Bringing A Multiplier Effect In Indian Agriculture

This article is based on **"Giving PM-KISAN the multiplier effect"** and **"Thinking beyond farm sops"**. It talks about an array of reforms that need to be carried out in order to bring a multiplier effect to India's agricultural growth.

Agriculture is a crucial segment for inclusive development and provides stimulus to the economy, especially when it is not doing too well. Since India has laid down the target of **doubling farmers' income by 2022,** therefore, it is imperative to lay a strong foundation by launching measures that can stem falling farm growth.

In pursuance of this, the government had launched a direct income transfer scheme called **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** in 2019. Though the scheme was a tectonic shift in the nature of government support to farmers in India.

However, **there is a lot to be done (than just addressing the liquidity constraints of farmers), to achieve a vibrant agrarian sector in India.**

PM-KISAN Scheme

- PM-KISAN scheme was aimed at **addressing the liquidity constraints of farmers** for meeting their expenses for the acquisition of agricultural inputs and services.
- The scheme implemented from February 2019 provides each eligible farmer's family **₹6,000 per annum in three instalments of ₹2,000 each.**
- This scheme is particularly important in a country like India, where still about half of the farming households do not have access to formal credit.
- Initially, farmers with less than two hectares of land were eligible; subsequently, the benefit was extended to all farmers (about 140 million farmers) from June 2019 onwards.
    - The amount is transferred directly to the beneficiary's bank account to check leakages.

- **93% of non-beneficiary farmers** had already applied for the scheme, depicting awareness and potential uptake.
- Banking infrastructure created through **Pradhan Mantri Jan Dhan Yojana** (PMJDY) and digitisation of the complete database of farmers who were now registered in the system with their credentials by the state governments played a key role in the fund disbursal.

How PM-KISAN scheme can be augmented to give a multiplier effect?

- According to a study conducted by **International Food Policy Research Institute (IFPRI) in association with the Indian Council of Agriculture Research (ICAR)** in Uttar Pradesh, PM-KISAN scheme along with **agricultural advisory services (Krishi Vigyan Kendras),** can pull farmers out of poverty.
- By investing more in agricultural advisory services, the government can encourage farmers to invest some or all part of the income support in productive assets for achieving the multiplier effect of PM-KISAN **(the exponential growth in India's agricultural growth trajectory).**
- Farmers receiving PM-KISAN benefit in the agricultural peak season are more likely to spend it on agriculture, and those getting it in the off-season are more likely to spend it on consumption.
    - This clearly suggests that the timing of benefits has implications on spending patterns.
    - Therefore, **the transfer of benefits should be synchronised in a way that prompts farmer for investment in agriculture.**

A direct transfer scheme like **PM-KISAN is a game-changer** and can have significant effects if it is timely, not transaction cost heavy and is provided with complementary inputs such as extension services.

Extension Services:

- The extension is an informal educational process directed toward the rural population. This process offers advice and information to help them solve their problems.
- The extension also aims to increase the efficiency of the family farm, increase production and generally increase the standard of living of the farm family.

However, **in the absence of holistic agricultural reforms, direct income transfer will just be one cog in the wheel.** In this context other reforms that need to be taken are:

- The **disparity in agriculture expenditure and growth drivers needs to be addressed.**
    - Despite higher growth in livestock and fisheries sector, only moderate to low expenditure was recorded.
- The **expenditure on research and development** in agriculture needs to be raised from nearly 0.40% of agriculture GDP to 1% as it pays huge dividends in the long run in ameliorating poverty and improving livelihoods compared to any other investment.
- Considering India's dependency on agriculture and recurring climate-induced disasters, it is imperative to expand the implementation of **Climate-Smart Villages** all across the nation.
- The **Farmer Producer Organisations (FPOs),** which are currently facing operational and structural issues governed by different Acts and funded by various sources, may be strengthened by bringing them under one institution, preferably an FPO Development and Regulatory Authority.
- A structured impetus must be given to building **blockchain-based e-marketplaces** connecting farmers, traders, agencies, institutions and exporters on a common platform to check price fluctuations and harness decentralisation.
- **Affordable technologies** must be developed and deployed particularly in rural and remote areas where digital literacy of farmers has improved considerably.
- **Small-scale investment measures** or an incentive-based system is essential to scale up sustainable practices such as agroforestry, climate-smart agriculture, ecosystem services, conservation agriculture and others.
    - Large-scale investment in agriculture over several years have encouraged monoculture, threatening the environment and soil health (mainly in green revolution areas).
- **Increasing corporate social responsibility** will help to tap more private investments besides encouraging private players in potential areas where production sustainability is possible.
- The government must establish a **farm data agency,** which can consolidate, collate and maintain farm data available at various platforms.
    - Access to farm agency data for scientific institutions and all other relevant stakeholders can hasten the process of technology dissemination and aid research systems for better policies.
- Commissioning **Ease of Farming Index** is necessary to ascertain the progress made by national and state governments on the key indicators of farming.
    - This perhaps stands away from the conventional assessment of the effectiveness of agriculture policies and programmes that are part of the farm support system.
    - Moreover, the exercise may foster cooperative and competitive federalism besides encouraging States which are lagging behind to catch up.

- The need of the hour is to set up **two key institutions:**
    - A **national agricultural development council** on the lines of the Goods and Services Tax Council under the chairmanship of Prime Minister for effective coordination and convergence of States on key reforms and policies.
    - **Farmers' welfare commissions** (both at the Centre and State level), as an independent institutional mechanism which will act as a neutral platform for assessing all agriculture-related issues and schemes.
- It is pertinent to deliberate on an **'Indian Agricultural Service'** on the lines of the Agricultural Research Service of the United States Department of Agriculture.
- In addition, to deal effectively with increasing droughts and floods and other extreme events, **transfer of agriculture to the concurrent list is of prime importance.**

Therefore, the right mix of direct benefits and price support with focused investment on resource conservation might bring stability in farmers' income.

Drishti Mains Question

Despite several measures to reduce the vulnerability of farmers in India, the farm sector and farmers continue to suffer losses. Suggest some measures that can be taken to improve their conditions.