DO BUDGET PROPOSALS STIMULATE 4% AGRI GDP?

Time to Ponder!

AGRIPODICY ADVOCACY

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FARMERS WANT REFORMS, NOT CONCESSIONS

Reforms, not concessions, hold the key to agricultural growth in India, farmers’ representatives told the Finance Ministry in the run up to the budget 2009-10. Farmers want financial reforms to ensure credit flow, a good risk mitigation system, an efficient extension services mechanism and fair prices.

The government should raise public spending and allow private investment in agriculture and take steps to curb the rampant cheating in markets. Indian farmers want respect and dignity. They don’t want to go on begging. Year after year, state or central governments go on making us look like beggars. They have the capability to become globally competitive provided the government liberates agriculture from its clutches.

Prime Minister wants liberalisation but, he and his team men deliberately tried to avoid liberating the agriculture sector from controls. Essential commodities act is still operative, inter-state movement, free value addition, exports and contract farming are even now not allowed. If the proposed reforms were undertaken, the farm sector could achieve 4 per cent growth rate.

Farmers were being treated as “second class citizens” in the country. We toil, we take risks and suffer but at the end of the day we don’t get good price. India’s agricultural condition is pathetic and our country has to take learn from China’s experience. China’s growth rate in agriculture is 7 to 9 per cent, whereas India’s agriculture growth rate is pathetic for the last 15 to 20 years. We hardly crossed 2 per cent average growth rate since independence.

Though the government has claimed that more credit is being released for farmers, it is not reaching tenant or landless farm families which constitute 50 per cent of the country’s 120 million farm families. The share of small farm loans (Rs 25,000 or less) in agriculture credit has come down from 50 per cent in 1990 to 11 per cent in 2007. During the same period, the share of loans worth Rs 1 crore has or above skyrocketed by more than 400 per cent.

It is now high time that the Government makes massive investment in farm sector, provide liberal credit for farming and plug gaping leakages in implementation.

(P. Chengal Reddy)
Secretary General, CIFA
BUDGET PROPOSALS INSUFFICIENT TO IMPROVE FARM INCOMES-AN ANALYSIS

K. Ramasubba Reddy

ABSTRACT:
The Economic Survey conveyed concern that even though agriculture plays a vital role in feeding the vast populace and proving raw materials for industry besides sustaining employment to a large number of households, its share in GDP has declined from 24% in FY01 to 17% in FY09. Also, its share in capital formation has been declining over the years. The recent monsoon forecast is not too favorable and the crop output is predicted to be down by 4.7% during 2009-10. It is unfortunate that the issues highlighted herein are not addressed in the budget in right earnest. Agri Minister merely expressing concern in the Parliament about stagnant yields will not help increase crop yields. Concrete, concerted and co-ordinated action on the issues detailed in this paper will, to a large extent, help in increasing agri yields, crop production and farm incomes.

HIGHLIGHTS
i. Stagnant Crop Production
ii. Non-use of available Irrigation potential,
iii. Power: Slow capacity addition falling far short of demand
iv. Faltering Farm Credit- Rs 2 lakh crore rural/semi-urban deposits diverted to Metros- Shortfall of Rs 60.000 crore Credit to Agriculture
v. Continuous decline in plan outlays and Low Investment in Agri Sector,
vi. Decline in GDP Growth Rate and Share in GDP
vii. Why Agri sector per capita income is low?
viii. CONCLUSION: Constitute Empowered Farm Commission with statutory powers for improving crop yields and for ensuring a minimum take home income to farmers

1. Stagnant Crop Production
Agricultural growth is characterized by sharp fluctuations and remains vulnerable to the vagaries of nature. For three consecutive years (2005-06 to 2007-08), food grains production recorded an average annual increase of over 10 million tonnes. The total food grains production in 2007-08 was estimated at 230.78 million tonnes as against 217.3 million tonnes in 2006-07 and 208.60 million tonnes in 2005-06. As per the third advance estimates, production of food grains in 2008-09 is estimated to be 229.85 million tonnes. This is lower than the target of 233 million tonnes set out for the year as also the final estimates of 230 million tonnes for 2007-08

Oilseeds:
Total production of the nine oilseeds is estimated at 281 lakh tonnes, which is about 5.5 per cent lower than the production in 2007-08 and about 11.4 per cent lower than the targeted production for 2008-09. As compared to the previous year, there is a decline of 12.3 per cent in kharif oilseed production while in the rabi oilseed production, there is an increase of about 10 per cent. Oilseed production is projected to fall to 275 lakh tonnes by 2012, compared with the requirement of 534 lakh tonnes. India produced 281 lakh tonnes of oilseeds in 2008-09, compared with demand of 47 million tonnes. At present, about 40 per cent of India’s annual domestic requirement for vegetable oils is met through imports.

Sugarcane:
The production of sugarcane during 2008-09 is estimated at 2,900 lakh tonnes, which is lower than the production of 3,500 lakh tonnes during 2007-08. This represents a decline of 17 per cent over previous year and of 15 per cent vis-à-vis the target for 2008-09. India’s sugarcane production is projected to fall short of the demand by 17 million tonnes at the end of this Plan period (2007-2012) from a surplus supply of 14 million tonnes now, as per the Planning Commission. The country is estimated to produce 305 million tonnes of cane during 2011-12, compared with the consumption of 322 million tonnes. The projection can further dent the demand-supply matrix of sugar, the production of which is estimated to slump by a whopping 1.1 million tonnes in the 2008-09 season, ending September
Cotton:

The production of cotton, estimated at 230 lakh bales, is short of the final estimates of 260 lakh bales in 2007-08 by 10 per cent and as compared to the target by 10.5 per cent.

2. Non-use of available Irrigation potential created

The total irrigation potential in the country has increased from 81 million hectares in 1991-92 to 102 million hectares up to the end of the Tenth Five Year Plan (2006-07). Of the total potential created, however only 87 million hectares is actually utilized. Under AIBP, State Governments were provided Rs. 28,000 crore as Central Loan Assistance (CLA) / grant for major and medium projects up to December 31, 2008. So far 91 major and medium irrigation schemes have been completed. In 2008-09, Rs. 2,800 crore has been released for AIBP for major and medium irrigation schemes up to December 2008.

UNDER UTILISATION:

A good 15 per cent of the irrigation potential in the country remains unutilised primarily because of lack of proper operation and maintenance and incomplete distribution system. The five major factors identified for the gap between the created irrigation potential and its actual utilisation were - lack of proper operation and maintenance, incomplete distribution system, non-completion of command area development, changes from the initially designed cropping pattern and diversion of irrigable land for other purposes. Non-completion of distributaries and minor works another cause for non-utilisation of available water resources for irrigation purposes as was the non-completion of field channels and on-farm development.

3. Power: Slow capacity addition falling far short of demand

Projects of over 45,000 Mw currently under construction are running behind schedule. The latest data obtained from the Central Electricity Authority (CEA) says that projects behind schedule include around 35,000 Mw of thermal power projects and rest 10,000 Mw of hydropower projects, a major chunk of which is scheduled to be commissioned during the current Plan period ending March 2012. The quantum of the power capacity lagging behind schedule is around 65 per cent of the total 66,000 of generation capacity under execution in the country.

The Integrated Energy Policy (IEP) has recommended that the country’s power generation capacity need to be raised six-fold, from the current level of around 1,50,000 Mw to 9,60,000 Mw by 2030 in order to sustain a 9 per cent gross domestic product (GDP) growth. The government has failed to meet the targets for the 9th and 10th plans. It even failed to meet the target for the first two years of the current Plan period, adding only 9,263 Mw in 2007-08 compared with the target of 17,000 Mw and 4,900 Mw in 2008-09 against a target of 11,061 Mw of capacity addition.

In order to meet this shortfall, the government has set up a target of adding around 5,600 Mw of fresh power generation capacity by the end of August this year, out of which over 2,000 Mw has already been commissioned so far. CEA has already projected a peak power deficit of well over 12 per cent for the current financial year as compared to less than 11 per cent peak deficit last year.

4. Faltering Farm Credit

i. Diversion of Rs 2 lakh crore Rural/semi-urban Deposits to Metros

Declining Trends in Number of Branches, Credit and of SCBs in Rural India- (Rs in Crore)
As of Mar 09, number of Rural Branches was 31,489, semi-urban 18,764, urban 15,325, Metro 13,478 and total number of branches 79,056. Percentage of rural branches to total branches declined from 58% in 1991 to 40% by Mar 09. Had at least 50% of the branches are opened in rural areas, the number of rural branches would have been 39,500; about 8,000 more branches would have been catering to the banking needs of the rural people.

C-D ratio of All Scheduled Commercial Banks in metropolitan centres was the highest (87%), followed distantly by rural centres (57%) and urban centres (56%). The semi-urban centres recorded the lowest CD ratio at 50 per cent. As of Mar 09, the credit-deposit (C-D) ratio of All Scheduled Commercial Banks stood at 73 per cent.

During the FY 2009, the growth of deposits and advances in metro areas was the same rate at about 20%. In rural areas growth rate of deposits growth was 21%. Advances grew by only 14%. In semi-urban areas while deposits grew by 24%, and advances growth rate was only 18% and in urban areas while deposits grew by 25%, advances grew by only 20%.

Percentage of credit given out of deposits collected from rural and semi-urban areas continues to be less than the percentage of credit deployed in metro areas, indicating continued diversion of deposits from rural and semi-urban areas for giving credit in Metro areas.

Rural credit deposit ratio is very low in Northern Region (26%) followed by Eastern Region (39%) and highest in Southern Region (91%). Jharkhand state rural credit deposit ratio is lowest (26%) followed by Bihar and West Bengal (36%). A P has the highest ratio of 112%. Similar region wise and state wise disparities are seen in semi-urban credit deposit ratio also.

