

Financing the Bread Giver

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Abstract

Agriculture has been the traditional mainstay of the economy of India, since times immemorial. The practice of agriculture in primitive times was entirely different than what is practiced today. There has been a significant shift in needs of agriculture in modern times. Unlike primitive or ancient times, agriculture can no longer be practiced with the help of traditional techniques of agricultural and the obsolete equipments. Nowadays, agriculture is practiced on modern lines. Modern equipment has become essential for agriculture in present times. But agriculture is the sector which constantly remains in doldrums. Farmers fail to get enough finances to practice agriculture on modern lines. They constantly fall prey to the treacherous practices of traditional finance providers. The paper entitled, "Financing the Bread Giver" throws light on the demand for grants in agriculture in India and endeavors to put forward different types of financial provisions as given by the government to boost the agriculture of India.

Keywords: Agricultural Finance, Agricultural Marketing, Agricultural Research

Introduction

Agriculture is one sector that is underprivileged in many cases not only in India but other nations as well. Agriculture in India is popularly known as the gamble of monsoons. Besides the problem of irrigation there are many other problems which keep on marring the interests of farmers. Government of India has taken numerous initiatives to improve the condition of agriculture in India.

The farmers are provided with many aids form by the state and the central government of India. Government has taken several initiatives to improve the quality of agricultural production and help farmers improve the practices that they use for cultivation of their lands and

cattle rearing. Agriculture as a productive activity aims to improve the lives of people who are engaged in farm sector and other allied activities which are associated with it. Government of India has worked towards the creation of departments which are very helpful in enhancing the quality of farm product and the welfare of framers. In addition to this government has opened up new markets which are dedicated towards the sale of agricultural produce only.

Finances of Ministry of Agriculture

Ministry of agriculture begged an amount of Rs 1,38,564 crore in the year of 2019-20. This allocation of funds accounts for 5 percent share in the budget of central government. Agriculture has received greater share of aids in comparison to the financial year of 2018-19. There has been 82.9 percent increase in the allocation of funds to the sector of agriculture.

This whopping increment in finances of agricultural sector can be attributed to the aid of Rs 75,000 crore to PM-KISAN (income support scheme for farmers). This scheme has supported the farmers in providing better earning opportunities to the farmers. Along with this it has helped them in starting small units of production by providing them finance for the same. In the year of 2019-20 this scheme provided a whopping amount of Rs 20,000 crore to the farmers so that they can get some relief from the hardships that they confront in their lives.

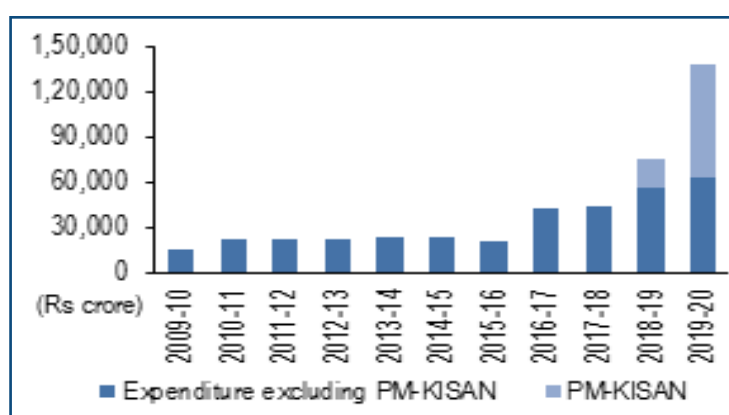
Various schemes came to be accounted under the ministry of agriculture since the year of 2016-17. Previously these schemes were considered under the ministry of finance. The expenditure in agricultural sector witnessed substantial increase from the year of 2016-17 owing to subsidy scheme for providing short term loans to farmers.

Table 1 given below presets the figures pertaining to the allocations that have been provided to the ministry by central government.

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Note: Figures for 2018-19 and 2019-20 are estimates.

