

Takeaways from Direct Income Transfer Schemes

What is the issue?

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Union government plans to introduce unconditional direct income transfer (DIT) to farmers based on few state government schemes.

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What are the best performing state DIT schemes?

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- **RythuBandhu Scheme (RBS)** - RythuBandhu scheme also known as Farmers' Investment Support Scheme (FISS) is a welfare program to support farmer's investment for two crops a year by the Government of Telangana.

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- The government is providing farmers, Rs.4000 per acre per season to support the farm investment, twice a year, forrabi and kharif seasons.

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- This is a first direct farmer investment support scheme in India, where the cash is paid directly.

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- There is no cap on the number of acres, and according to the scheme most of the farmers are small and marginal.

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- Tenant farmers were excluded from the scheme to prevent legal disputes arising out of tenancy.

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- **Krushak Assistance for Livelihood and Income Augmentation (KALIA)** -It is a progressive and inclusive farmers' welfare program of Odisha government.

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- It aims to empower small, marginal farmers and landless and will cover 92% of the cultivators, loaned as well as non-loaned farmers, share croppers (actual cultivators) and landless agriculture laborers.

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- As per the scheme, an amount of Rs.10,000 per family at the rate of Rs.5,000 each for Kharif and Rabi seasons shall be provided as financial assistance for taking up cultivation.
- The scheme also has a component for livelihood support for landless households.
- The landless households will have the option of selecting any of the units.
- The scheme, among others, will particularly benefit scheduled caste and scheduled tribe households.
- The scheme also include life insurance cover of Rs.2 lakh and additional personal accident cover of Rs.2 lakh will be provided to both cultivators and landless agriculture laborers.

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What are the pitfalls in Telangana's RBS?

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- Exclusion of sharecroppers and the landless was one of the biggest problems with RBS.
- Payments under RBS are meant only for farmers growing crops.
- By making payments on a per acre basis, RBS is criticized for being regressive, i.e. as landholding size grew, so did the payment.
- As per calculations based on Telangana agri-landholdings and the RBS payout schedule, it was found that about 38% of RBS payouts went to farmers with greater than 2 hectares.

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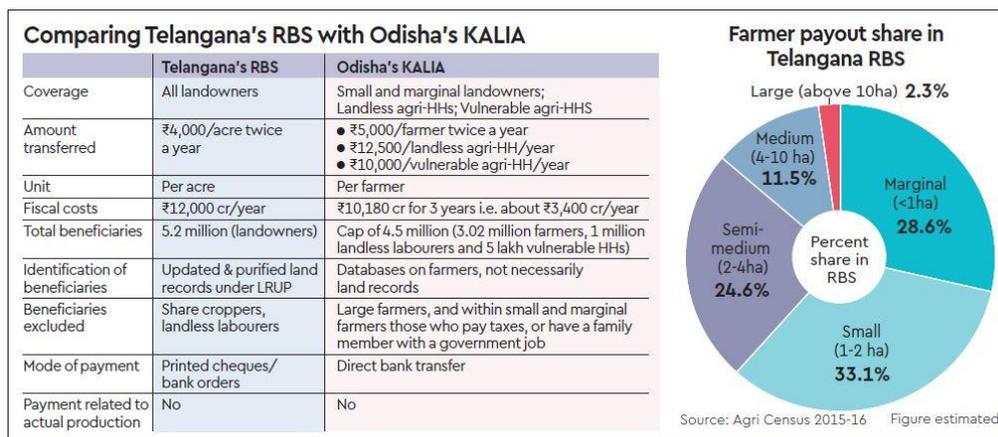
How KALIA scheme resolves the issues with RBS?

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- Many problems associated with RBS are being addressed by KALIA, as it has three components which cover landowners, sharecroppers, landless laborers and other vulnerable Agri based households.

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- KALIA is progressive as it makes a standard payment to all on just the condition that the individual is identified as a beneficiary.
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- Besides, KALIA is only designed to deliver to small and marginal farmers, all others are outside the ambit of the scheme.
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- Other farmers excluded from KALIA include ones paying taxes or having a government job.
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- As per NSSO and NAFIS data on farmer incomes, as landholding sizes shrink, an increasing share of incomes come from livestock.
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- In this regard KALIA has announced support to its landless for livestock and allied activities with an amount of Rs.12,500/year.
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What are key takeaways from the two schemes?

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- **Robust list of beneficiaries** -A list that excludes the better-off and includes all those vulnerable associated with agriculture is the foundation of a successful DIT.
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- Centrality of data on land records in this case cannot be overstated—they need to be updated, linked to unique farmer IDs (possibly Aadhaar) and to bank accounts of farmers.
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- A 100% financial inclusion is indisputably a necessary condition in this

case.

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- Other databases like ones from the Census and farmer schemes can also be synergized for the purpose.

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- **Balancing Funds** - Finding funds to finance this DIT while balancing the fiscal deficit is crucial.

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- A pan-India DIT with a payment of Rs.4,000 per acre twice a year on the country's net sown area of about 140 million hectares is likely to cost about Rs 3 lakh crore.

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- Cost sharing between the Centre and states (possibly in a 70:30 ratio) can resolve issue in finance.

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- **Alternative plans** - if the government decides to include input subsidies like seed, fertilizer, power in DIT, then the saved resources can be used to finance a perhaps larger DIT.

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- In fact, a national DIT has scope of becoming the new face of Indian agri-support policy schemes.

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- Such transfers reach more beneficiaries, save on pilferages, is less market distortionary compared to schemes of farm-loan waivers, MSP increases (ones that alienate markets) and inefficient input subsidies and is good economics and, evidently, good politics.

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Source: Financial Express

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