As of Mar 09, Deposits from rural and semi urban areas were Rs 8,97,000 crore (rural Rs 3,65 lakh crore + semi-urban Rs 5,32 lakh crore) where as credit extended was only Rs 4,75,000 crore (rural Rs 2,09 lakh crore + semi-urban Rs 2,66 lakh crore-53% of deposits). If 75% C/D ratio was maintained in rural and semi-urban branches, the rural and semi-urban branches advances would have been Rs 6.72 lakh crore instead of prevailing Rs 4.75 lakh crore.

Thus a huge chunk of rural/semi-urban deposits to the extent of about Rs 2 lakh crore was diverted rural and semi-urban areas to give loans in metro areas. This trend has been continuing for decades. This is inequitable and at least 75% of rural deposits should be deployed as farm credit and loans to small enterprises. The farmers could have been saved from the clutches of the money lenders charging high interest rate of 24% to 36% per annum. The additional Rs 2 lakh crore loans that could have been given for farming and running rural enterprises would have generated twice the income and more employment opportunities than when the same loan amount given to traders, realtors and NBFCs in Metro.

ii. Mandated 18% credit not met- Shortfall Rs 60,000 Crore

Trends in Agri credit flow FY 2008-09 (Rs. in Crore)

<table>
<thead>
<tr>
<th>Month</th>
<th>NFBCC</th>
<th>Agriculture</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 2008</td>
<td>22,03,038</td>
<td>2,73,658</td>
<td>8,71,900</td>
</tr>
<tr>
<td>Mid-Aug 2008</td>
<td>23,14,887</td>
<td>2,62,481</td>
<td></td>
</tr>
<tr>
<td>Mid-Dec 2008</td>
<td>24,70,164</td>
<td>2,89,501</td>
<td>10,15,564</td>
</tr>
<tr>
<td>Mid-Feb 2009</td>
<td>24,92,165</td>
<td>2,97,753</td>
<td>10,39,831</td>
</tr>
<tr>
<td>Mar 2009</td>
<td>26,02,290</td>
<td>3,38,656</td>
<td>10,54,390</td>
</tr>
</tbody>
</table>

Figures in brackets indicate % growth over Mar 08 figure.

As per above data, the banks are shown to have given agri loans amounting to a huge sum of Rs 41,000 crore out of total increase in credit of Rs 63,000 crore, constituting about 2/3rd of total annual disbursals, at the fag end of the year in just one and half months (Mid Feb-March 09). As kharif and rabi seasons were over by then, it is intriguing as to what purposes such huge agri loans were disbursed in just one and half months. Definitely it is not for production purpose as both kharif and rabi...
lending seasons are over by then. The growth figures of increase in agri lendings to an extent of Rs 41,000 is unlikely, unless indirect advances for huge amounts are given in March and shown as agri advances which does not help in production increase anyway.

AT THE STIPULATED 18% FIGURE OF NET BANK CREDIT, THE AGRI CREDIT SHOULD HAVE BEEN Rs 4 LAKH CRORE BY MARCH 09. AS OF MARCH 09, THERE WAS A SHORTFALL OF Rs 80,000 CRORE IN AGRI LENDINGS AND THIS AMOUNT COULD HAVE BEEN LENT TO THOSE FARMERS WHO BORROWED AT VERY HIGH INTEREST FROM MONEY LENDERS THUS RELIEVING THOSE FARMERS FROM DEBT TRAP.

iii. Declining Flow of Institutional Credit to Agriculture (Rs in Crore)

Doubling of growth in incremental credit since 2004 was perhaps achieved quantitatively but without any increase in credit to small farmers. The extent of revival of credit flow to agriculture in the 2000s would have been far less in the absence of a sharp growth in indirect finance to agriculture. About one-third of the increase in credit flow to agriculture between 2000 and 2008 was on account of the increase in indirect finance. Even this growth did not originate from a growth in the traditional components of indirect finance, such as loans for the supply of inputs, power and credit to agriculture. The sharp growth in indirect finance in the 2000s was mostly a result of changes in definitions effected since late 1990s. These changes broadly involved (a) the addition of new forms of financing commercial, export-oriented and capital-intensive agriculture; and (b) raising the credit limit of many existing forms of indirect financing. Indeed, meeting the task of doubling agricultural credit appears to have become much easier for banks as a result of these definitional changes.

The entire growth of indirect finance to agriculture in the 2000s originated from a major expansion of loans with a credit limit of more than Rs 1 crore, and particularly, more than Rs 10 crore. In the year 2000, indirect finance with credit limit above Rs 25 crore accounted for less than one-third of the total indirect advances to agriculture. However, in 2007, indirect finance with credit limit above Rs 25 crore accounted for nearly 60% per cent of the total indirect advances to agriculture.

There was a major rise in the share of indirect advances with credit limits of more than Rs 1 crore between 2000 and 2008. The amount of direct advances with a credit limit of more than Rs 1 crore formed 5 per cent of total direct advances in 2000; the corresponding share in 2008 was 12 per cent. The share of direct advances with credit limits between Rs 10 crore and Rs 25 crore as well as above Rs 25 crore more than doubled between 2000 and 2008. Further, the most important beneficiaries of the increase in direct advances since the late 1990s were the big borrowers. The share of number of loans outstanding to big borrowers under direct finance increased between the mid-1990s and thereafter, and the loan per account increased phenomenally since the late 1990s. All this happened at the cost of reducing credit to small farmers.

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercial Banks</th>
<th>Cooperative Banks</th>
<th>Regional Rural Banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>1,25,477.01</td>
<td>39,785.66</td>
<td>15,222.90</td>
<td>1,80,485.57</td>
</tr>
<tr>
<td>2006-07</td>
<td>1,66,485.43</td>
<td>42,479.80</td>
<td>20,434.65</td>
<td>2,29,399.88</td>
</tr>
<tr>
<td>2007-08</td>
<td>69,770.05</td>
<td>27,719.43</td>
<td>12,532.11</td>
<td>1,01,021.59</td>
</tr>
<tr>
<td>2008-09</td>
<td>64,988.65</td>
<td>19,442.33</td>
<td>10,633.18</td>
<td>95,064.16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Co-operatives</th>
<th>RRBs</th>
<th>CommBank</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>23,716</td>
<td>6,070</td>
<td>39,774</td>
<td>69,560</td>
</tr>
<tr>
<td>2003-04</td>
<td>26,959</td>
<td>7,581</td>
<td>52,441</td>
<td>86,981</td>
</tr>
<tr>
<td>2004-05</td>
<td>31,424</td>
<td>12,404</td>
<td>81,481</td>
<td>125,309</td>
</tr>
<tr>
<td>2005-06</td>
<td>36,786</td>
<td>15,223</td>
<td>125,477</td>
<td>180,486</td>
</tr>
<tr>
<td>2006-07</td>
<td>42,840</td>
<td>20,435</td>
<td>1,66,485</td>
<td>2,29,400</td>
</tr>
<tr>
<td>2007-08</td>
<td>48,258</td>
<td>25,312</td>
<td>1,81,087</td>
<td>2,54,657</td>
</tr>
<tr>
<td>2008-09</td>
<td>3,6,762</td>
<td>26,724</td>
<td>2,23,683</td>
<td>2,87,149</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase over prev year</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>(25%)</td>
<td>(44%)</td>
</tr>
<tr>
<td>2006-07</td>
<td>(11%)</td>
<td>(13%)</td>
</tr>
</tbody>
</table>
AGRIPOLICY ADAPTABILITY

Source: Economic Survey and Budget Speech Jul 09

Note: Increase in bank credit: 2003-04:18.4%, 04-05:27.5%, 05-06:32%, 06-07:28%, 07-08:22%, 07-08:22%, 08-09:17%

Bank credit to Agriculture

<table>
<thead>
<tr>
<th></th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operatives</td>
<td>42,840</td>
<td>48,258</td>
<td>36,782</td>
<td>60,000</td>
</tr>
<tr>
<td>RRBs</td>
<td>20,435</td>
<td>25,312</td>
<td>28,724</td>
<td>37,000</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>166,485</td>
<td>181,087</td>
<td>223,863</td>
<td>2,28,000</td>
</tr>
<tr>
<td>Total</td>
<td>229,400</td>
<td>254,657</td>
<td>287,147</td>
<td></td>
</tr>
<tr>
<td>Increase over previous year</td>
<td>48,914</td>
<td>25,257</td>
<td>3,25,000</td>
<td>13%</td>
</tr>
<tr>
<td>Increase %</td>
<td>27%</td>
<td>11%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Increase in non-food bank credit %</td>
<td>28%</td>
<td>22.3%</td>
<td>17.3%</td>
<td>20% (est)</td>
</tr>
</tbody>
</table>

Source: Economic Survey and Budget Speech Jul 09

According to the provisional figures, commercial banks disbursed in 2008-09, Rs 2,23,663 crore, which is 77.9 per cent of the total farm credit last year. Among the commercial banks, public sector banks disbursed Rs 1,64,350 crore (57.2 per cent) whereas private banks lent Rs 59,313 crore (20.7 per cent) to the agriculture sector. Co-operative banks gave credit worth Rs 36,782 crore (12.8 per cent) and RRBs Rs 26,724 crore (9.3 per cent). Co-operatives disbursed Rs 11,500 crore less than previous years’ disbursals, increase in RRBs disbursals were only marginally more Rs 1,400 crore and increase in Commercial Banks disbursals by Rs 42,500 crore accounted for the entire increase in credit disbursals in 2008-09.

Credit flow to agri up to Sep 08 was only Rs 95,000 crore, which means that a huge sum of Rs 1,92,000 crore (2/3rd of the total disbursals) was disbursed in the second half of the year by which time Kharif lending season was over. Rabi acreage being less than khariff acreage, one is left to wonder as to what purposes such huge sums were given when it was not possible to account the credit flow for rabi crops. The growth figures of increase in credit flow to agri to extent of Rs 1,92,000 crores is unlikely, unless indirect advances for huge amounts were given in the second half of the year which does not help in production increase anyway.