Sources: Expenditure Budget, Union Budget (2011-20); PRS

Fig. 1: Expenditure of the Ministry (2009-20)

Table 1: Allocations to the Ministry (Rs crore)

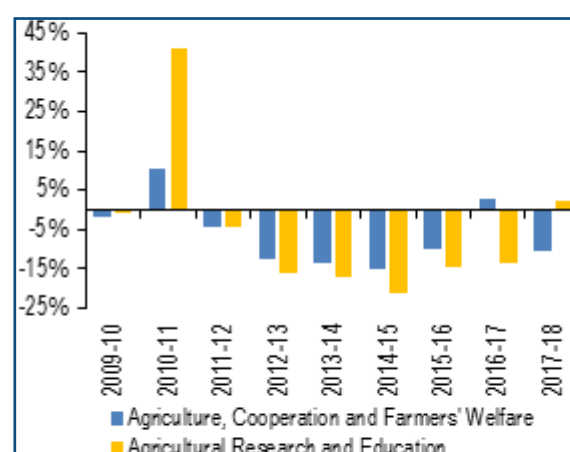
Department	2017-18 Actuals	2018-19 Revised	2019-20 Budgeted	% Change in 2019-20 Over 2018-19
Agriculture, Cooperation and Farmers' Welfare	37,397	67,800	1,30,485	92.5%
Agricultural Research and Education	6,943	7,953	8,079	1.6%
Total	44,340	75,753	1,38,564	82.9%

Sources: Expenditure Budget, Union Budget 2019-20; PRS

There has been an allotment of Rs 1,30,485 crore in 2019-20 to Agriculture, Cooperation and Farmers' Welfare. This has come into light after the revised estimates that have been done in the year of 2018-19. Ministry proposes to allocate the amount on three major schemes namely PM-KISAN which would be given 54% of the funds, the Interest Subsidy Scheme would be allocated 13%, and Pradhan Mantri Fasal Bima Yojana will be provided with 10% of the funds.

Comparison of Budget and Actual Expenditure

If an overview of budget and actual expenditure of both the departments is taken into account than we may see that the expenditure done by both the departments has been lower in comparison to the budgeted amount. The figures for the expenditure and budgeted amount for both the departments have been presented in the following Fig. 2. It can be clearly seen from the figure given below that the expenditure and budget of both the departments deviated significantly.



Sources: Expenditure Budget, Union Budget (2011-20); PRS

Fig. 2: Deviation from Budgeted Expenditure

In the budget speech made by the finance minister of India, in relation to agriculture of India following proposals were made:

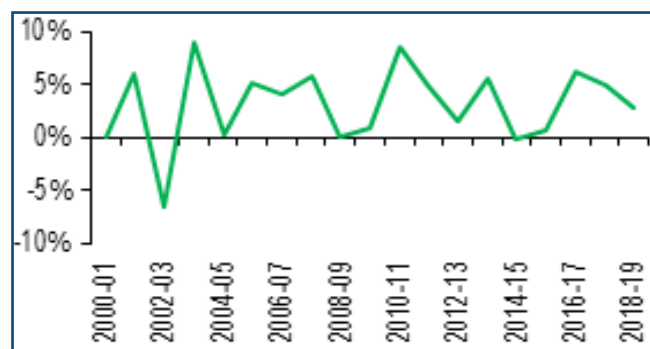
- The government proposes to assist states to provide farmers with the benefits of e-NAM.
- The APMC Acts of states will not be taken into consideration while providing benefits of e-NAM.

- The central government proposes to form 10,000 new Farmer Producer Organizations. These organizations will provide benefits to the farmers in cultivation and other activities.
- The central government also laid provisions for the model based on Zero Budget Farming. This project would be revived and implemented in different states.

Agricultural Growth

There has been a mixed outcome pertaining to growth in agricultural sector. Growth has been volatile in agriculture and allied sector in the year of 2018-19. The rate of growth that was witnessed in the year of 2017-18 stood at 2.9 percent. Agriculture sector attained a growth rate to the tune of 5 percent in the same year.

