

A Study on the Reforms Made for Agriculture Sector in the Union Budget of India 2017

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Abstract

Budget announcements were presented in the parliament by the finance minister on 1st February 2017. The impacts of demonetization were not that beneficial for the agricultural sector. The incomes of the farm were affected due to it. This study gain prominence and assess the union budget 2017 with regard to agricultural and rural development. The union budget 2017 provided a major impact on the development of rural economy. It targeted in agricultural credit allocation, crop insurance and irrigation. These are significant positives for rural sector and would help in reducing volatility in rural income. The overall allocation of funds given to agriculture and rural sector indicate that governments commitment towards the welfare and well-being of these sectors. However, some experts feel that the government has much more things to do in upcoming days and these allocations are merely the glimpse of that.

Keywords

Agriculture, Budget, Government Reforms, Rural Sector

I. Introduction

The union budget was presented by the finance minister of India on 1st February 2017 which was the 87th budget of the independent India and 3rd budget of Modi Sarkar. 201-18 budget mainly focused on 10 themes: The farming sector, the rural population, the youth, the poor and underprivileged health care, infrastructure, the financial sector for stronger institutions, speedy accountability, public services, prudent fiscal management and tax administration were the main highlights. Even though this union budget considers the agricultural as one of the important driving factor of the economy the agricultural sector was badly affected by the demonetization by reducing the income of the farmers. It led to a decline in the price of the fruits and vegetables. The whole sale price of the pulses went down below the support price which was set up by the government of India even though it was a productive year. The 2017 budget has given importance to the reforms in the agricultural sector by setting up a higher target for the agricultural credit, funding of insurance for the crops. This study focus on the budgetary allocations and its impact on the farmers. These are: (AFS, 2017) Development through National Bank for Agricultural and Rural Development (NABARD), (BH, 2017) Changes in agricultural laws (Gupta G., 2017) Schemes for the welfare of Farmers and (YTDR, 2017) Development schemes.

The main highlight of the reforms made in the union budget 2017-18 in the agriculture sector.

- Farmers income to double in 5 years
- Rs 10 lakh crore allocated for agricultural credit; J&K along with states in east and north-east to get special attention
- Cropped area coverage under Fasal Bima Yojana increased to 40% and 50% in FY 18-19
- National Agricultural Market (e-NAM) to double – from the existing 250 to 585 APMCs; Rs 75 lakh allocated to each e-NAM
- Rs 2,000 crore allocated as corpus for new fund – Dairy and

Infrastructure Development Fund to be established under NABARD; allocation to increase to Rs 8,000 crore in three years

- 1,000 Mini Labs to be established in Krishi Vigyan Kendras (KVK)
- Five lakh farm ponds to improve water availability for irrigation.
- For the purpose of integration and computerisation of 63,000 public agriculture societies 1900 crores was allocated.

II. Literature Review

(An Analysis of Agriculture Sector in Indian Economy, Himani FEB-2014).

Agriculture plays a crucial role in the life of an economy. It is the backbone of our economic system. Agriculture not only provides food and raw material but also employment opportunities to a very large proportion of population.

In a study conducted by the Harshal A. Salunkhe and Dr.B.B. Deshmush (The overview of Government subsidies to agriculture sector in India (Nov. - Dec. 2012)) they have stated that The budget provides additional funds to several ongoing for enhancing agriculture production, irrigation management, higher farm credit & improving post-harvest storage & processing infrastructure.

(ANALYSIS OF TRENDS IN INDIA'S AGRICULTURAL GROWTH, Elumalai Kannan and Sujata Sundaram) There has been a renewed policy thrust from the government since mid-2000s to revive agricultural growth through various development programmes such as interest subvention on crop loans, the National Food Security Mission, the National Agriculture Development Programme (Rashtriya Krishi Vikas Yojana) and the Pulses Development Programme. These programmes are likely to affect agricultural growth and farmers' income in the country by providing greater flexibility to the state governments to allocate resources to the priority areas of development.