The government has set a target of Rs 3,25,000 crore farm credit for fiscal 2009-10, just 13% growth over the previous year figure of Rs 2,87,000 crore comprising of direct farm credit of Rs 2,60,000 crore and an indirect farm credit of Rs 65,000 crore. The direct farm credit target will comprise crop loans of Rs 2,00,000 crore with the rest being short-term loans. Bulk of the farm credit-Rs 2,28,000 crore-will come from scheduled commercial banks. Regional rural banks will provide Rs 37,000 crore and co-operative banks Rs 60,000 crore. 10 Jun 2009, ET Bureau

The increase in agri credit flow during 2007-08 was 11% (Rs 25,257 crore) and in 2008-09 was 13% (Rs 32,000 crore). Increase in bank credit during the corresponding periods was 22% and 17% respectively. The targeted increase in credit flow during 2009-10 is again 13% (Rs 38,000 crore). Increase in credit flow to agri culture during 2007-08 and 2008-09 was thus less than increase in total bank credit during the corresponding periods as narrated above. Total bank credit is estimated to increase by 20% in 2009-10, where as targeted increase in agri credit is only 13%. Thus for all the three years agri credit growth/targeted at less than total bank credit growth/estimate. Keeping the need for food security in view, it is but proper and essential that the growth in agri credit should at least be equal to the growth in total
bank credit. Accordingly agri credit for fiscal 2010 should be fixed at Rs 3,45,000 crore aiming at 20% increase in the current year instead of Rs 3,25,000 crore at 13%.

Incremental growth rate of credit by banks was about 225% during FY 2004-09. The growth rate of incremental agri advances growth rate during 2004-09 was also about the same. So no additional rate of credit was given to agriculture. Thus the claim of the Government that extraordinary credit, was extended to agriculture is not supported by facts.

iv. SMALL FARMERS DO NOT GET ADEQUATE CREDIT

Percentage share of small loans of Rs 25000 declined from 50% in 1990 to mere 11% in 2007. And loans of over Rs one crore skyrocketed by more than 400% during the same period. According to RBI data, institutional credit flow to farmers registered a compound annual growth rate of 47% between 2003 and 2007, but the number of farmer accounts grew by 22% and average loan per account increased by 20%. According to the latest data, only 27% of cultivator households get formal credit. The rest, comprising mainly small & marginal farmers, have no access to credit, though their landholdings constituted nearly 80% of total holdings and 36% of area. NABARD Report. The loaning should be extended to cover all these farmers in the next five years. By 2012, credit needs of agri sector are estimated at Rs 6 lakh crore by the study group of Planning Commission. Financial institutions should be strengthened to meet this requirement of Rs 6 lakh crore agri credit needed by farm sector by 2012. Inadequacy of farm credit continues to be one of the major bottlenecks hindering the growth in investment and growth in agriculture. The growth of direct finance to agriculture declined in 1990s (12%) as compared to 1980s (14%) and 1970s (around 16%). The average share of long-term credit also declined from over 38% to around 36%, adversely affecting capital formation in agriculture.

v. Shortfall Special Agri Credit Plan (SACP)-Credit Flow to Agri From PSBs under SACP (Rs in Crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Disbursements</th>
<th>Achievement %</th>
<th>Y-o-Y growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>85,024</td>
<td>94,278</td>
<td>111%</td>
<td>45%</td>
</tr>
<tr>
<td>2006-07</td>
<td>1,18,156</td>
<td>1,22,443</td>
<td>104%</td>
<td>30%</td>
</tr>
<tr>
<td>2007-08</td>
<td>1,52,130</td>
<td>1,33,322</td>
<td>88%</td>
<td>9%</td>
</tr>
</tbody>
</table>

The Y-O-Y growth was drastically reduced to 9% from 30% during the fiscal 2007.

vi. Lesser share in Sectoral Credit Deployment- (Rs in Crore)

<table>
<thead>
<tr>
<th>Sector</th>
<th>March 2007</th>
<th>Variation 07-08</th>
<th>Variation 08-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFBC</td>
<td>2602390</td>
<td>401650</td>
<td>399400</td>
</tr>
<tr>
<td>Agriculture</td>
<td>338866</td>
<td>44965 (11.3%)</td>
<td>63313 (15.86)</td>
</tr>
<tr>
<td>Industry</td>
<td>1054390</td>
<td>169536 (42.21)</td>
<td>187515 (46.80)</td>
</tr>
</tbody>
</table>

(Percentages in brackets indicate % share in incremental credit)

Credit to agri sector vis-vis agri GDP was only 39% compared to credit to industry share of 75

5. Low Investment in Agri Sector

i. Gross Capital Formation in Agriculture (Rs in Crore at 1999-2000 prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
<th>Agri CCF</th>
<th>AGL GDP</th>
<th>AGL CCF as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>2388766</td>
<td>57849</td>
<td>482446</td>
<td>2.4</td>
</tr>
<tr>
<td>2005-06</td>
<td>2628101</td>
<td>66065</td>
<td>511013</td>
<td>2.6</td>
</tr>
<tr>
<td>2006-07</td>
<td>2871120</td>
<td>73285</td>
<td>531315</td>
<td>2.5</td>
</tr>
<tr>
<td>2007-08</td>
<td>3129717</td>
<td>79328</td>
<td>597722</td>
<td>2.5</td>
</tr>
</tbody>
</table>

The Gross Capital Formation (GCF) in agriculture as a proportion to the total GDP has shown a decline from 2.9 per cent in 2001-02 to 2.5% percent in 2007-08. As Gross Fixed Capital Formation is estimated at 35% of total GDP, 18% thereof of being agri sector’s share in GDP, should be invested in improving agri infra, This works out to more than 6% of the total GDP which means investment in agri infra should be doubled

ii. Agri sector investment growth rate (at constant 1999-00 prices)

Share of Agi In total CGF (%) AT 1999-2000 PRICES
The growth rate of capital formation in agriculture sector was stagnant around 2% during this decade while the growth rate of industrial sector doubled from 8.6% to 17.4%. This clearly proves continues neglect of investments in agriculture, v. Shortfall in Disbursement under Rural Infra Dev Fund (RIFD-upto2009- Rs in Crore)

| Total Allocations | 88,386 |
| Disbursements     | 53,775 |
| Shortfall         | 35,511 |
| % Of shortfall     | 40%    |
| Allocation for 2008-09 | 14,700 |
| Disbursements     |        |
| Up to Feb 09      | 8,200  |
| % Of shortfall     | 44%    |

Year after year, the shortfall in disbursements continues to be around 40%, since inception of the Scheme. Disbursement level should be improved substantially.

6. Decline in GDP Growth Rate and Share in GDP

Agri GDP, which was nearly half of the total GDP in 1951 has been registering continuous fall as the graph below shows, and by FY 2008 fell by 2/3rd of its share in 1951.

But farm employment did not go down proportionately by 2/3rd during the same period. It went down only by 1/4th during the same period. Consequently per capita income of agri workforce sharply declined vis-a-vis services work force.
1a. During the current decade also the share in GDP of Agri sector is continuously declining year after year from 24% in 2000-01 to 17% in 2008-09, where as the share of service sector has increased from  56% to 65% during the same period.

Decline in Sectoral Composition of Gross Domestic Product at Factor Cost (Percent)

Source: Central Statistical Organisation.

1b. Agricultural growth has been subject to large variation over the decades. The 1970s interregnum is particularly marked by the severe deceleration in agricultural growth, followed by a recovery in the 1980s, and a slowdown thereafter.

GDP Trends since 1950s (Percent)

Source: Central Statistical Organisation

1c. Agri GDP growth rate was subject to wide fluctuations, from -7.2% in 2002-03 to +4.9% in 2007-08 and registered only 1.6% for 2008-09. Indx GDP ruled high for 4 years up to 2007-08, but started decelerating thereafter and recorded lowest rate of 3.5% during 2008-09.

Sectoral Growth Rates of Gross Domestic Product at Factor Cost

At 1999-00 Prices (Percent)

Source: Central Statistical Organisation.

CSMS-Community, social and personal services

Agriculture and allied activities registered a growth rate of 1.6 per cent in 2008-09 as compared with 4.9 per cent in 2007-08. The share of 'agriculture and allied activities' has been showing continuous decline while the services sector is witnessing a rise during the period 2000-01 to 2008-09.

1d. Agri sector share in the growth of GDP is minimal around 1% during the current decade, the share of services sector doubled from 3% to 6%.

Sectoral share of Growth of Gross Domestic Product at factor cost (Percent)

Source: Central Statistical Organisation

1e. Incremental GDP growth rates reveal that both Agri and Industry sectors are losing out to service sector year after year. Services sector, employing only 25% of work force, is gaining at the cost of real economy continuously and garnered 90% of the incremental GDP share in FY 09. In particular, Community, Social
and Personal Services segment is gaining disproportionately and this segment alone garnered a quarter of incremental GDP growth in FY09, where as both Agri and Industry sectors, employing 75% of the work force, shared between them only 20% of the incremental GDP growth. Pareto principle of 20/80 is working here. This is not a healthy sign and indicative of fundamentally faulty pricing system of outputs of real economy.

