjee and Esther Duflo, is evaluating Telangana's Rythu Bandhu.

We will know the real benefits of Rythu Bandhu, PM-Kisan and similar DIS schemes only when evaluation results are released in public domain.

Even partial substitution of input subsidies by DBTs needs political consensus. Given this, it is ironical that that several BJP-ruled states have also refused to implement the penalties in Motor Vehicles (Amendment Act), notified on August 9.

So far, the government has not shown any serious intent to undertake major reforms in agriculture sector. Till then, it seems unlikely that the central and state governments will be able to discontinue any of these DIS schemes, even though many of them were

announced for four or five crop seasons only.

In times of a slowing economy and with the erosion of rural purchasing power, this is a good news for farmers.

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