

# Plucking the low-hanging fruit of agricultural subsidy reform

**The Centre is pushing and many states are implementing Direct Benefit Transfers – and encountering little political opposition**

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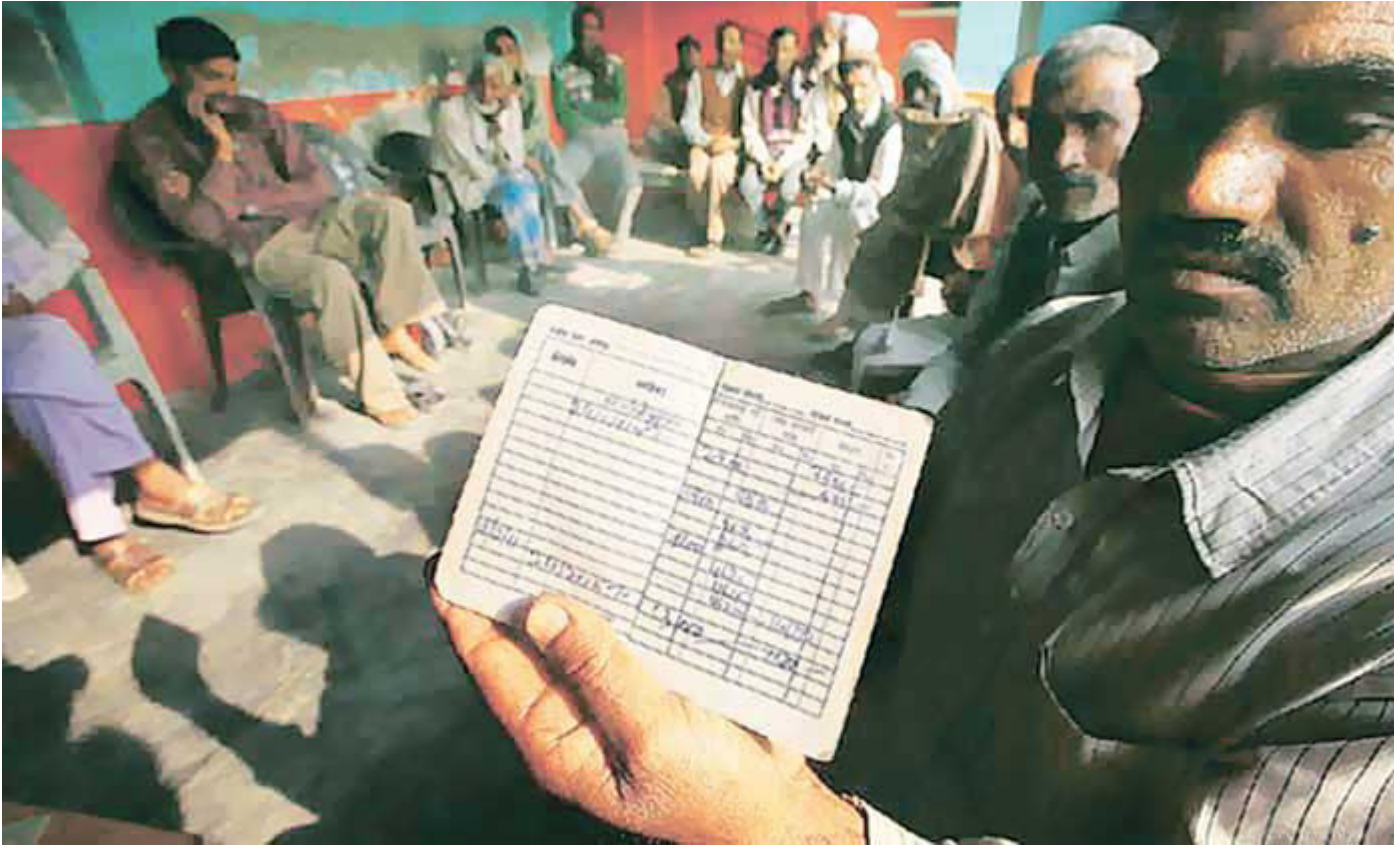
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Written by Pravesh Sharma | Published: September 22, 2016 1:44 am



A farmer displaying the DBT credit entry in his bank passbook. (Express Photo by Praveen Khanna)

The entire focus on ushering in a direct benefit transfer (DBT) regime for delivering subsidies to the targeted populations has so far centered around cooking gas, and to some extent, on isolated pilot experiments with food subsidy. Agriculture subsidies, especially on inputs other than fertilisers, have largely escaped attention in the DBT debate.