**Sectoral share in incremental GDP growth (in Percentage)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2008-09</th>
<th>08-07</th>
<th>07-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture</td>
<td>4.25</td>
<td>9.93</td>
<td>7.93</td>
</tr>
<tr>
<td>2. Industry</td>
<td>15.32</td>
<td>23.99</td>
<td>29.77</td>
</tr>
<tr>
<td>3. Services</td>
<td>86.43</td>
<td>66.03</td>
<td>62.30</td>
</tr>
<tr>
<td>3a. Trade etc.</td>
<td>37.77</td>
<td>37.32</td>
<td>34.70</td>
</tr>
<tr>
<td>3b. Finance etc.</td>
<td>17.06</td>
<td>18.61</td>
<td>19.44</td>
</tr>
<tr>
<td>3c. Community, soc. &amp; Services</td>
<td>25.60</td>
<td>10.10</td>
<td>8.16</td>
</tr>
<tr>
<td>Total (1+2+3)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

The Standing Committee on Agriculture made very apt observations: that "Agricultural development has been ignored since 1990s. Fix remunerative prices for agri produce where hunger rules, peace can not prevail. The prices of agricultural produce received by the farmers are lower than the prices of the same prevailing in a free market and are often less than the cost of cultivation. The focus of our development is more towards raising industrial production and recently on the service sector; this lop-sided growth of our economy is increasing the gap between the rich of the cities & poor farmers of the villages; Farmer centric policies which can only solve our food security & unemployment problem are not on the agenda of the successive governments. Employment in the agriculture sector as share of total is 52%. As agri sector GDP fell year after year since 1950s from 48% to 17% now, per capita income of agri workforce also dwindled sharply. Studies by the planning commission and others show that while the income ratio between agri workers and non-agri workers during 1951 was 1:1.8, it got widened to 1:2.8 by 1964, it further widened to 1:5.2 by 2004 and it is estimated by the Centre for Development Economics that whereas agricultural sectoral GDP stood at nearly Rs.3 lakh crore in 2002-03, it will rise to no more than Rs.4 lakh crore (+33%) a decade later in 2011-12 at the agricultural growth rate forecast for the Eleventh Plan. Meanwhile, the combined manufacturing and services sectors would have soared from Rs. 9 lakh crore (+120%), further widening the gap between the relative stagnated sectors of the economy and the boc-sector from Rs.6 lakh crore to Rs.16 lakh crore. The disparity between agri and non-agri sectoral GDP is going to increase from 1.3 in 2003 to 1.5 by 2012. The Eleventh Plan candidly confesses: GDP per agricultural worker is currently around Rs.2,000 per month, which is only about 75% higher in real terms than in 1950 compared to a four-fold (400%) increase in overall real per capita GDP.

7. Why Agri sector per capita incomes is low?

Under pricing of Agri produce result/ in depriving farmers of their rightful income. Concentrate on the income of farmers & productivity will take care of itself. Says Prof. M.S.Swaminathan. He touched at the heart of the solution by saying that the objective of policy-makers and others in the field of agriculture should be to make farming profitable and remunerative rather than focusing on production and productivity alone.

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13. Fair output pricing and more investments essential for augmenting farm-income Findings of National Commission on Farmers (NCF)

During the nineties the profitability of agriculture declined by 14% mainly due to stagnancy in yield growth and increase in the prices of inputs outpacing the increase in the prices of output. The margin deteriorated particularly for cotton, almost all coarse cereals and oilseeds. Even when we look at the latest cost of cultivation for major food grains and crops for 2005-06 (CACP data) and compared with MSP prevailing in 2004-05, it was apparent that the C2 costs were not covered even by MSP in many States e.g.; PADD: A.P, Assam, Haryana, Karnataka, Kerala, M.P, Tamil Nadu & West Bengal, JOWAR: A.P, Assam, Haryana, Karnataka, Kerala, M.P, Tamil Nadu & West Bengal. It would be extremely unlikely that in long run farmers would continue to cultivate those crops where the C2 costs are not recovered.
The NCF, therefore recommended that, Commission on Agricultural Costs and Prices (CACP) should be an autonomous statutory organization with its primary mandate being the recommendation of remunerative prices for the principal agricultural commodities of both dry farming and irrigated areas. The MSP should be at least 50% more than the weighted average cost of production. The net take home income of farmers should be comparable to those of civil servants.

An analysis was published in EPW OF 11TH April 2009, of the agricultural situation. In all regions where the study was conducted, including a primarily food growing region like WB, it was found that the small farmers face a decline of their incomes to drastically low levels which can not satisfy even consumption levels of required subsistence norms. In the cash crop cultivating regions of Andhra Pradesh, income decline pervades the production by some large farmers as well. The decline is also of such intensity where even non-payment of debts barely allows attainment of the required consumption levels for a good number of households in these classes. In contrast, a few large farmers retain a sizeable surplus from cultivation but they are just about able to manage and cover their required consumption expenditures.

The analysis also shows that Low output prices do not allow the realisation of any net surplus to farmers. This means farm produce is underpriced and the amount is diverted to urban and metro areas by way of food subsidy at the cost of farmers. Simultaneous scaling down of government investment toward inputs and infrastructure required by agriculture, has hindered the process of capital accumulation that is so essential for furthering agrarian transition in the country.

8. CONCLUSION: Constitute Empowered Farm Commission for improving Crop Yields and for ensuring a minimum take home income to farmers

i. Prof. M.S. Swaminathan rightly pointed out that recommendations of the 6th Central Pay Commission, which provide benefit to 4.5 million central government employees and 3.8 million pensioners, were not only accepted but were improved upon by government. Establishing an Empowered Farm Commission with statutory powers, which can go into the totality of the crop productivity and incomes of farmers, and ensure improvement in crop yields and a minimum take home income to farmers. The recommendations of the National Commission of Farmers on the steps needed for increasing the income of small producers, as well as the need for ensuring minimum support price not only for wheat and rice but for a wide range of millets, pulses, oil seeds and tuber crops should be implemented. Further, provision needs to be made for establishing a national grid of warehouses for grains and cold storage structures for perishable commodities. The prevailing mismatch between production and post-harvest technologies should be ended.

The National Policy for Farmers presented in Parliament in November 2007 makes a commitment that government will try to ensure income and work security to farm families.

ii. Farmers livelihood always under threat and continues to be the riskiest profession: Creation of two crore jobs in the non-farm sector in the rural areas over the next twenty years is necessary to achieve a nutrition secure India, said Dr M.S. Swaminathan. With 60 per cent of people engaged in agriculture, progress in agriculture held the key to prosperity. It remains the single largest private enterprise, in which livelihood is always under threat and continues to be the riskiest profession. Working towards a green revolution, production levels have been raised but hunger has not been banished. Malnutrition plagues across all States in the country. Food security is the fundamental responsibility of the Government and many schemes are in place but they have not yielded the desired results.

iii. The Government should try to address the issue of converting this commitment into well-defined programmes and resource allocation. Much has been done during the last five years to revitalise our agriculture and to reduce agrarian distress. Much, however, remains to be done to do justice to the genuine needs of the majority of our population who constitute the farming community. Pride of place would have to be given to agriculture and skill development - the first for raising productivity and the second for transferring workforce out of farms and traditional services into industry. These are the basics; India will pay a heavy price if it continues to neglect them.
WILL THE BUDGET PROPOSALS PROMPT 4% FARM GROWTH?

Compiled by K. Ramasubba Reddy

First let us see what the budget proposals relating to farm sector are:

A. Budget Proposals for Farm Sector

- The total Central plan outlay for the agriculture and allied sectors has been raised from Rs 10,074 crore (budget estimates) in 2008-09 to Rs 10,629 crore for 2009-10. This is Rs 660 crore higher than the 2008-09 revised estimates of Rs 9,969 crore.

  - Budget Allotment Agriculture
    - 2008-09 Rs 10,150 crore
    - 2009-10 Rs 11,915 crore (an increase of 17% over 2008-09)

* AGRICULTURE AND COOPERATION
  - 1100 for National Horticulture Mission.
  - 950 for Macro Management in Agriculture.
  - 430 for Micro Irrigation.
  - 644 for National Agricultural Insurance Scheme.
  - 320 for Integrated Oilseeds, Oil Palm, Pulses & Maize Development.

* AGRICULTURAL RESEARCH AND EDUCATION
  - 1584 for Agricultural Research and Education.

  - The farm sector attracted Rs 67,864 crore investments (1.6% of the GDP) in 2007-08. Out of which, Rs 46,837 crore was invested from private firms and Rs 21,027 crore from public sector, according to data submitted in Parliament. Private investment exceeded the public sector.

  - A 30% per cent increase in allocation for the agriculture ministry's flagship scheme, Rashtriya Krishi Vikas Yojna (RKVYJ). Assistance is provided under this scheme to the states to cover the critical gaps in the process of agricultural development.

  - The outlay for the Accelerated Irrigation Benefit Programme (AIBP) too has been stepped up by 75 per cent to help achieve the objective of bringing more area under assured irrigation.

  - Flow of institutional credit to farmers targeted Rs 3,25,000 crore, a 13% increase, with interest rate of 7 per cent for crop loans and Rs 3 lakhs by offering interest subvention to banks and financial institutions. Additional Rs 2,87,000 crore in 2008-09, a 21% increase over the previous year. Additional subvention of 1 per cent if loans are repaid within time.

  - The outlay for RKYV has been earmarked at Rs 4,100 crore for 2009-10, a 30% increase from 2008-09. This is in accordance with the recommendation made this effect by the National Development Council to ensure sustained 4 per cent growth in agriculture in the 11th Plan.

  - AIBP, which aims at speedy completion of on-going irrigation projects held up by paucity of funds, has been given an additional Rs 1,000 crore over the interim budget estimate, marking an increase of 75 per cent over the 2008-09 allocation.

  - Allocation of Rs 7,000 crore to electrification.

  - Investment-linked tax incentive for setting up warehousing and cold chains.

B. What will be the impact of budget proposals on growth prospects of farm sector?

Farm sector gets just 1% of the budget:

- Total budget over Rs 10,00,000 crore
- Budget of Agric Rs 10,000 crore

- Noting that the government had allocated just about one per cent of the Gross Domestic Product as plan outlay for agriculture sector, Mr. Joshi of BJP wondered how the 4 per cent target would be achieved with such limited funds. Lack of profit in agriculture had led several farmers quitting the sector.

- Allotment to research and education:
  - 2008-09 Rs 1,780
  - 2009-10 Rs 1,780
NOTE: Minimum allotment of at least an amount equivalent to budget allotment of Rs 39,000 crore to NREGS is needed to improve yields and increase production to ensure food security. Improved seeds and effective extension services are need of the time.

