

Recommendations for forthcoming budgetary allocations 2016-17



ActionAid India is an anti-poverty agency, working in India since 1972 with the poor people to end poverty and injustice together. Together with the people, we claim legal, constitutional and moral rights to food and livelihood, shelter, education, healthcare, dignity and a voice in decisions that affect their lives.

We work in more than 300 districts of 25 states and one Union Territory of India in some of the most under-developed and inaccessible areas covering 1.3 lakh families. As part of our work, we work with landless labourers, small and marginal farmers, fishers and fish workers, informal sector workers with an exclusive focus on women. Here follows our recommendations on Agriculture sector and Informal Sector Labour for forthcoming budgetary allocations 2016-17.

Agriculture Sector:

Recent NSSO and SECC data and Agriculture census, once again, highlighted the plight of Indian Farmers. Around 85% are small and marginal farmers and their average monthly income is only 4653/- which is lower than their monthly expenses. Indebtedness is very high among farmers with an average loan of more than 47000/- and in case of Kerala, Andhra Pradesh, Punjab and Tamilnadu it is more than Rs.1 lakh. The spate of suicides of farmers still continues and more than 3 lakh farmers committed suicides in the past 18 years. Year 2015 had proved to be a *difficult year* for the farmers with extreme weather calamities (either drought or floods/heavy rains/hailstorms) subjecting millions of farmers to huge crop failure/losses. This would also affect the food production for 2015-16 and will ultimately result in low Agricultural growth. The 12th FYP target for agriculture sector is 4 per cent and first 3 years average growth has not exceeded 2 per cent which had huge pressure on 4th and 5th years. As mentioned above, 2015 was difficult year and there would be further decline in agriculture production. In this context there is a need to pay special attention to agriculture sector in 2016-17 to rescue farming community from extreme distress conditions and ensure growth of this sector. Emphasis should be given to *assured farm incomes to the small and marginal farmers, women farmers, tenants and share croppers with focus on rainfed areas*.

1. There is an urgent need for adequate provisioning towards a Comprehensive and Universal Crop Insurance Scheme:

The Union Budget allocation for all crop insurance schemes (which include: National Agriculture Insurance Scheme, Weather Based Crop Insurance Scheme and Modified National Agriculture Insurance Scheme) for the year 2015-16 (BE) is Rs. 2588 crore, and the same for 2014-15 BE was Rs. 2541 crore. There is no such increase in allocation towards crop insurance schemes found compared to previous years allocations.

As we know, agriculture production in India is vulnerable to sharp fluctuations in weather, natural calamities, pest attacks and crop diseases etc., the small and marginal farmers, tenant farmers and farmers with oral lease are the worst affected and comprehensive crop insurance scheme could provide a crucial cover against such vulnerabilities and risks. The recent report of the Committee on Medium-term Path on Financial Inclusion headed by Deepak Mohanty also recommended that there is a need for universal and affordable crop insurance scheme to counter the rural agrarian distress and particularly the stress that small and marginal holders are countering at this juncture. Hence, there is a need for extending crop insurance to all farmers, for all crops and considering lower units (that is individual farmers' crop) as the unit of insurance with hundred percent insurance premiums to be borne by the government

This is the first time in over 100 years that India faces four back to back drought years. There is huge crop loss due to hailstorms, heavy rains and a consistent dry spell in about 9 states. Assessment and compensation procedures are highly unfavourable to the farmers. As farmers have been facing extreme distress conditions, Supreme Court recently issued notices to the states on failure of proper relief and rehabilitation measures in response to drought. In some of the states there could be over 20% decline in food grain production. In this context, Comprehensive Insurance coverage is needed to cover all the farmers (including tenants and sharecroppers) in the country and the budgetary allocation have to be increased significantly. We welcome the government's announcement of enhancing the crop loss compensation in April last year. Nevertheless, we suggest to further enhance it, as it would benefit more small and marginal farmers. As per government appointed Hooda Committee report, Rs.10000/- per acre compensation needs to be paid in case of crop loss/failure and we request the government to enhance the compensation on these lines to begin with.