(IMPACT OF GOVERNMENT EXPENDITURE ON AGRICULTURE AND PERFORMANCE OF AGRICULTURAL SECTOR IN INDIA, K. N. Selvaraj, December 1993,)

The maximum share of agricultural government expenditure to total expenditure (30.60%) was noticed in the first FYP period (1951-52 to 1955-56) and die minimum share (13.40%) was observed in seventh FYP period (1985-86 to 1989-90). From the Second FYP period to sixth FYP period, the share was nearly stable and it approximately stood at 20 per cent. Khanna (1990) reported that in agriculture sector the percentage reduction in the allocation of funds has been from 36.9 per cent to 22.1 per cent. With respect to agriculture and allied services the reduction in the allocation of funds has been 14.8 per cent to 5.9 per cent during various plan periods.

(Transitioning India's Public Expenditure in Agriculture towards Higher Growth and Equity, Alka Singh, Suresh Pal and Girish Kumar Jha, July-Sept. 2015) The study aimed to develop broader series of public expenditures and investments impacting growth of agriculture and allied sectors and explored how sectoral and regional priorities of agricultural investments had responded to the national priorities by tracing their growth linkages.

(A STUDY ON UNION BUDGET 2017-FOCUS ON AGRICULTURAL AND RURAL DEVELOPMENT, T. VALLI, D. UMAMAHESWARI AND K. RAMAKRISHNAN, Indian J.Sci.Res. 14 (1): 280-283, 2017)

This study stated that the overall Agricultural and rural budget gives a glimpse of government's motive to develop agriculture and rural sector of the country. The overall allocation of funds given to agriculture and rural sector that governments determination towards the welfare and wellbeing of these sectors. However, some experts do feel that the government has much more things to do in upcoming days and these allocations are merely glimpse of that.

III. Current Status of Agriculture

In the 43% of agricultural land in India the contribution of the agricultural sector to the GDP is only up to 18%. The poor condition of the farming sector is actually a big concern for India's economy. The rural farmers in India suffer from poverty and most of them are illiterate so there is a lack of extension services.

Another major problem faced by the agriculture sector is that this sector depends upon the nature and poorly maintained irrigation facilities.

The current agricultural practices are neither economically nor environmentally sustainable and India's yield for their products are very low.

Poor roads to market from village, rudimentary market infrastructure, and excessive regulation are few of the other concerned points for the agriculture sector in India.

The main reasons for the low productivity of agriculture sector in India:

- According to the world bank "India: Priorities for Agriculture and Rural Development", India's large subsidies are hampering the agriculture sector and product-enhancing investment. The over regulation on the agriculture sector has increased the cost, the price risk and uncertainty. The government intervention in the agriculture sector by making stagnant rules in land, labour and in the credit market. The world has also made it clear that the allocation of the water resources is insufficient, unstable and inequitable. The irrigational infrastructure of India is deteriorating.
- Illiteracy, general socio-economic backwardness, slow progress in implementing land reforms and inadequate or inefficient finance and marketing services for farm produce.
- Very small size of land holding by the farmers because to fragmentation and family clashes and land ceiling acts are also a major problems faced in the agricultural sector. Such small holdings are often over-manned, resulting in disguised unemployment and low productivity of labour.

- Illiteracy and ignorance of the farmers has increased the cost of the farming in the small holding of lands as overall.
- Inadequate Irrigation facilities and dependence of farmers on monsoon season, where good monsoon results in a vigorous growth while a poor monsoon leads to a sluggish growth for the economy as a whole. Farm credit is regulated by NABARD, which is the statutory apex agent for rural development in the subcontinent.

IV. The Major Announcements

A. 10 Lakh Crores were Allocated for Agricultural Credit

The agricultural credit allocated for the FY16-17 was 9 lakh crores and this FY 17-18 there has been an increase in Rs 1 lakh crores which means a 10% increase. This is a great relief for the farmers from the side of the government who were trapped in the financial cesspool.