NOT MUCH IMPACT - Is the shared opinion of many experts.

i. Shakiness of delivery mechanisms- only 1.5 paisa in a rupee released reaches the common man

Budget proposals success is conditional on its capacity to make sure that all its commitments are honoured, that all the public money promised is well spent. That is where the first UPA government failed and the second faces its greatest danger - in the shakiness of its delivery mechanisms, its accountability institutions. The Budget's reference to the RTI Act is not enough to ensure transparency of public contracts and accountability of project schedules; only a system of incentives and punitive action for failure and wastage would work. And on that the Budget or even the UPA government, has little to say. Recent study of the Planning Commission has shown, only 1.5 paisa in a rupee released from Delhi reaches the common man. The rest is eaten up by the pipeline. Under these circumstances, welfare measures can only help the bureaucratic pipeline and not the market or the industry. BL080709

ii. Before food security, talk of farm growth: Yoginder K Alag -fe 080709

Private capital formation in agriculture, which had reached a respectable figure of 11.5% of gross capital formation, has fallen to 6.6%. The farmer will not invest when he does not get returns. The logic of a market economy is merciless. The budget doesn't recognise these statistics tucked away in the Survey. The sooner it makes amends, the better off we will all be. The Survey gives overwhelming evidence of the crisis in Indian agriculture deepening in spite of the valiant efforts made by the UPA government in pumping government money into it. If profitability in Indian agriculture does not improve, matters will get worse.

Take for example, the fall of 5.5% in oilseed from 07/08, which was a year of average agricultural performance, of 10% in cotton production. That should have led to some alarm bells, but the blase description of all this in the Survey and no discussion in the Budget is a cause of alarm.

We are getting a little tired of raising the red lights in this column. These are dry land crops and a moment's reflection will show that these two figures by themselves will mean an agricultural employment growth in 08/09 much below the 2% growth clocked in the last NSS quinquennium. Also the misery behind it is overwhelming, the only saving grace being NREGA.

What has been the government's policy reaction? The import of edible oil and oilseeds has been allowed at zero percent duty and by now more than two thirds of our demand are met by imports. These are highly subsidised. The major oilseed growing OECD countries, not as trade friendly as our policy makers, have fought a long battle arguing their subsidies for soya and other oilseeds should be in the green box since oilseeds are nitrogen fixing and as such good for the wheat monoculture prairie soils from the environmental angle. We are also very sensitive to the needs of our new rich, so olive oil imports are also now duty free. The story on cotton is so well known that we are not wasting any more newusprint on it. Economic advising roles push this business of fighting inflation on the backs of the farmer. This is very illiberal economics since you control those who cannot make noise because they don't understand what you are doing. With this policy, the slight improvement in profitability of farming seen earlier has been reversed. Lower profitability means that the farmer does not invest in farm equipment, land improvement, irrigation and machines. NREGA is creating pressures for mechanisation and in report after report from the villages we have seen that threshers and machines to clear the soil for the next crop are being demanded.

iii. We need to go beyond fiscal measures- Business Line -Edit- 080709

One of the challenges before the Government, mentioned in the budget speech was to ensure that Indian agriculture continues to grow at an annual rate of 4 per cent. Farm growth in 2008-09 was a paltry 1.6 per cent, and
The budget proposals may not only help improve the efficiency of the supply chain, processing and distribution, but also enhance the competitiveness of the Indian agriculture sector. The government has announced significant measures to boost agricultural production and exports. Higher allocation of funds for agricultural infrastructure, increased credit availability, and enhanced market access are some of the key measures.

As the Commission for Agricultural Costs and Prices (CACP) does not compute the risk factor and the profit margin element into its calculation, a farmer would not be able to earn even the benchmark 6 per cent rate of interest on crop loans.

The foremost task is to make growth sustainable, particularly when food security is being achieved at a cost. The government needs to act on a series of measures, including increased investment in research and development, improved infrastructure, and efficient distribution systems.

Indian agriculture not only faces a big challenge in terms of production and delivery mechanisms, but also needs to go beyond that. The Finance Ministry, in its budgetary statement, has highlighted the need for a comprehensive approach to agriculture. It has proposed measures to improve the delivery mechanism and distribution of goods.

The budget proposals are a step in the right direction. However, more needs to be done to ensure a sustainable growth in the agriculture sector. The government needs to pay special attention to the sector and ensure that it is not left out of the overall development plans.

The global experience shows that even after reform, the sector is still not able to sustain the same level of growth. It is essential to address the challenges and take necessary steps to ensure the growth of the sector.
K. Ramasubba Reddy
- ‘Studies show that for transferring a rupee to the hands of the poor, doing it through PDS costs Rs 3 or more to the society.’
- The costly bureaucracy of the Food Corporation of India and the procurement programmes are vehicles for dispensation of political patronage and sources of corruption. For this and the reason that a cash transfer to the poor is not effective in patronising particular groups associated with each programme, the bureaucrats and politicians will resist the adoption of the transfer scheme.

India’s long experience in providing public services is extremely unsatisfactory. We have too many government schools where teachers don’t show up (or don’t bother to teach), too many primary health clinics with absent doctors, nurses and paramedics and too many police posts which citizens fear to approach. As Rajiv Gandhi pointed out long ago, corruption and leakages plague most public programmes and services, including those aimed at alleviating poverty. What’s more, most of the available evidence suggests that matters have worsened since his observations, as public services have become increasingly politicised and standards of probity have fallen steadily.

Recently, a Hong Kong-based consulting firm undertook a survey of the efficiency of civil servants in 12 Asian economies. Singapore came first and India last, trailing Indonesia and Philippines. Too much of our bureaucracy is not only inefficient and corrupt, but it is all-pervasive in its influence; even most of the supposedly independent regulators are manned by retired bureaucrats. Another characteristic of our bureaucracy is its complete lack of accountability for anything it does or does not do.

Five years back, on coming to power, Prime Minister had made a commitment to giving priority to administrative reform and improved governance. But nothing worthwhile was achieved on the issue. Will there be any better results now? The public sector will never get the autonomy it badly needs because the netas and babus will not give up the powers of control over the units, both for personal benefit and patronage. And, so long as the bureaucratic stranglehold remains, it will breed complacency, not learning, organisational cultures. Apart from fiscal resources going to the public sector and starving more vital social services and welfare schemes, it is high time we recognise that the government’s managerial/administrative capabilities are nowhere near performing the minimum functions a state needs to with a modicum of efficiency. BS-160609

Reflections: ‘The real problem with the Indian state is its social location in three different ways. Access to state power is seen as an instrument of social mobility and that legitimises all kinds of uses of state power. Second, in a deeply hierarchical society, the attraction of state power is precisely that it gives you power over others; it is the intrinsic delight of the exercise of power that animates individuals more than any idea of reciprocity. Too much importance is given to the IAS, very little importance is given to inculcating a sense of professional identity to lower level officials. As the classic study on American anti-corruption measures The Pursuit of Absolute Integrity pointed out, a sense of professional identity is far more productive of integrity and efficiency than rules or incentives. Reforming the state will require nothing less than a social revolution. There is a reason why there is little pressure on the state to reform. Frankly, big business in India can get away with almost anything. It has the resources to manipulate the system and can absorb the costs of government rules. It is small business that really suffers. But the result is that big business has never been a serious lobby for genuine bureaucratic reform. It is a lobby for special
exemptions for itself and will never put collective pressure on government to reform. Finally, there must be ideological clarity in the state. The bureaucracy confines ends with means, rules with outcomes, control with efficiency because we do not often ask the question: what is the state for? The more tasks that are indiscriminately given to the state, the more distorted its priorities and functioning. If the question of objectives is confused, the level at which decisions are taken is even more confusing. We are still amongst the most centralised states in the world. If we are serious about bureaucratic reform we need to ask questions about the character of our state and society; merely having more commissions will not do.' FE050609

2. BHARAT NIRMAN - FIRST PLUG LEAKAGES IN IMPLEMENTATION

'It is startling to note that much of the money spent in the name of the poor may actually be reaching the well-to-do'. The nine flagship schemes and Bharat Nirman programme alone have a total outlay in excess of Rs 1.4,00,000 crore. Data shows that there is mediocre record in the implementation of various development programmes at the ground level, where a combination of inefficient government machinery and corruption has been rendering development programmes ineffective over the years. The performance audits carried out by the Controller Auditor General of India (CAG) reveal major lacunae in the management of many of the development schemes and their abject failure to achieve goals. The problems remain deep-rooted and enhanced funding will not be successful in achieving the objective of benefits reaching the poor.

In this context, it will be worthwhile to ponder Mr Rahul Gandhi's observation that while 10 paise of every rupee spent for the poor had reached its target during his father's time, today the same amount reaches the intended beneficiary only when the government spends Rs 10. Therefore, the leakage is 99 per cent. Even if this were to be an exaggeration, the scale of leakage leaves one wondering if there is real benefit for the poor in the outcomes of such efforts. A field study by CUTS International in 2008 found that in many rural areas the systemic deficiencies such as selective information flow and corruption often result in entire funds and deliveries under development schemes being siphoned off. Even in the case of National Rural Employment Guarantee Scheme, the CAG audit report in 2008 has reported serious shortcomings and corruption in implementation.

Most of the squandering of funds occurs mainly because of the flawed methods of selection of beneficiaries, often using the Below Poverty Line (BPL) cards. Distribution of BPL cards itself has come to epitomise corruption as most well to do families in the rural areas possess BPL cards. The failure to select the right beneficiaries, or an adverse selection in economic terms, is rampant at the panchayat level and leads to the exclusion of deserving beneficiaries from the purview of development schemes. Moreover, the evolution of impregnable networks in rural areas comprising local elites, officials and elected representatives that manage information on different programmes creates a vicious circle to ensure that development schemes do not deliver to the targeted beneficiaries.

