



From Plate to Plough: Lean year as a foundation

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NABARD's new survey offers a baseline to double farmers' incomes. But is a survey done in a drought year a reliable yardstick?

On August 16, NABARD presented the nation with a gift when it released the results of its All India Rural Financial Inclusion Survey (NAFIS).

- Among other things, the survey estimates 2015-16 farmers' income levels.
- In February 2016, when Prime Minister Narendra Modi presented his vision of doubling farmer incomes by 2022-23, there was no assessment of the base (2015-16) aggregate income levels. The estimates from NAFIS fill that gap.
- The survey combines the strengths of the NSSO's Situation Assessment Survey (SAS) and RBI's All India Debt and Investment Survey.
- Based on household-level data, NAFIS estimates that an average Indian farming household earned Rs 8,931/month (Rs 1,07,172/year) in agriculture year 2015-16.
- This is up from Rs 2,115 earned in 2002-03 as per the NSSO's SAS, implying a compounded annual growth rate (CAGR) of about 12 per cent in nominal terms and 3.7 per cent in real terms (2015-16 base) in 13 years.

One must, however, be cautious when comparing the NSSO and NAFIS estimates. Because of a wider definition of rural areas, unlike NSSO, the NABARD survey includes areas that are bigger including Tier Three, Four and Five towns.

Financial Inclusion and Credit Sources

- More than 60 per cent of these HHs borrowed from institutional sources, 30.3 per cent from non-institutional and 9.3 per cent from both.
- Close to 56 per cent of loans were for non-agri purposes.
- More than half (52.5 per cent) of the agri-HHS were found to be indebted, with an average outstanding debt of Rs 1,04,602 for the year.
- Almost 88 per cent of all rural HHs had bank accounts, and their monthly consumption expenditure on food was 51 per cent of total expenditure.

Dalwai committee and NAFIS survey

- The Dalwai Committee, set up in April 2016, to advise on the strategy to double farmers' incomes by 2022, did not have any benchmark income levels for 2015-16.
- Comparing incomes, we find that Punjab with Rs 23,133 tops the list while UP with Rs 6,668 is at the bottom, with the all India average at Rs 8,931.

- In terms of sources of income, NAFIS offers interesting insights, particularly for the Dalwai Committee.
- NAFIS estimates that in 2015-16, 35 per cent of farmers' income came from cultivation, 8 per cent from livestock, 50 per cent from wages and salaries and 7 per cent from non-farm sectors.
- The year 2015-16 was a second consecutive drought year (rainfall in 2014 was 12 per cent and in 2015 was 14 per cent below normal), and comparing it with NSSO's 2012-13 structure, we find income share from cultivation and livestock fell from 60 per cent in 2012-13 to 43 per cent in 2015-16.
- The increasing pressure as a result of shrinking average holding size (NAFIS estimates it at 1.1 hectares) is presumably forcing farmers to work as labourers to meet their needs.
- This is very different from what the Dalwai Committee assumes when it says that by 2022-23, 69 to 80 per cent of farmers' incomes will accrue from farming and animal rearing.

Survey credibility

- Interestingly, all three surveys were conducted in years of deficit rainfall: Rainfall in 2002-03 was 19.2 per cent below normal, in 2012-13 it was 7.1 per cent below normal and 2015-16 it was 14 per cent below normal.
- One wonders whether these surveys capture the true picture of agriculture and farmers. Going forward, it would be better if NSSO and NABARD ensure that their next surveys belong to normal rainfall years.

Conclusion and Way Forward

To achieve PM Modi's dream of doubling farmers' incomes by 2022-23, the Dalwai Committee points out that farmers' real incomes need to grow at 10.4 per annum, that is, 2.8 times the growth rate achieved historically (3.7 per cent). This sounds like a challenge of raising country's GDP growth from 7.2 per cent to 20 per cent.

An evaluation of various government policies and programmes launched in the past three to four years, especially their implementation — be it crop-insurance, focus on irrigation (99 projects), new MSP formula of 50 per cent above A2+FLcost, etc — does not offer confidence that the dream of doubling farmers' incomes can be achieved by 2022-23 or even by 2025.

It can possibly be done by 2030, unless the government undertakes drastic steps to augment farmers' incomes at faster pace.

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