Further all drought-prone blocks in the country need to be supported under MGNREGA programme with 200 days work provision, with a proper integration of other related water harvesting programmes/horticulture programmes and other relevant programmes.

2. Provisioning of higher credit and other input subsidies to small and marginal farmers tenant farmers and farmers with oral lease:

The Agriculture Census (2010-11) recorded that out of 138 million farm holdings in the country, 117 million (85 per cent) are small and marginal holdings. The All-India Debt and Investment Survey (2013) offers an explanation for the causes of continuing agrarian distress, revealing that more than half of the rural households are marginal farmers who own less than one hectare of land. The relative degrees of indebtedness of these farmers are higher due to limited access to the formal sources of credit and heavily dependent from the private moneylenders. In such a situation, providing credit facilities to these farmers at a lower rate of interest (with interest subvention schemes) could be beneficial.

At present the budgetary allocation in the Union Budget 2015-16 BE is at Rs. 13000 crore, which is more than 100 percent increase compared to the allocation made in the Union

Budget 2014-15 BE (i.e. Rs. 6000 crore). This is good. However, the benefits of such provisioning don't reach to the real farmers and efforts need focus to reach those in need.

National Sample Survey data shows banks and cooperative societies account for only 57.7 per cent of outstanding loans of farming households, with the rest mainly representing borrowings from private moneylenders and traders, often at annual interest of 24 per cent or more. There is a need to focus more on expanding credit availability from the banking system, more so to cover small and marginal farmers as well as landless cultivators against tenancy/ lease certificates.

Increased outlays for agriculture credit in the last few years did not benefit farmers since it has been observed that more and more share of indirect credit (which goes to support industry) is increasing and the share of direct credit (to farmers) is decreasing. Efforts should be made that all the cultivators (including tenant farmers) have access to institutional credit. Small and marginal farmers who constitute 85% of the farming community should receive credit in tune with their proportion. Banks are not willing to give loans for small and marginal farmers and to tenants/sharecroppers. RBI guidelines though mention about no collateral for an amount up to Rs.1 lakh, Banks are not really coming forward to issue loans. It is also evident that the share of loans below Rs.1 lakh and between Rs.1 lakh and 2 lakhs in the total volume of loans is also very insignificant which shows the negligence of small and marginal farmers. Hence a committed effort to lend more money to the small, marginal, tenant farmers is needed.

3. Need for adequate provisioning towards Agriculture Research and Education in the Union Budget 2016-17 so that the average spending under this head could meet the 12th FYP target of 1 percent Agri-GDP:

Agricultural research has a vital role in agricultural transformation and in reducing hunger and poverty in the country. The 12th FYP has stressed the need to enhance spending on National Agricultural Research System (NARS) and proposed an annual average spending of 1 percent of agricultural-GDP by the end of the Plan period. However, the allocation for the same in the Union Budget 2015-16 BE was not encouraging compared to the allocation made in 2014-15 BE. In the Union Budget 2015-16, the allocation for Agriculture Research and Education was Rs. 6320 crore, compared to Rs. 6144 crore in 2014-15 BE. In view of our recent commitments on climate change there is need to invest on research and education on agro ecological approaches promoting resilient farming.

4. Higher budgetary allocation for National Mission for Sustainable Agriculture (NMSA) under Krishi Unnati Yojana:

National Mission for Sustainable Agriculture (NMSA) which aims at transforming Indian agriculture into a climate-resilient production system became a part of the originally conceived National Action Plan on Climate Change (NAPCC). For undertaking interventions to address issues on climate change, water conservation, water management and water

efficiency, soil fertility and sustainability of natural resource use, budgetary allocation under NMSA (which is now part of Krishi Unnati Yojana) should be increased substantially.