3. Leaks in Implementation

Continuing with the strategy of merely allocating more funds for development programmes at the national level without plugging the leakages downstream may even end up as eyewash as they leave very little or nothing for the intended beneficiaries. India does not possess appropriate systems of governance or practices in public service delivery that could efficiently reach out to the poor and ensure distributive justice. It is startling to note that much of the money spent in the name of the poor may actually be reaching the well to do, or worse, is fuelling the black economy. Historically, policymaking has
remained the exclusive domain of a few informed and powerful citizens. It is a matter of concern that policies and programmes, both at the Centre and States, are designed and implemented without adequate consultation with, or participation of, the real stakeholders from rural areas such as the poor, small farmers and women.

If the development schemes have to deliver for the poor in India, the Government has to tackle the systemic problems by introducing efficient participatory methods of designing and implementation of schemes and distribution of public funds. Hence, it is imperative to democratise development programmes by ushering in higher levels of accountability. Currently, multiple agencies are responsible for the implementation of development schemes resulting in lack of coordination, heightening costs of implementation and, above all, low accountability. Though the CAG carries out thorough audits of the government schemes, they are selective and the findings come out bit too late, as the funds are already wasted.

The need is to put in place an exclusive mechanism to conduct concomitant review of the development schemes and programmes while they are being implemented. It could be called National Accountability Commission that functions as a well-networked, independent authority to detect and set right. Unless something similar or better is in place, the poor of this country is going to realise repeatedly that the promised bounties are nothing but mirages. V.Raju, BL 150709

In the name of implementation of the National Rural Employment Guarantee Scheme, what is actually happening is virtual looting of public money: according to Mr. Yashwant Sinha, BJP leader and former Union Finance Minister. I can say from my experience that a section of corrupt politicians, bureaucrats and contractors are dividing among themselves a large chunk of the funds allocated under the scheme.

4. Increasing Economic Costs of wheat and rice distribution

Economic costs of wheat and rice for 2007-08 have been provisionally fixed at Rs. 1,353 and Rs. 1,563 per quintal respectively. The economic cost of wheat and rice in 2008-09 is estimated to be Rs. 1,392 and Rs. 1,789 per quintal respectively. The difference between the economic cost of foodgrains and the issue price is reimbursed to FCI.

The incidence of taxation and levies on wheat and rice continues to be high in the major procurement states like Punjab, Haryana and Andhra Pradesh. They have been imposing state taxes and levies of over 10 per cent ad valorem on the procurement of foodgrains, thereby inflating the economic costs, which have a direct bearing on market prices. Huge expenditure is also incurred by the FCI, and reflected in economic costs, on payment of Dami/Arthia charges as per statutory notifications issued by some states notably, Punjab, Haryana, Uttar Pradesh and Rajasthan.

5. Increasing cost of Food subsidy

 Provision of minimum nutritional support to the poor through subsidized foodgrains and ensuring price stability in different states are the twin objectives of the food security system. In fulfilling its obligation towards distributive justice, the Government incurs food subsidies. The difference between economic cost of foodgrains and the issue price is reimbursed to FCI. Food subsidy provided to FCI and states/UTs undertaking DCP operations showed an annual increase of above 30 per cent during each of the three years namely, 2000-01, 2001-02 and 2002-03. The same trend is discernible since 2007-08.
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Provision of minimum nutritional support to the poor through subsidized foodgrains and ensuring price stability in different states are the twin objectives of the food security system. In fulfilling its obligation towards distributive justice, the Government incurs food subsidies. The difference between economic cost of foodgrains and the issue price is reimbursed to FCI. Food subsidy provided to FCI and states/UTs undertaking DCP operations showed an annual increase of above 30 per cent during each of the three years namely, 2000-01, 2001-02 and 2002-03. The same trend is discernible since 2007-08.

AUGUST, 2009
FISCAL INDICATORS

<table>
<thead>
<tr>
<th>(Rs Crores)</th>
<th>2007/8 Actuallis</th>
<th>2009/10 B.E.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Revenue Receipts</td>
<td>541,864</td>
<td>614,497</td>
</tr>
<tr>
<td>(a) Taxes (net to Centre)</td>
<td>438,547</td>
<td>474,218</td>
</tr>
<tr>
<td>(b) Non-Tax Revenue</td>
<td>102,317</td>
<td>140,279</td>
</tr>
<tr>
<td>2 Revenue Expenditure</td>
<td>594,433</td>
<td>687,232</td>
</tr>
<tr>
<td>3 Revenue Deficit (2-1)</td>
<td>52,569</td>
<td>282,735</td>
</tr>
<tr>
<td>4 Revenue Deficit (% of GDP)</td>
<td>1.10</td>
<td>4.80</td>
</tr>
<tr>
<td>5 Fiscal Deficit (% of GDP)</td>
<td>2.70</td>
<td>6.80</td>
</tr>
</tbody>
</table>

Source: Budget at a Glance, 2009/10, July 2009

The table above shows that in the two years since 2007/8, the Centre’s revenue deficit has more than quintupled in absolute terms and increased 4.5 times as a percentage of GDP. This has happened essentially because revenue expenditures have increased more than Rs 300,000 crore, while tax revenues have risen only Rs 35,000 crore. The rise in the fiscal deficit essentially mirrors the increase in the revenue deficit. The bulk of the massive expenditure increase is due to interest payments, defence, subsidies, salaries and pensions, and major social programmes such as NREGA and Bharat Nirman. The notion of a temporary fiscal stimulus assumes that it can be readily reversed when the need for the stimulus goes. None of the expenditure categories mentioned above looks very reversible. Indeed, the significance of non-compressible entitlement schemes such as NREGA, social security for unorganised workers and the promised National Food Security Act is on the increase in the Union Budget.

The poor recent performance of tax revenues (despite near 7 per cent growth) and the explosive increase in expenditures both suggest that rapid future correction of the currently high fiscal deficit is likely to be impossible. The Indian economy is likely to pay a significant price in terms of foregone growth, inclusive development and, perhaps, rekindled inflation because of continuing high deficits.

Whether it is really so depends on which side of the 21st century one takes into account in judging the Government’s fiscal behaviour. If one were to look at the record of the Indian economy prior to 2001 for decades, policymakers poured public money down the drain, all the while printing more money to finance non-Plan and Plan spending that left the economy flailing and panting, and yet making no progress. Then the five years of high growth showed how Governments, both at the Centre and in the States, long used to spending taxpayer money uselessly, could act fiscally responsibly. As a result of both the NDA and the first UPA Governments, the deficit narrowed to around 2 per cent on the back of growing direct tax revenues and falling public investments. Judging by the last five years therefore, the problem is not the fiscal deficit per se but the gamble it represents; if policymakers can ensure that their borrowed funds result in new investments, new jobs and new purchasing power and accelerated investments in an expanding cycle, their current ‘proficiency’ would have been worth the short-term risk. Gross market borrowings during 2009-10, at Rs 4,51,093 crore, will be 47 per cent higher than the Rs 3,06,000 crore for the previous fiscal and 2.7 times the Rs 1,68,101 crore level of 2007-08.

Borrow-and-spend policies, whether by governments or even firms and households, have obvious risks attached to them. Borrowings, after all, entail interest charges. If the mismatch between spending and earnings grows over time to necessitate ever larger borrowings, a time will come when interest itself becomes a sizable expense — not just pre-empting an increasing share of whatever little revenues, but also crowding out other (more useful) expenditures.

The crisis today is truly not one of increased government borrowing, but of a growth slowdown. Borrowings by themselves are not a problem so long as there is the underpinning GDP growth and revenue buoyancy to service them. The ultimate test is not going to be whether it will end up further bloating the Centre’s balance sheet, but whether it would help revive a sagging economy. The alternative, of course, is not to borrow and leave recovery entirely to chance, even if it entails a further hit to revenue collections.

Tail piece: Personal income-tax relief measures of the Budget. Raising the exemption limit by Rs 10,000 (instead of raising the income-tax slabs) will benefit tax payers only marginally by around Rs 1,000 whereas abolishing the surcharge would benefit affluent taxpayers earning say Rs 12 lakh by some Rs 25,000. This is not pro-poor by any means! The wealth tax threshold has also been raised from Rs 15 lakh to Rs 30 lakh. Compiled by K. Ramasubba Reddy

AUGUST, 2009
REVENUE FOREGONE AND TAX ARREARS- RS 5 LAKH CRORE- MORE THAN THE FISCAL DEFICIT

Majority view

It is very revealing how much companies and individuals do not pay as tax because they are legally entitled to claim the amounts as a tax deduction. The total of revenue foregone comes to over Rs 4 lakh crore i.e., revenue lost due to tax breaks. Budget numbers show that the total revenue forgone in 2008-09 was Rs 418,095 crore. The fiscal deficit for 2009-10 is estimated to be Rs 4 lakh crore. That means what the government gave away by way of tax breaks in the last fiscal year would have more than covered its projected excess expenditure this fiscal year. Another way of looking at the same thing is this: a complete scrapping of all tax breaks will bring down net market borrowing from Rs 4 lakh crore to zero. While much anguish has been expressed about the sharp rise in fiscal deficit, the amount of revenue lost registered a 30%-plus rise between 2007-08 and 2008-09.

The largest giveaways come from excise and customs. In 2008-09, the ratio of revenue forgone to total tax collections went up from 15% to 21% in the case of excise duties; for customs duty, the increase was from 26% to 37%. The change was marginal in case of corporate taxes and for personal taxes.

Since excise and customs concessions account for the bulk of revenue forgone, corrective action should concentrate on that. Correcting for giveaways will also remove distortions. The previous FM said that every tax concession has a father and grandfather.

Although many post-reform committees, from Chelliah to Kelkar, worked on removing tax breaks, the problem has worsened recently-the ratio of revenue loss to GDP has steadily gone up from 6.8% in 2005-06 to 8.5% in 2008-09.

Interestingly, India Inc does better than the average income taxpayer in terms of exemptions on direct taxes. Revenue forgone in corporate tax has gone up from 9.5% of total collections in 2005-06 to 11.4% in 2008-09. For income tax, the ratio has decreased from 6.8% in 2006-07 to 6.5% in 2008-09. When average income taxpayers cry that they have it unfair, they may have a point after all, P Raghavan- Fe140709

The total of revenue foregone comes to over Rs 4 lakh crore:

<table>
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<tr>
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<td>v. Total</td>
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It turns out, for example, that companies with a profit before tax of between Rs 10 and Rs 500 crore pay the least tax because the effective tax rates of these companies are absurdly low. But who made that way, anyway?