The Centre, through the agriculture ministry, actually spends over Rs 30,000 crore annually towards subsidies on credit, seeds, pesticides, farm machinery and other inputs. These subsidies have rarely been subject to critical scrutiny. One reason for it is that almost this entire budget, barring the credit subsidy channeled through banks, is allocated to state governments against a dozen-plus schemes. No proper evaluation of the efficacy of these input subsidies has been undertaken. More important, we have little idea how much of what gets spent reaches resource-poor farmers, helping improve their productivity and incomes.

My own personal experience with handling farm subsidy programmes in Madhya Pradesh — both in the field and as secretary of the state's agriculture department for over three years — has given me enough reason to conclude that patronage-driven politics have completely subverted the intended objectives of these schemes. The overwhelming majority of the recipients of subsidised agricultural inputs have been large and resource-rich farmers, most of them also linked to the ruling dispensation of the day.

Thus, schemes having provisions for targeting a minimum number of small and marginal farmers or Dalits and Adivasis are easily circumvented with support from ground level government functionaries, who, in turn, indulge in rampant rent seeking. I have seen big farmers simply splitting up their holdings on paper among various family members — including minor children and relatives living abroad — to avail benefits reserved for cultivators owning less than 5 acres of land. Dalit and tribal farm workers, similarly, are routinely presented as proxies to enable large farmers procure subsidised tractors and other farm machinery against special schemes of assistance ostensibly meant for the former. Talking to colleagues serving in other states has confirmed that this is, indeed, the prevailing norm across much of India.

Against this background, it is of no small significance to see the almost unnoticed progress on DBT in agriculture subsidy schemes in the past two years. That the item was placed at the top of the agenda of the National Rabi Conference recently convened by the agriculture ministry itself speaks volumes of the importance attached to moving to DBT. Having attended this event for many years in the past, I can certify that this is unprecedented; if anything, it suggests a sense of urgency generated by pressure from the top. Two recent experiments on DBT in agriculture schemes in Uttar Pradesh (UP) and Odisha in particular make one optimistic that things are proceeding on the right track.

The first major pilot was tried out in UP during 2015-16 and detailed through an opinion piece written for this newspaper by Amit Mohan Prasad, the then principal secretary, agriculture in UP ([goo.gl/CxMU1w](http://goo.gl/CxMU1w)). He described an experiment spanning both the kharif and rabi seasons of directly crediting subsidy on hybrid and other seeds into farmers' bank accounts, after the latter had purchased the material at full-cost from the market. The farmers were prior to that registered on a special portal and verified as genuine cultivators. It resulted in a sharp fall, both in the number of claimants as well as in the total subsidy outgo. Prasad suggested this had to do with many fictitious beneficiaries in the past being eliminated by the process of pre-identification and direct transfer of funds into farmers' bank accounts. With DBT, the subsidy amount on seeds

paid out by the UP government in 2015-16 amounted to Rs. 152 crore, while the previous year's outgo was Rs. 302 crore. Also, for the first time, many small and marginal cultivators actually reported getting the subsidy, which was hitherto being cornered by large or influential farmers.

The second experiment in Odisha has been conducted during the current kharif season, again involving subsidised seed. Like in UP, the state government first undertook a campaign to register farmers on a special portal. Each farmer — some 15.78 lakh got registered — was given a unique Farmer Identification Number and given the freedom to buy seeds of his choice from designated agencies by paying the full cost. After receiving details of the transaction from the registered dealer — all through electronic transfer of information — the government credited the farmer's account with the eligible subsidy amount, which was capped at 2 hectares. While we don't have official figures as yet, informal inquiries reveal that around 4 lakh farmers availed the subsidy benefit. Prima facie, this would again validate the UP experience of a large number of beneficiaries in the past being fictitious, alongside exclusion of many deserving of subsidy.

As I write this, information about similar experiments in Punjab, Madhya Pradesh and Bihar is being collated. They promise to add to the rapidly growing body of evidence on the effectiveness of DBT in agriculture. Of course, several outstanding issues remained to be addressed, most notably the inability of marginal, Dalit and Adivasi farmers to pay the full cost of inputs upfront. There is also the peculiar no-man's land in which sharecroppers find themselves in the states that don't recognise agricultural tenancies.

However, what is heartening is that the early results have encouraged states to look at DBT in agriculture seriously. The additional resources available through savings should enable creation of special pools of funds for supporting resource-poor farmers. On-going reform of land leasing laws should be speeded up, so that sharecroppers, too, can avail benefits from access to subsidised inputs under the DBT regime. Technology thankfully today allows targeted delivery of subsidy to a larger number of farmers, especially deserving smallholders. Equally amazing is the fact that all the above experiments have been conducted in the past two years sans major opposition — and in states under different political dispensations. It only confirms that there are no real losers if the DBT process is conducted transparently. The agriculture ministry would do well to expand the scope of DBT to cover a major part of its budget in the coming fiscal year and harvest this low hanging fruit, whose benefits are sweet and immediate.

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