Short term loans upto 3 lakhs were available to the farmers at 7% interest. In December 2016, the government had announced a 60-day interest waiver to them. If the farmers avail of the 3% additional interest waiver by returning loans within the stipulated time, their actual interest comes down to only 4%.

B. Cropped area coverage under Fasal Bima Yojana increased to 40% and 50% in FY 18-19

The Pradhan Mantri Fasal Bima Yojana was launched in 2016 with 30% of the cropped area brought under this scheme and in FY 17-18, this area has been increased to 40% and by FY 18-19, the area will further increase to 50%. In 2016, the budget allocation was Rs 5,500 crore and was increased to Rs 13,240 crore to settle arrears. In FY 17-18, Rs 9,000 crore has been allocated. This will hugely benefit farmers who are vulnerable to erratic monsoons.

C. Rs 1,900 crore allocated to computerisation and integration of 63,000 Public Agriculture Societies (PACS) for loan distribution

Various co-operative societies under NABARD have been in the forefront of releasing loans to farmers in rural areas. With Rs 1,900 crore allocated to computerizing all 63,000 PACS, the increase in total loan distribution will be efficiently distributed and better monitored.

D. National Agricultural Market (e-NAM) to double – from the existing 250 to 585 APMCs; Rs 75 lakh allocated to each e-NAM

Farmers lose a lot of their produce in the post-harvest phase due to poor cleaning, packaging and storage facilities. The government plans to improve farmer's returns by investing in modern cleaning, packaging and storing of agricultural produce at each APMC. Towards this, Rs 75 lakh has been allocated to each e-NAM.

E. Rs 2,000 crore allocated as corpus for new fund – Dairy and Infrastructure Development Fund to be established under NABARD; allocation to increase to Rs 8000 crore in 3 years

Milk and cattle rearing is an additional income for the farmer and therefore, this move at establishing a fund dedicated to dairy development is going to transform the farmer's livelihood as also increase the percentage contribution of milk and processed milk items to the overall agricultural output of the nation.

F. 1000 Mini Labs to be established in Krishi Vigyan Kendras (KVK)

Lab-to-land knowledge and technology will now be better facilitated at the local level with more of these mini-labs being set up at KVKs. Farmers will have better access to relevant seeds, soil analysis and suitable plant varieties, all of which will optimise output in their respective areas.

G. 5 lakh farm ponds to improve water availability for irrigation

From the existing 5 lakh farm ponds, the government plans to implement an additional 10 lakh farm ponds this year and add another 5 lakh ponds in FY 17-18. This will contribute to increasing farm output and is in line with the government’s overall target to doubling farmer income in three years.

V. Graphical Analysis

A. Share of Expenditure by MoA (With and without interest subvention) in Total Union Government Expenditure (%)

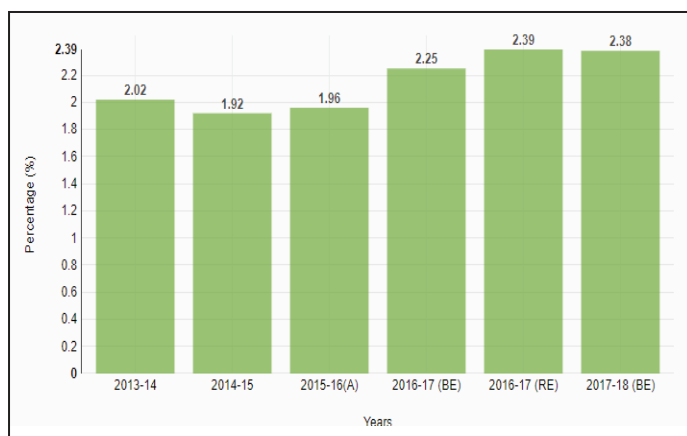


Fig. 1:

2.38% of the Government expenditure is being given to the agriculture sector. When it is compared with the previous year there has been a minor decrease in the expenditure.