Fig. 3 given below presents the figures of growth for agricultural sector of India for the years covered by 2000-01 to 2018-19. The figures pertaining to growth of agricultural sector has been fluctuating in different years and failed to remain stable.



Source: Central Statistics Office (CSO), MOSPI; PRS.

Fig. 3: Growth of Agriculture Sector (in %)

Contribution of Agricultural Sector

Agriculture has been the major contributor in the national income of India. But the contribution of agriculture has significantly declined to 19 percent in the year of 2017. In the year of 1951 agriculture contributed to the tune of 51 percent. The percentage of workers who were dependent on agriculture also declined during the time period.

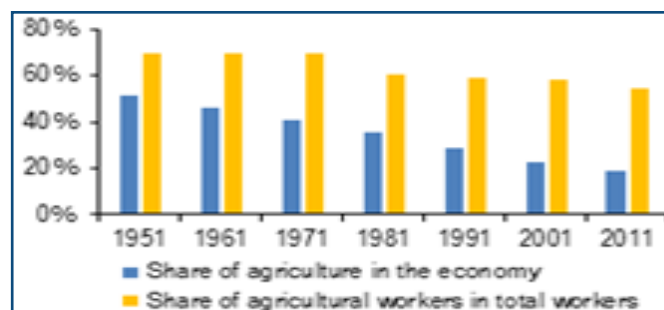


Fig. 4: Share of Agriculture and Workers Percentage

Agricultural Marketing

When India gained independence the basic thrust was laid upon the development of Indian economy. India was basically an agrarian economy and Indian government emphasized on the development of the farm sector. The agriculture in India has received utmost attention and many policies have been initiated and implemented to bring about the growth of Indian economy.

To support the farmers of India government has initiated agricultural marketing schemes and many sub schemes.

The Sub Schemes Implemented by the Government are as Follows:

- Scheme for agricultural marketing and infrastructure development.
- Scheme for creation of storage capacity for farmers.
- Scheme for development of markets for farmers and consumers.
- Scheme for development of market research, information and network.
- Scheme for strengthening of grading facilities pertaining to Agmark.
- Scheme for development of agribusiness and provide linkages to the farmers for marketing.
- Providing a national electronic market to the farmers in the name of e-NAM (National Agriculture Market) to sell the produce of agriculture.

Committee for Marketing Agricultural Produce

Central government and state government of different states have taken steps to bring profitability to the agricultural sector, so that farmers can get good benefit from their produce. One of the major steps in this direction was the creation of markets and committees for the sale of agricultural produce. This initiative was given the name of Agriculture Produce Marketing Committees (APMCs). These committees were set up for the regulation of agricultural produce and its marketing to earn profit.

These committees came into existence to assist farmers in marketing of their produce from the farms. Observations of the Standing Committee on Agriculture (2018) brought about the fact that these committees failed in their task of providing easy access of marketing facilities to the farmers and the provisions of the committees were not implemented in true sense of the term.

As per the observations of the standing committee following anomalies were found in the working of the committees:

- There was limited number of traders in the APMC markets which tremendously reduced the competition amongst traders.
- There was rapid formation of cartels in the market.
- There was a provision undue deduction in the name

of different commission charges and market fee of different forms.

- There was an urgent need of reformation of the APMC market.

International Comparison

The central government of India formed a committee under the chairmanship of Mr. Ashok Dalwai, in the year of 2018. The committee so formed was christened as the 'Committee on Doubling Farmers' Income'. 'The Committee on Doubling Farmers' Income aimed at providing feasible solutions for the problems of farmers so that they could increase their income from the agricultural sector.

The committee found that the income of farmers in agricultural sector of India is much lesser when compared to other developed and vis-a-vis developing nations of the world. And there is very low spending in the area of agricultural research in India.

Allocation to Major Expenditure Heads Under the Departments

The following Table 2 presents the major components of expenditure from the year of 2017-18 to 2018-19, along with that it also presents the budget estimates of 2019-20 pertaining to agricultural sector.