The total revenue foregone in 2009-10 will be Rs 68,914 crore. The biggest chunk of this is accounted for by accelerated depreciation (Rs 14,344 crore). Next comes export profits of STPI units (Rs 11,734 crore). This is followed by export profits of export-oriented units (Rs 7,274 crore). "Deductions of profits of industrial undertakings derived from the production of Mineral Oil." The deduction is Rs 3,106 crore for 2009-10.

The total of revenue foregone comes to over Rs 4 lakh crore. If all the deductions were ended, the Government would not have to borrow at all.
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The total of revenue foregone comes to over Rs 4 lakh crore. If all the deductions were ended, the Government would not have to borrow at all.
NREGS-NEGATIVE SIDE EFFECTS ON FARMING

K. Ramasubba Reddy

NREGS is introduced with the avowed objective of providing 100 days employment to rural work force during the periods when no agriculture work is available. It was never envisaged that agriculture should be deprived of labour when it is needed especially during sowing and harvesting periods. But the unintended situations have arisen where labour shortage is felt in states like Punjab and Haryana during paddy sowing season. Farmers were forced to pay double the rates prevailing during the previous season thus increasing cost of cultivation. One reason for increase in prices of agri commodities is the rising cost of village labour that the urban consumers find tough to factor in. It's also fashionable to blame the serial rise in minimum support prices for higher food prices. Yet, has anyone spotted a farmer fattening on just the MSP, without additional advantages of soil, technology, credit and market access. A high MSP is no guarantee of farm profits. It's an incentive, like the variable part of your salary. That's all. Moreover, when yields are stagnant and input costs climbing, raising MSP is a necessary choice. India can't afford to let go of the few supply certainties it has in the hope that international markets will provide.

NREGS pay off: Many commentators feel that the UPA's impressive performance was mainly due to NREGS. It had its downside as well, as with any state-run scheme. Some say the ruling party in the State to give employment on paper to the party functionaries misused it. Second, agricultural labourers detested hard work in the fields and settled for the comfort of dole, which is what the employment guarantee scheme in some pockets turned out to be. BL010609

NREGS has made agriculture more expensive for farmers and more paying for workers-B S Survey

Business Standard survey of NREGP sites in five states - Gujarat, Orissa, M P, W B and Chhattisgarh. A look at the way agricultural wages have gone up since 2005-06 in some of the states makes it clear that NREGP has just made agriculture more expensive for farmers and more pay for workers.

In Gujarat, agricultural wages, which were Rs 50 a day in 2005-06, doubled last year. In Madhya Pradesh, farm wages went up from Rs 56 in 2005-06 to Rs 67 the following year and Rs 85 in 2007-08. It is Rs 91 now - a compounded annual growth rate of 15.78 per cent. In Orissa, it went up from Rs 55 in 2005 to Rs 70 in 2008. It is set to increase to Rs 90 this year. That would be a CAGR increase of over 17 per cent over three years. In Kerala minimum agri wages are increased from Rs 125 to Rs 160. A.P. recommended increase in NREGS wages to Rs 125.

According to Rajakutty, director, National Institute of Rural Development (NIRD), higher wages for NREGP are definitely bad news for agriculture. He quotes an NIRD study that found that even the existing NREGP wages have led to agricultural wages shooting up 20 per cent in the states they surveyed. BS 2

10709

Acute Agri labour shortage in Punjab

Farmers here wait at railway stations for trains from these two states, as the premier bread basket state staves at a massive labour shortage ahead of the paddy sowing and transplantation season. The transplantation - an intensive process that requires extra 7,00,000 labourers over and above the domestic supply - should ideally begin in the first week of June, but the labour tap is now down to a trickle after overflowing in previous years. The reasons are many, but chief among them is the National Rural Employment Guarantee Scheme - that has helped many labourers find work closer to their villages. Farmers are offering to double the wages for these unskilled labourers. Also on offer are blandishments such as water coolers and free food. The labourers usually come in groups with one leader who is given Rs 3,700-4,000 per hectare. Over and above, the farmer provides labourers tea, even milk, liquor and food depending on the lifestyle and capability of the farmer. Many marginal farmers rather...
than hunting for labourers, have preferred to either sell their land or give it on annual contracts. With nearly three quarters of Punjab’s farmers having land holdings of less than two hectares, mechanisation may not be an optimum solution. Punjab, the single-largest contributor to the Central pool of wheat and paddy, is considered the food bowl of India. In 2008-09, Punjab’s contribution of wheat stood at 44%, and rice 31%. ET150509

In order to avoid the situation of unavailability of labour for vital farming activities, it is suggested that there should be a convergence between agricultural activities and NREGS.

In states like Tamil Nadu, labour shortage is felt while harvesting sugarcane thus affecting both farmers and millers. Sugarcane farmers now pay Rs 250-350 a tonne for harvesting compared with about Rs 100 a couple of years back. Last year, the sugar mills paid Rs 1,100 a tonne for sugarcane, and this year, they have increased the sugarcane price to over Rs 1,220 a tonne and the increase has primarily been absorbed by the increasing labour costs. Sugar cane producing states are facing the problem as other industries have weaned away the labour force.

The National Rural Employment Guarantee Scheme has become a preferred choice, according to SISMA. Sugarcane harvesting is a gruelling work that labourers prefer to avoid. In Kerala paddy hay is burnt in the fields as no labour is available. In A P cotton is left unpicked due to scarcity of labour. And yet AP government recommended to the centre increase in wages by more than 50%, from Rs 80 per day to Rs 125 per day unmindful of cascading effect it will have in escalating cost of cultivation of crops by way of over 50% increase in agri labour wages.

In the name of implementation of the National Rural Employment Guarantee Scheme, what is actually happening is virtual looting of public money: according to Mr Yashwant Sinha, BJP leader and former Union Finance Minister, I can say from my experience that a section of corrupt politicians, bureaucrats and contractors are dividing among themselves a large chunk of the funds allocated under the scheme, BL 130709

NREG EFFECT: 15 pulse mills down shutters as workers shift to NREGS:

As many as 15 pulse mills in Kanpur have shut shop as workers have found the National Rural Employment Guarantee Scheme (NREGS) better than sweating it out at such units. Millers say people are reluctant to work in such units despite being offered as much as Rs 200 a day as wages. On top of that, scarcity of power and raw materials has added to their woes.” The closure of pulse mills in Kanpur is triggered by the shortage of labour and the NREGS has created this problem. Already, 15 mills have shut shop while many more are on the verge of closure,” "Why should a labourer go to work in such mills, situated far away from his home, when he can get Rs 100 a day working near his own house under the NREGS?” PTI 160709

II) More over, the following adverse findings were reported in the implementation of NREGS, which neither benefits the labour force nor any economic utility derived from the huge public funds deployed for the scheme:

i) significant dilution of the NREG Act-CAG Report

The CAG had conducted an audit of the NREGS during May to September 2007 in the 200 districts that were initially covered by it. In its audit report tabled in Parliament in October 2008, it had found significant dilution of the NREG Act because of poor record maintenance, delayed payment of wages and non-payment of unemployment allowance. The audit had noted that systems for financial management and tracking were deficient, as monthly squaring and reconciliation of accounts at different levels to maintain financial accountability and transparency was not being done.

NREGA BENEFITS NOT REACHING PEOPLE: NCAER STUDY

A study by National Council of Applied Economic Research (NCAER) and NGO Public Interest Foundation (PIF) has found many flaws plaguing the UPA government’s flagship National Rural Employment Guarantee Act/scheme (NREGA), including funds not reaching its intended beneficiaries, significant inflation in official numbers.
regarding creation of actual jobs and mandays as well as red-tapism blocking proper implementation. Cases of corruption, fudging in muster rolls, discrepancies in work days and payments have been reported in almost all studies, the NCAER-PIF report said, adding, fraudulent payments and anomalies such as extraction of money have also been reported in (wage) payments through (bank, post-office and other) accounts. The official estimates of wages realized by workers are in fact inflated because the actual wages received by workers were much less than what is shown in the official documents. The study found that in a large number of districts in several states, the number of households that have been issued job cards is more than the total number of households in these districts. This is particularly true regarding SC and ST households, it said.

Referring to fudging of numbers, the report said the excess coverage obviously raises serious disbelief about the reliability of these data and confirms that the numbers in official records are inflated. There were delays in providing job cards, the study said, adding that field reports also found that many households demanding employment did not get employment. Workers were not paid any compensation in many cases involving delayed payment beyond the stipulated period of 15 days. Also, the claim of provision of 100 days of employment to 10% households in the official data is doubtful.

The report said works carried out under NREGA and their implementation have also suffered due to anomalies in the selection of works, poor execution, inflated estimates, inadequacies in measurement, cost overruns, and delays in release of funds by states. Very little is known about the quality of assets created under the scheme, it said, adding questions have also been raised about the long-term usefulness of these assets.

Assam, Orissa, Gujarat, Maharashtra, Karnataka and Kerala and some eastern states, saw reduction in employment generation under NREGA as compared to SGRY, the study found. The Bureau 140509

John Samuel Raja D: Wages up but no gains June 4, 2009

A joint study by the National Council for Applied Economic Research and Public Interest Foundation (PIF) thinks not. Analysing how wage rates behaved in the two years (2004-06) prior to the scheme and two years after it was implemented (2006-08), the study finds that the increase in wages could be ‘largely attributed’ to the introduction of this scheme but this was only in nominal terms.