The fund allocations for NMSA were cut down (from Rs.1330 in 2014-15 to Rs.835 crores in 2015-16) with similar kind of assumption of expecting states to allocate more funds after increasing the untied share. But not many states have prioritised this. Hence the central budget allocations need to be enhanced to meet the very objective of NMSA. Further, promoting sustainable agriculture models will reduce dependency on chemical fertilizers and its subsidy. Govt should make explicit effort to help farmers to reduce chemical fertiliser use and move towards ecological farming. Agro ecological farming is emerging to be a sustainable solution for agrarian crisis which needs to be promoted on large scale which would also help addressing the issue of climate change. We demand for more budget allocations for promoting sustainable/ecological/organic farming models in the country.

5. Increased budgetary allocation along with strengthening the institutional mechanisms for better utilisation of available funds under RKVY

Implementation of *Rashtriya Krishi Vikas Yojana* (RKVY), with adequate flexibility given to States to articulate local needs for the sector, has had an important role in the improved performance of agricultural sector in the past few years. However, inadequate human resources, targeted investments, lack of proper decentralised planning and proper monitoring mechanisms are some of the major problems in implementation of this scheme, which still need to be fixed. Further, following the implementation of the recommendations of the 14th Finance Commission the Centre's share of allocation under RKVY reduced to 50 percent from the existing level of 100 percent (Funds under RKVY was part of Centre's Additional Central Assistance to State Plan).

As a result of this, Union Budget allocation for RKVY reduced from Rs. 9954 crore in 2014-15 BE to Rs. 4500 crore in 2015-16 BE. The reduction of RKVY in the Union Budget was made with an assumption that State Governments would put money for RKVY in their own budgets after the increased untied share that they might have received as part of the 14th Finance Commission grant. However, a preliminary analysis of budgets of the states doesn't reflect any increased allocation for RKVY. Hence, there is a need for increased allocation under RKVY in the forthcoming Union Budget to fulfil the objectives of RKVY by the end of 12th Five Year Plan period.

Some other important policy and budget recommendations:

- 6. Special attention and support to tenant farmers, sharecroppers and women farmers:** Field reports and farmers organisations have been reporting that tenants and sharecroppers, despite their huge number, are deprived of any support from the government. Because of the legal issues much of the tenancy and sharecropping arrangements is hidden. In some of the states like Andhra Pradesh it is more than 30%. Despite cultivating lands for generations, these tenant farmers and sharecroppers have no support from the government/banks even in case of the crop

loss/failure. So there is a growing demand for recognising the tenants and sharecroppers by recording all oral and other leases in villages, so that they are entitled for support under various government schemes and credit benefits. Government of Andhra Pradesh has made significant efforts in this direction identifying and recording tenants by issuing loan eligibility cards. This could be supported at national level by promulgating a model law with more scope for covering all tenant and sharecroppers to access all government benefits and programmes. Necessary budget allocations will encourage states to pursue this initiative.

Recognition of Women as farmers: Women have been contributing equally in agriculture and allied activities and yet they are not recognised individually as farmers. So there is a need to recognise them as women farmers and extend all the benefits through government schemes and programmes. Government should also think of prioritising women farmers over others in leasing out government land for farming and allied activities. We appreciate government's efforts to support women farmers through *Mahila Kisan Shasaktikaran Pariyojana* (MKSP) and further demand to enhance budgetary allocation to reach out to benefit more number of women farmers.

- 7. Minimum Support Price and Markets:** It is a well known fact that the prices offered to the farmers are much below the cost of production. The pricing policy still continues to be faulty not offering remunerative prices to farmers. The budget for 2016-17 should take this into account and adequate allocations have to be done. In case prices cannot be increased to the Cost+50% level as recommended by National Farmers Commission, Price Compensation mechanism should be put in place to directly pay the balance to the farmers.

Procurement by the Government: The procurement operations by government were diluted by reducing the levy and government intervention. This caused a dip in the market prices and in many states farmers couldn't access the Minimum Support Prices announced by the govt. Government should reverse the decision and see that it becomes an "offense" to buy below declared MSP. A mechanism needs to be evolved to ensure all small and marginal farmers get benefited with the MSP.