B. Share of Expenditure by MoA (Including Interest Subvention) in GDP (%)

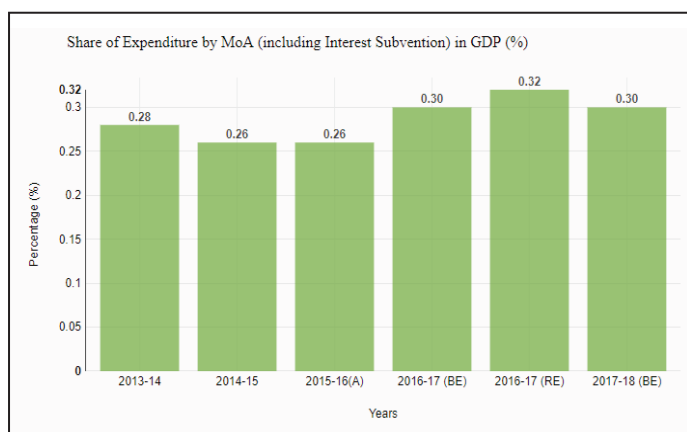


Fig. 2:

As a percentage of GDP 0.30% was the share of expenditure for FY18 and it was less than the previous year.

C. Department of Agriculture, Cooperation and Farmers Welfare (Including Interest Subvention)

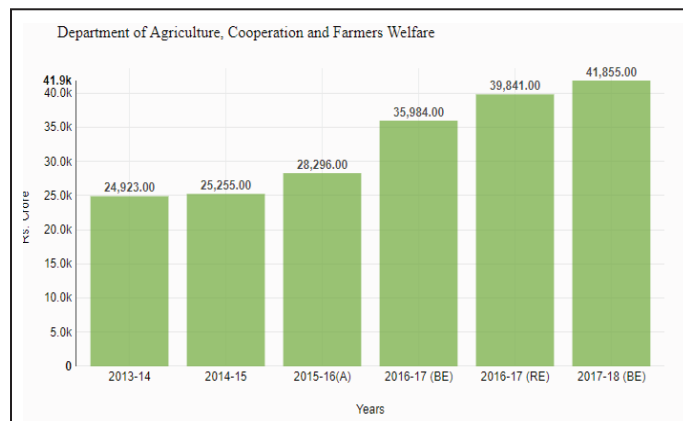


Fig. 3:

41,855 crores were allotted to the department of agriculture, cooperation and farmers welfare in this financial year. There has been an increase of Rs 2014 crores when we compare it with the last year.

D. Department of Animal Husbandry, Dairying and Fisheries

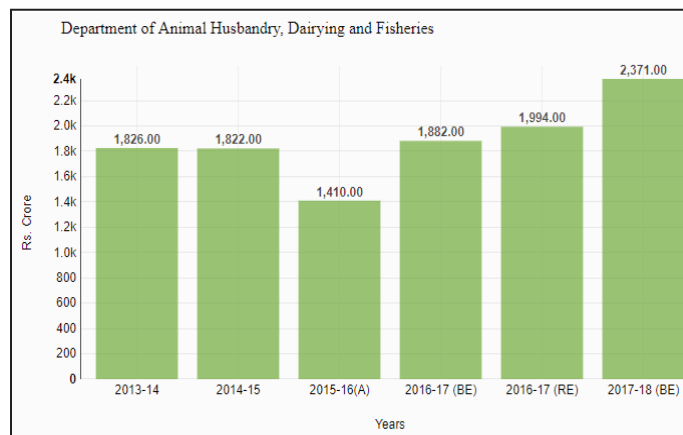


Fig. 4:

Rs. 2371 crores has been allotted to the department of the Animal Husbandry, Dairying and fisheries for this financial year. Rs 377 crores has been increased from the past year.