During 2006-08, wage rates increased by more than twice (6.7-7.4 per cent) compared to just 2.7-3 percent growth in the previous two years. This gain was more than offset by the rise in the Consumer Price Index (CPI) which went up by 2.3-2.4 times after the scheme was launched. In real terms, rural wages, except for female farm workers, declined after NREGS was introduced. It’s not clear how much of this sharp rise in rural inflation was on account of the higher money flow through NREGS or for other reasons like higher support price for crops.
THERE IS NO ROLE FOR THE CONSUMER IN THE SAGA OF NATURAL GAS

N. Vijay Kumar

Two issues prominently cropped up during the recent fight for gas allocation and its prices between Ambani brothers involving also NTPC in Bombay High court; First, the accusations by Anil Ambani to the extent to which Ministry of Petroleum went in supporting RIL of Mukesh; arguing in court that the 2005 contract between RIL and RNRL as untenable taking sides on behalf of RIL. The second issue pertains to the price arrived by GoM headed by Pranab Mukherjee. The government on its part was having a different argument in Bombay high court and now has taken a patriotic route in the Supreme Court.

The present issue, apart from the whole gamut of natural gas which is expected to play a key role in the future economy, relates to obligation of supply of Gas by RIL of Mukesh to Anil’s RNRL from the Krishna Godavari basin for which Mukesh has the rights according to the MOU made when they split in 2005. RNRL has gone to court saying that the price of one million British thermal units cannot be more than $2.34 dollars same as what RIL agreed to supply the NTPC and according to the agreement made as part of their split in 2005. The high court in turn has agreed with RNRL contention and ordered RIL to supply 28 million standard cubic meters a day at $2.34 price. Until now the fight is between the two brothers, not a new phenomenon to Indian public. The main concern now for Indian public is the price of gas and its supply.

The number of players involved in this episode is growing day by day. Initially it was Ambani brothers and NTPC with a court row; now apart from the government as a whole; the fertilizer units fearing the gas supply problems also have come into the picture. The fertilizer Secretary shot off a letter to Oil Ministry stating that Indian government has a right to fix the pricing and the issue is not only between RIL and RNRL. There is a role here for AP CM Rajasekhar Reddy, who campaigned hard by writing 23 letters and making 6 trips to New Delhi trying hard against the mighty Reliance seeking reduction in the gas price of RIL to be obtained in KG basin from proposed 4.33 dollars to 2.34 dollars. The CM even sought intervention of Prime Minister on this issue saying that that the mechanism used by RIL to discover market price of natural gas from KG basin is non transparent and amounts to auction of a ‘scarce commodity’ and such an auctioning may help RIL to get maximum price for gas but it is against the consumers as they have to pay more. Power generation companies like Gautami Power have also gone and implored themselves in the Supreme court on the fears of not getting gas allocation.

Earlier the GoM headed by Pranab (group of ministers) fixed the rate @ $ 4.2 per mmbtu, obviously taking into account price of $4.33 arrived by Reliance through a tender process. The problem is that $4.33 price was arrived based on a restricted bid where RIL invited just 10 companies to bid. This bid was taken as basis for fixing of price by GOMs. The RIL has virtually no down side. For ex: even if the crude prices fall from 105 dollars per barrel to 45 dollars, the prices of gas will just fall from 4.43 dollars per mmbtu to 4.07 dollars only. All that the GOM has done was making it marginally lesser at 4.20 dollars per mmbtu. The GoM has over ruled the PM economic advisory council which opined since there appears to be some doubt about the transparency of the bidding process, especially placing restriction on who was invited to bid, we opine a fresh bidding in a transparent and well publicized manner from all parties so as to discover the true arms length competitive price for gas.

The opinion, that government can accrue more revenues if gas price is high is also misplaced. The profit sharing agreement states that government gets just 10% of value of gas till RIL recovers 1.5 times its capital & operating expenditure; can get 28% when RIL
AGRIPOWICY ADVOCACY

recovers 2 to 2.5 times its capital & operational expenditure and 85 % after RIL completes 2.5 to 3 % of its capital & operational expenses. However, with production now estimated at 80 mmmscmd capital expenses have risen from 25000 crores to 55000 crores. So in proportion to that the government revenue will cut down.

The difference between the price of gas between 2.34 dollars per mmBtu and 4.2 dollars mmBtu translates into around one rupee per unit of power generation. As such, the government, if it doesn’t rise power charges (its free electricity now a days) will need to shell an additional 9386 crores for the 9386 crore units that can be produced from 40 mmmscmd units of gas of NTPC (12) and RNRL (28). So it’s not that the government is going to gain from higher price of

The wrangle over an energy deal between India’s billionaire Ambani brothers has highlighted the risks inherent in an economy dominated by big family businesses and spurred calls for the government to intervene.

The government so far never forced RIL to honour its contract with NTPC and in the way has blocked about 10000 MW addition of capacity. There is no point in reiterating about the growth rate if government doesn’t help the fresh energy capacity of around 25000 MW each year for the next two decades. In the wake all these problems an autonomous market regulator for pricing of natural gas should be put in place. The government now has gone and filed an affidavit in Supreme court stating that RIL is only a contractor and has nothing to do with the ownership of the gas forgetting that the same government has asserted in parliament that RIL is at will to sell gas to anybody. In the latest twist Anil Ambani has lashed out at Petroleum Ministry’s Minister Murli Deora accusing him of partisan attitude and siding with Mukesh. For a common man all this appears bizarre that the leading Industrialist of the country is accusing the cabinet minister of Petroleum with partisan attitude and taking sides. Leaving aside the truth in accusations; people only feel that the hydro carbons which are a scarce commodity should be judiciously used and should be a tool for industries and some vested interests to earn money. It is vital in the sense that the ultimate sufferers are going to be the consumers or the aam aadmi of which the government profess that it is doing so much. Let’s hope that wise thinking will prevail. However, this is not the last word and there is much to unfold in this bizarre gas deal.

N. Vijay Kumar
Project Director
Consortium of Indian Farmers Associations
209, Vijaya Towers, Santhi Nagar, AC Gaurds,
Hyderabad - 500 028, Ph: 040-23319643, 09868399708

Abbreviations:
MMSCMD : Million Metric standard cubic meters per day
mMBtu : Million metric British Thermal Units
RIL : Reliance Industries Limited
RNRL : Reliance Natural Resources Limited

AUGUST, 2009
"WHEN THERE IS NO SECURITY FOR FARMERS’ LIVELIHOOD HOW CAN THERE BE FOOD SECURITY?"

K. Ramasubba Reddy

Avg Pay of Govt. Employees over Rs 20,000- Avg Income of Small Farmers under Rs 2,000.

The total number of civil servants comes to 33,63,754. Provision for their pay and allowances for 2009-10 are Rs 56,074 crore and Rs 29,004 crore, respectively, amounting to a total of Rs 85,078 crore. Avg per annum emoluments are Rs 2,52,925-Per Month over Rs 20,000. The lowest paid employee gets over Rs 10,000 per month. Nearly 85% of farmers eke out livelihood on an income of under Rs 2,000. Even big farmers, accounting for only 2% of all farmers, derive an income under Rs 10,000, which is less than the pay of lowest paid govt employee. The per capita income of public sector employees from 1971-72 to 2007-08 increased by 58 times compared to increase in cost of living (CPI) of 30 times. This shows the increase in the per capita emoluments has been much more than what can be explained by CPI increases alone. But increase in farm gate prices of farm produce does not cover even the increase in CPI during the same period. Obviously, farmers get very little for their value addition and therefore most of the rural youth are unwilling to continue in farming profession.

Food Prices Inflation:

As on 11 Jul the inflation rate of cereals and pulses continued to be in double digits at 10.9 per cent and 18.9 per cent. Sugar continued to be expensive with an inflation rate of 33%. Per capita availability of food grains is decreasing. The reason why we will have massive food price inflation is simple: the Government wants to borrow and spend a lot of money. The fiscal deficit is estimated at Rs 4 lakh crore. But this expenditure will lead to a lot of holes being dug, not to increase in grain output. NREGA alone has ensured that those who used to eat one meal now eat one-and-half. That may make moral and political sense but it does not increase grain output. Imagine what will happen when even more money (demand) gets into the system without an increase in supply of grains, and perhaps even a decline because of the bad monsoon. The people will have more money but there won’t be enough food to buy. So prices will rise and they will eat only as much as they eat now, if not less. What then is the future of producers of food and Nation’s Food Security?

Decreasing food availability:

Inadequate policies and declining investment in agriculture made farming an unprofitable venture. Cost of production with regard to food grain agriculture has increased manifold during the decade till 2008. Profitability has diminished greatly with regard to food grain production in the past three decades raising serious concern over food security in such circumstances. The per capita supply of the food grain fell to 436 grams a day in 2008, compared with 442 grams in 2007 and 445 grams the year before.

Reasons for Food Crisis:

Although government aims to control farm gate price for produce, there have been no measures to contain input costs. Manpower availability has worsened the situation in agriculture sector during last 30 years in the country. Farmers were obtaining the services of 100 man hours (15 man days) per quintal of paddy production in 1970 as against 25 hours (4 man days) for same amount of rice production in 2008. Youth between 20 and 30 years are migrating to urban areas in search of jobs. Very poor advancement in farm machinery and agriculture engineering is further forcing the farmer to depend on manual labour.

There has been enormous increase in...
August 2009

The current year the progress of the

Agribusiness: Adverse Impact of Delayed Monsoon on

Agriculture: The current year the progress of the

Method of calculating food grain supply deficit

The price according to the price and industrial

Agriculture: Youth show preference for agriculture

A large human consciousness and disseminating year after year in this

Conclusion:

How in India, instead of exciting the need of the

conditions; developing countries that can

improvement in pace with the advancements

Progress of the agriculture sector which is making the

price according to the price and Industrial

Agriculture: Youth show preference for agriculture

A large human consciousness and disseminating year after year in this
HCPL manufactures 12 Pesticide actives, catering to the requirements of many domestic and multinational companies.

*Hyderabad Chemicals* has been a pioneer in manufacturing pesticide formulations for over three decades.

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<th>HYDERABAD CHEMICAL PRODUCTS LIMITED</th>
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