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.
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- The scheme also has a component for livelihood support for landless households.
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- The landless households will have the option of selecting any of the units.
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- The scheme, among others, will particularly benefit scheduled caste and scheduled tribe households.
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- 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.
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- Payments under RBS are meant only for farmers growing crops.
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- By making payments on a per acre basis, RBS is criticized for being regressive, i.e. as landholding size grew, so did the payment.
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- 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 vulnerableAgri 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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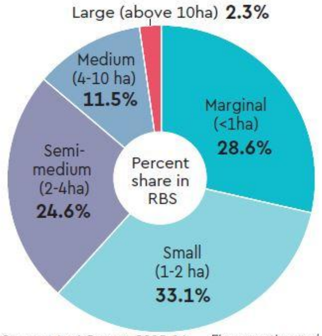
Comparing Telangana's RBS with Odisha's KALIA

	Telangana's RBS	Odisha's KALIA
Coverage	All landowners	Small and marginal landowners; Landless agri-HHs; Vulnerable agri-HHS
Amount transferred	₹4,000/acre twice a year	● ₹5,000/farmer twice a year ● ₹12,500/landless agri-HH/year ● ₹10,000/vulnerable agri-HH/year
Unit	Per acre	Per farmer
Fiscal costs	₹12,000 cr/year	₹10,180 cr for 3 years i.e. about ₹3,400 cr/year
Total beneficiaries	5.2 million (landowners)	Cap of 4.5 million (3.02 million farmers, 1 million landless labourers and 5 lakh vulnerable HHs)
Identification of beneficiaries	Updated & purified land records under LRUP	Databases on farmers, not necessarily land records
Beneficiaries excluded	Share croppers, landless labourers	Large farmers, and within small and marginal farmers those who pay taxes, or have a family member with a government job
Mode of payment	Printed cheques/ bank orders	Direct bank transfer
Payment related to actual production	No	No

Farmer payout share in Telangana RBS



Source: Agri Census 2015-16 Figure estimated

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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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