Price Stabilisation Fund: Rs. 10,000 crores should be allocated for Price Stabilisation fund which can be used to safe guard the farmers interest in case of price fluctuations in the market.

- 8. Support to the families of farmers who committed suicides:** From 1995 to 2014, the number of farmers and farmers and agriculture workers who have committed suicide is more than 3 lakhs. (NCRB: 2014). Many states had now come forward to support these families with an exgratia of Rs.5 to 6 lakhs. In order to support such initiatives of the states, a minimum provisioning of Rs.5 lakh per family to waive off loan (institutional & non-institutional) should be made; a family pension not less than Rs.5000 to surviving wife or the next surviving mother or the dependent daughter

should be given. Educational support up to the university level for children, and in addition to that, each family must be linked to all the social security schemes on priority basis. To meet this, we recommend for creating a Prime Minister's National Debt Relief Fund to address Agrarian Crisis.

9. Supporting Community Based Seed Banks for achieving Self Reliance in Seeds:

The National Mission on Seeds and Planting Materials should be geared towards making farming communities self-reliant when it comes to seeds and planting material and invest heavily on building capacities of farmers to revive diversity, to take up participatory plant breeding and to ensure that seed banks are set up in all villages. Government should encourage, and invest in farmer-level seed production of locally suitable, diverse seeds. Community seed banks should be set up with schematic government investment.

10. Rainfed farming which is spread across more than 175 districts of the country in various agro-ecological zones and contributes around 48 percent of the total food crops and 68 percent of the non food crops should be paid attention to dealt separately from the irrigated farming. We know more than 80 percent of small and marginal farmers practice rainfed agriculture. Institutional arrangements, support system, credit and other inputs and agricultural research and extension should be relooked and strengthened in rainfed areas.

11. Bringing Green Revolution to Eastern India (BGREI): Focus on developing agriculture in Eastern India is a welcoming initiative but we need take utmost care to avoid repetition of external inputs based technologies as we did in Green revolution in post 1970s in Punjab, Haryana and other states then covered under green revolution. Agro-ecology may be prioritised over other external based inputs in eastern states to protect soil health and ground water. A shift from mono cropping to diversified cropping should be emphasized so that they can withstand the changing climate.

12. Increased allocations to millets, pulses and oilseeds development: There is a significant shift happening towards cotton and hybrid maize across the country even in areas not so suitable for the crops. To curb this and bring in diversity in the cropping patterns towards millets, pulses and oilseeds should be brought in. Efforts should be prioritised and concentrated in rainfed areas for pulses, oilseeds and millets as these areas have been traditionally cultivating these crops and are climatewise suitable for these crops.

Income assurance to farmers as major initiative to address the distress in sector and for agriculture growth:

70th round of NSSO on Agricultural Households had again reported that a vast majority of Indian farmers are having expenditures more than their incomes. In the absence of remunerative price for their produce and increasing costs of agriculture, there is significant deficit in incomes of farmers forcing them into unending debts and crisis. In this context there

is a need to **evolve mechanism to ensure minimum living incomes to the farmers**. In tune with the spirit of the commitment of National Policy for Farmers (2007) and also as per the commitment of the election manifesto of BJP, ensuring decent living to farmers should be given highest priority. Setting up of an **Income Commission** has been voiced by many farmers' organisations across the country. We demand a Farmers' Income Guarantee Act, with Farm Income as an accurate measure for the state of farm livelihoods in the country and to ensure that only yields and production do not become the measure of agriculture growth in the country at the expense of farmers' indebtedness and negative net returns.

Informal Sector Workers:

The Indian economy is characterized by vast unorganized sector and informal employment. The unorganized sector is directly providing employment to about 83 percent of the workers and another 9 percent are employed informally in organized sector and thus it totals to 92 percent of the workers in the country, who are employed informally. Out of the total informal workers only 11 percent are regular wage / salaried and 89 percent are self employed and casual workers [NSSO ROUNDS].