E. Department of Agricultural Research and Education

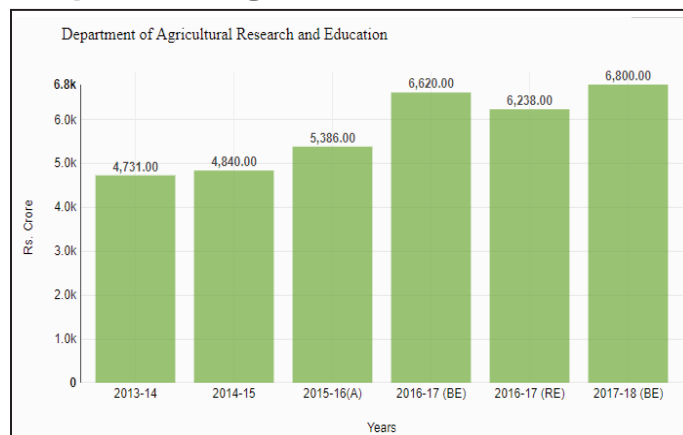


Fig. 5

Rs 6,800 crores was allocated to the Department of agricultural research and education and it was an increase of 562 crores when it is compared with the previous financial year.

F. Total Expenditure under MoA with Interest Subvention (Rs. in Crore)

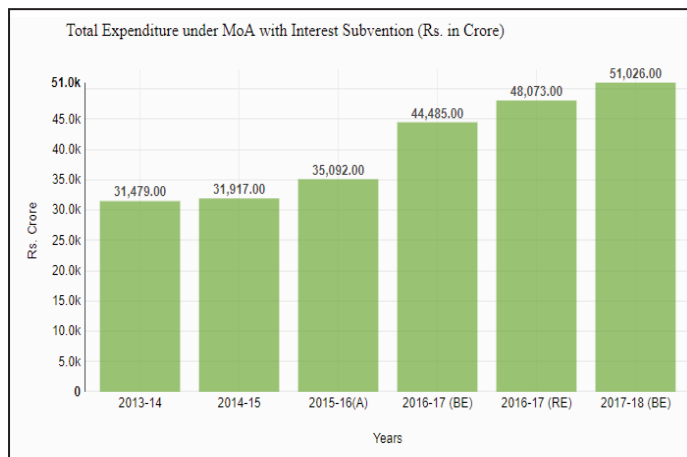


Fig. 6:

Total of 51,026 crores was kept for the Total expenditure with interest subvention there was an increase of Rs 2953 crores.

G. Interest Subvention for Providing Short Term Credit to Farmers

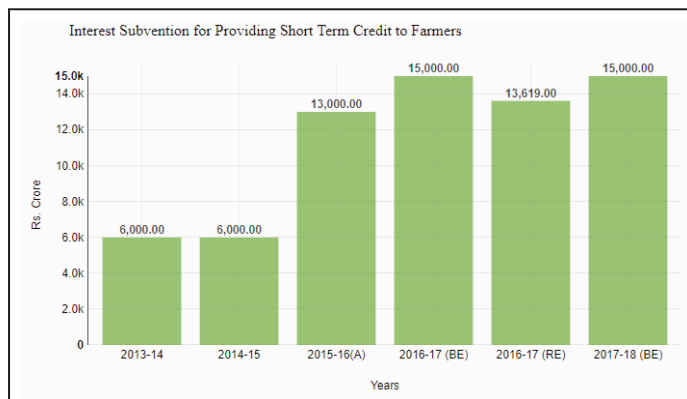


Fig. 7:

Rs 15,000 crores were for interest subvention for providing short term credit to farmers. An increase of Rs 1381 crores was increased.