Table 2: Expenditure on Agriculture and Farmers

	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% Change in RE of 2018-19 Over BE of 2018-19	2019-20 Budgeted	% Change in BE of 2019-20 Over RE of 2018-19
PM-KISAN	-	-	20,000	-	75,000	275.0%
Interest subsidy for short-term credit to farmers	13,046	15,000	14,987	-0.1%	18,000	20.1%
Pradhan Mantri Fasal Bima Yojana	9,419	13,000	12,976	-0.2%	14,000	7.9%
Pradhan Mantri Krishi Sinchai Yojana (Per Drop More Crop)	2,819	4,000	2,955	-26.1%	3,500	18.5%
Market intervention scheme and price support scheme (MIS-PSS)*	701	200	2,000	900.0%	3,000	50.0%
PM-AASHA	-	-	1,400	-	1,500	7.1%
Pradhan Mantri Kisan Pension Yojana	-	-	-	-	900	-
Green Revolution	11,057	13,909	11,802	-15.1%	12,561	6.4%
Rashtriya Krishi Vikas Yojna	3,560	3,600	3,600	0.0%	3,745	4.0%
National Mission on Horticulture	2,027	2,536	2,100	-17.2%	2,225	6.0%
National Food Security Mission	1,377	1,691	1,510	-10.7%	2,000	32.5%
Department	37,397	46,700	67,800	45.2%	1,30,485	92.5%

*for procurement of pulses and oilseeds

Sources: Demand no. 1, Expenditure Budget, Union Budget 2019-20; PRS.

Table 3 given below puts forward the allocation of funds for research and education in area of agriculture.

Table 3: Expenditure on Research and Education

	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% Change in RE of 2018-19 Over BE of 2018-19	2019-20 Budgeted	% Change in BE of 2019-20 Over RE of 2018-19
ICAR headquarters	4,574	4,599	5,056	9.9%	4,869	-3.7%
Agricultural education	695	725	761	5.0%	819	7.6%
Crop sciences	591	1,051	868	-17.3%	934	7.6%
Central agricultural universities	235	270	364	34.8%	455	25.0%
Animal sciences	388	571	421	-26.2%	453	7.6%
Department	6,943	7,800	7,953	2.0%	8,079	1.6%

Sources: Demand no. 2, Expenditure Budget, Union Budget 2019-20; PRS.

Consumption of Fertilisers

The Table 4 given below presents the consumption of fertilizers in terms of different nutrients.

Table 4: Consumption of Fertilizers

Year	Urea (N)	Phosphatic (P)	Potassic (K)	Total (N+P+K)
2004-05	117.1	46.2	20.6	184.0
2005-06	127.2	52.0	24.1	203.4
2006-07	137.7	55.4	23.3	216.5
2007-08	144.2	55.1	26.4	225.7
2008-09	150.9	65.1	33.1	249.1
2009-10	155.8	72.7	36.3	264.9
2010-11	165.6	80.5	35.1	281.2
2011-12	173.0	79.1	25.8	277.9
2012-13	168.2	66.5	20.6	255.4
2013-14	167.5	56.3	21.0	244.8
2014-15	169.4	60.9	25.3	255.8
2015-16	173.7	69.8	24.0	267.5
2016-17	167.4	67.1	25.1	259.5

Sources: Agricultural Statistics at a Glance 2017, Ministry of Agriculture and Farmers' Welfare; PRS.

Conclusion

We can see from the above analysis that there has been number of initiatives that have been taken for the development of agricultural sector of India. Central

government in collaboration with the state governments of different states has laid provisions for marketing or agricultural produce to benefit the farmers. In addition to the provisions for providing good marketing facilities to the farmers, the government provides for many funding facilities for the development of research and education in the sector of agriculture. Despite implementation of different developmental schemes the agricultural sector of India fails to achieve an impressive growth rate and fails to support the population that is dependent on it. Government of India needs to take corrective measures, if it intends to bring the agricultural sector of India at par with agricultural sectors of other developing and developed nations.

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