Recently released '**Socio-Economic-Caste Census**' revealed that about 73 percent of the total households of the country are rural households and among rural households 38 percent are dependent mainly on manual casual labour. About 18 percent of the rural households belongs to Schedule Caste category and among them 55 percent of the households are mainly dependent on manual casual work. The data also revealed that of the nearly 75 per cent of rural households, the main earning family member makes less than Rs 5,000 per month (or Rs 60,000 annually). Only in eight per cent of households the main earning member makes more than Rs 10,000 per month. It also reveals caste based inequalities as the main earning member of about 84 percent of the SC families earns less than Rs. 5000 per month.

In the union budget 2016-17, we would want to highlight few important areas in order to ensure appropriate allocations in the union budget:

Social security:

In 2015 union budget of India, salaried employees were given the choice between Employees' Provident Fund and National Pension Scheme as their pension fund. Two new insurance schemes and a pension fund were announced to improve the social security of the poor citizens; Pradhan Mantri Suraksha Bima Yojana [PMSBY] with an annual premium of Rs. 12 will provide a coverage of 2 lakh for full disability or death, and 1 lakh for partial disability. Pradhan Mantri Jeevan Jyoti Bima Yojana [PMJJY] is a life insurance scheme with an annual premium of Rs 330, it will pay 2 lakh in case of death. Where as Atal Pension Yojana [APY] is a pension scheme targeted at the unorganised sector.

Shramev Jayate/ MJP-UWIN: While it is still early days, it looks as if the issue of Unorganized Worker Identification Number (UWIN) cards is going to be the flagship scheme of the NDA Government to provide social security to workers in the informal sector. Based on Aadhar card, recently introduced the various social schemes of the Government as

mentioned above, will be indexed to this card. However, there is confusion among state in implementation of UWIN. The first issue is of beneficiaries' registration itself. There has been a lot of confusion in the state machinery about how to go about it. This confusion is best shown by the happenings in the some states. Few states such did well to launch a massive enrolment drive and conducted Shramik Melas at district headquarters and several lakh forms were filled up during the drive. A few UWIN cards were issued as sample in the districts. Now several months later, these forms have still not been used. The state govts now have to come up with a new form and all old forms have been declared not usable.

The new form has done away with self certification. It has imposed an income criterion. While BPL card holders get enrolled automatically, the non BPL holders will have to produce an income certificate which is contrary to the provisions laid down under other central acts like the BOCW, Act 1996. This is at the registration level. The numerous schemes indexed to the card will have their own forms, requiring multiple trips to the sanctioning authority and difficulties thereof.

The most appropriate alternative could be creating a national social security board with allocation of define budgetary allocation. The fund can be shared with state with their contribution too, and accordingly it can be designed in way so that no one will be left behind. The central trade unions have been demanding to fix the budgetary allocation, which should not be below than 3% of GDP. However keeping in mind the present number and vulnerability of informal workers, the need of the hour is to make it higher say upto 5% of the GDP. The same has been also endorsed by civil society alliances like Social Security Now (SSN), National Alliance of Social Security (NASS) and others. Additionally, we also think that social security must be linked with the Minimum/living wage.

We congratulate NDA government for their commitment for capital subsidy to small and marginal farmers, therefore we request to include wage subsidy too in the priority agenda of government. The Commission of Agriculture Prices and Cost (CAPC) must take this minimum wage in calculating the cost of production of agriculture produce (MSP), as these prices will not be available in the market. This move will be a big step of government to reduce inequality among farm and non-farm workers in India.

We support the Union Government's Pradhan Mantri Awas Yojna (PMAY) which plans to construct 25 million houses in urban areas by 2022. This in way will handle the housing deficit of 24.7 million houses (99.8 % of which as for EWS and the LIG sections) as informed by the then Union Government in 2012. This translates to 9780 houses per day, from 2016. The finances and interest subvention will be the need of the hour, As most of the EWS and the LIG sections, are the ones' who comprise the informal sector workforce. The Union Budget surely needs to factor in this aspect as well and promote the well laid out doctrine of indivisibility of all human rights. And support it with apt budget.