H. Pradhan Mantri Fasal Bima Yojana (PMFBY)

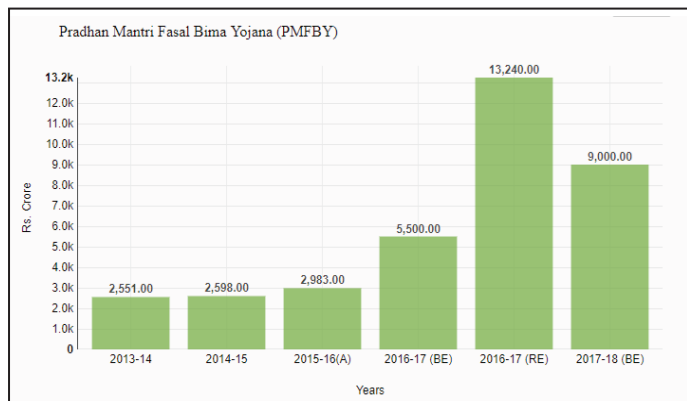


Fig. 8:

Rs 9,000 crores was allocated for the Pradhan Manthri Fasal Bima Yojan in this financial year. It was a decrease of 4240 crores.

I. Total Allocations for Pradhan Mantri Krishi Sinchai Yojana (PMKSY)

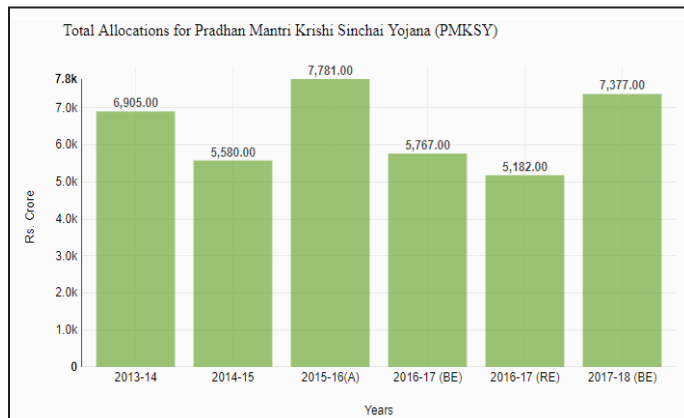


Fig. 9:

Rs 7377 crores were allocated for the Pradhan Mantri Krishi Sinchai Yojana. Rs 2195 crores was increased in this financial year.

J. Rashtriya Krishi Vikas Yojana (RKVY)

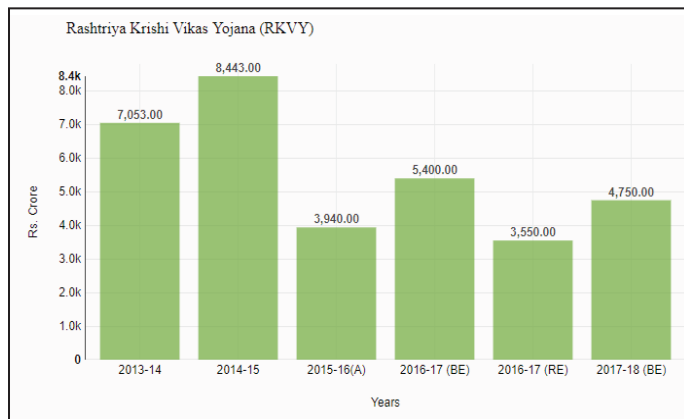


Fig. 10:

Rs 4750 crores was allocated to Rashriya Krishi vikas Yojana. There has been an increase of Rs 1200 crores in this financial year.

K. Paramparagat Krishi Vikas Yojana (PKVY)

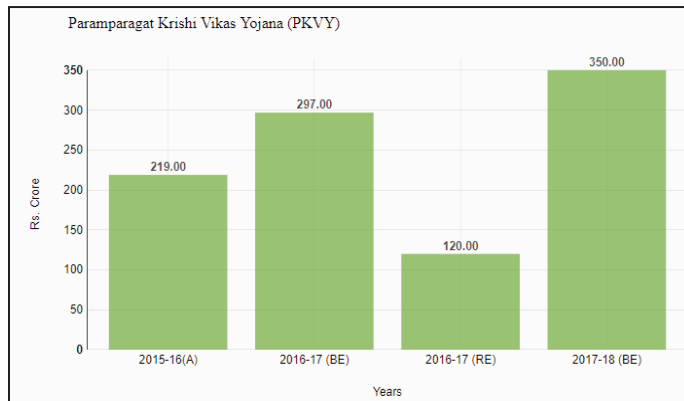


Fig. 11:

Rs 350 crores was distributed to the Paramparagat krishi vikas Yojana in this financial year. This is the highest allocation of funds from 2015.

L. National Food Security Mission (NFSM)

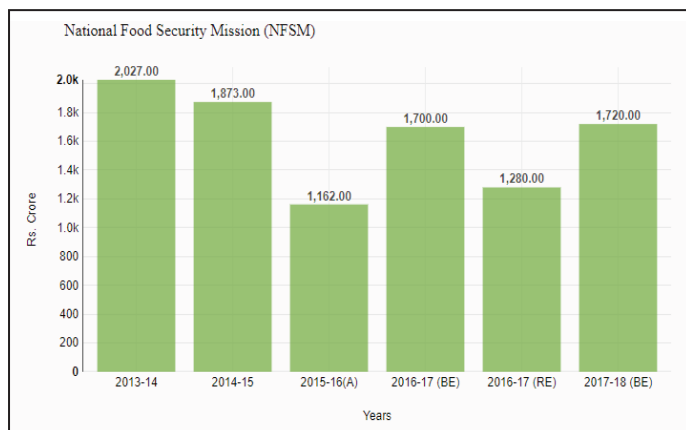


Fig. 12:

Rs 1720 crores was distributed for National Food Security Mission. Rs 440 crores was increased in this financial year.

M. National Mission on Oil Seed and Oil Palm (NMOOP)

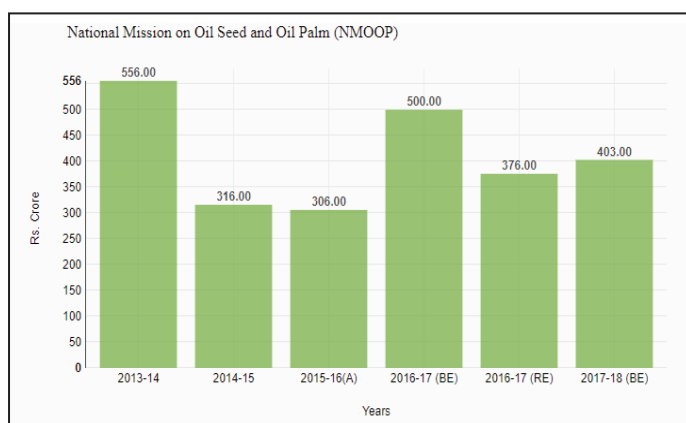


Fig. 13:

Rs 403 crores was distributed for National Mission on oil seed and oil palm.

N. National Mission on Horticulture (NMH)

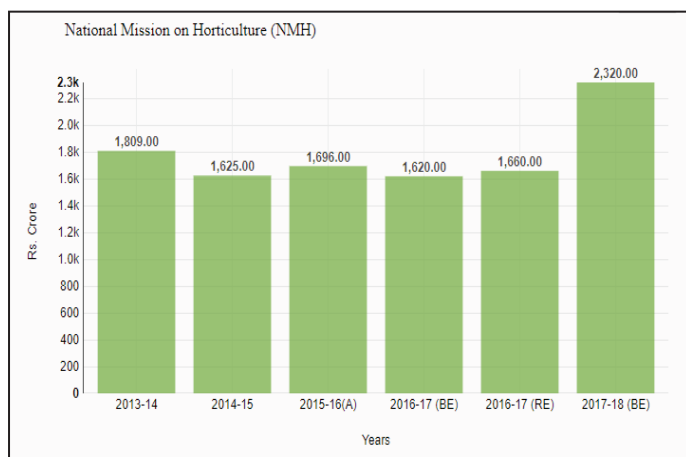


Fig. 14:

Rs 2320 crores was distributed to the National Mission on Horticulture. This was the highest allocation from 2013.

O. White Revolution

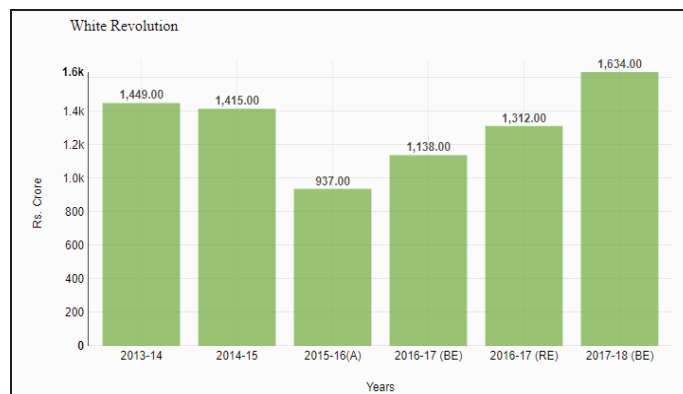


Fig. 15:

Rs 1634 crores was distributed for white revolution.

P. Blue Revolution

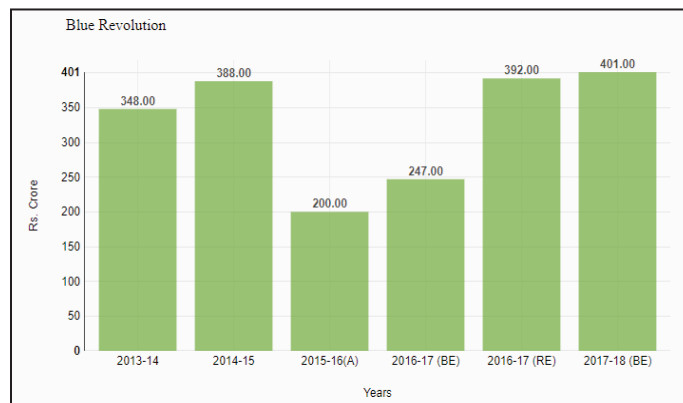


Fig. 16:

Rs 401 crores was distributed for the Blue revolution which was not a large change in the allocation.

VI. Discussion and Conclusion

In continuation with the last year’s Budget, the agri flavour in this Budget remains strong with increased focus on improving the fundamental strength of the sector through interventions in irrigation, farm and credit insurance. Though devoid of dramatic announcements, the increase in allocation on certain key schemes is a positive sign for the overall sector. There is a 6% (y-o-y) increase in allocation on agriculture and famers’ welfare, that includes 45% increase in irrigation spend. The higher fund allocation towards micro irrigation and dairy processing is critical to bringing sustainability to agriculture. Focus on irrigation would go a long way in drought-proofing the economy while the dairy processing infra fund would allow NABARD to finance modernisation of milk processing units and improve milk production and increasing modernisation of breeding facilities. The digital thrust on co-operative banks would help to ease the flow of credit to small and marginal farmers. The e-platform of National Agriculture Market (NAM) is an attempt to use modern technology for transforming the system of agricultural marketing and in turn multiplying the farmers’ choice of buyers and increasing their income. However, a huge ground remains to be covered to translate NAM into reality and these include putting in place system of scientific grading of

agricultural commodities at the market yard, necessary amendment in APMC laws by states, providing quality warehousing and creating convergence in the agricultural marketing value chain such as eNAM, NCDEX, farmers, APMCs etc. While expanding the crop insurance coverage is a welcome step, ensuring transparent assessment of crop damage within a specified time following weather shocks, and the ability to adequately compensate farmers for the losses within the shortest possible time will be critical to ensure the usefulness of the scheme. This would, however, require a sharper increase in budget allocation.

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