

# ₹6,000 is 6% of a small farmer's annual income

**NUMBER THEORY** How significant is PM-KISAN scheme? NSSO data may have the answer

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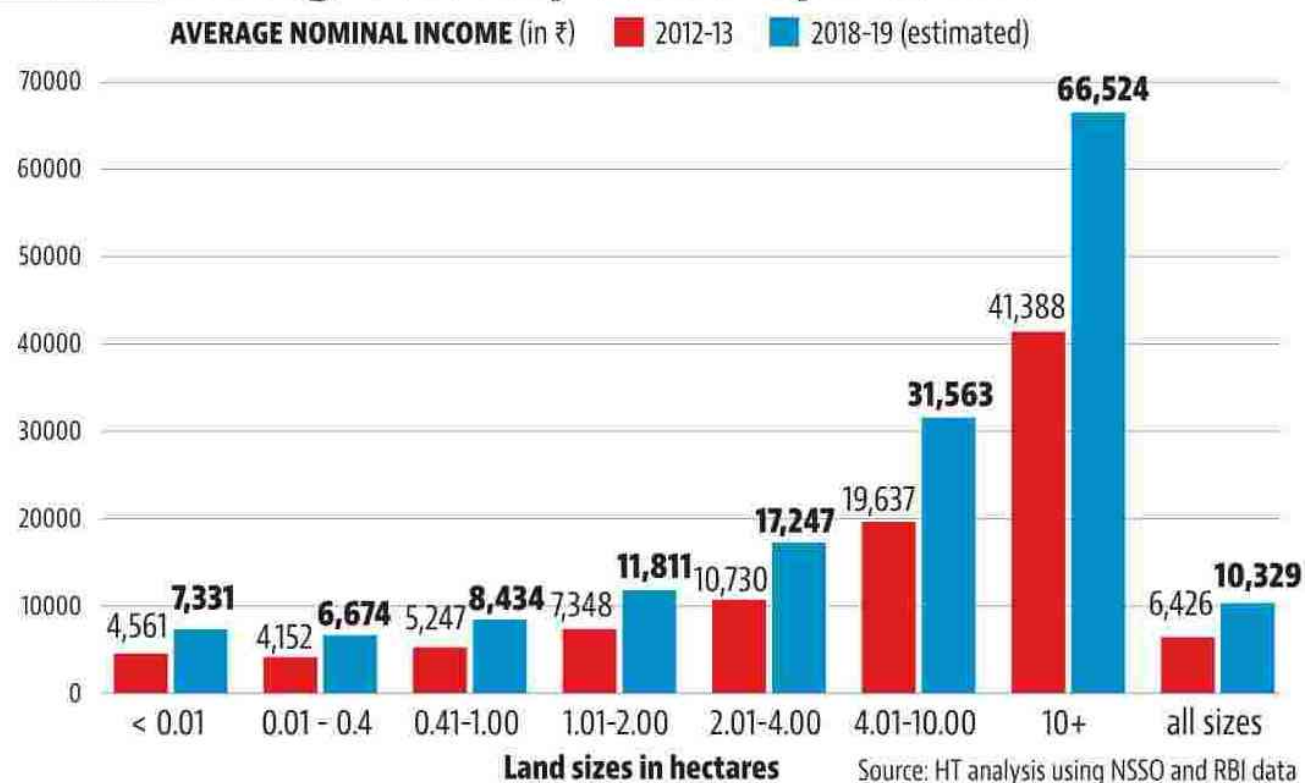
**NEW DELHI:** The interim budget 2019-20 announced annual income support of ₹6,000 to all farmer families with land ownership up to two hectares under the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN). The announcement triggered a war of words between the Opposition and the government.

“Dear NoMo, 5 years of your incompetence and arrogance has destroyed the lives of our farmers. Giving them Rs. 17 a day is an insult to everything they stand and work for.” Congress president Rahul Gandhi said in a tweet, hours after the scheme was announced. Speaking in Leh on February 3, Prime Minister Narendra Modi attacked the Opposition by saying, “PM-KISAN is a phenomenal scheme for farmers. People sitting in air conditioned rooms in Delhi do not know what ₹6,000 mean for a poor farmer living in distant and difficult areas of the country.”

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## How important is ₹6,000 for the average Indian farmer?

**CHART 1** Average monthly income by land size





## ₹6,000

What both Gandhi and Modi did not tell us was how much an average Indian farmer earns. In an interview to the Business Standard newspaper published on Monday, chief economic advisor Krishnamurthy Subramanian said “₹6000 announced in the scheme is actually one-sixth, or 16.66% ,of their [small and medium farmers’] annual income” and hence “it is not a trivial amount”. Subramanian did not cite a source for these statistics.

So how much does the Indian farmer earn? And is ₹6,000 substantial? An HT analysis shows that an average Indian farmer would be earning ₹10,329 per month in 2018-19. This means an annual payout of ₹6,000 would be less than 5% of the annual income of ₹1,23,948 that the average Indian farmer currently earns.

An HT analysis of the National Sample Survey Office (NSSO) data suggests that the average farmer income could be much higher than the figure quoted by Subramanian. In 2016, NSSO published a report which gives annual income of farmers in India between July 2012 and June 2013. According to the report, an average agricultural household earned ₹6,426 per month, or ₹77,112 per year, in India. As is to be expected, there were significant differences in this amount according to land-ownership. Farmers owning between 0.01-0.4 hectare of land reported income of ₹4,152 per month, while those owning 10 hectares or more had an income of ₹41,388 per month.

If one were to take the weighted average of income of all farmers owning up to 2 hectares of land (beneficiaries of PM-KISAN), it comes out to ₹5,240 per month. The NSSO report also tells us that the target group under PM-KISAN accounts for 87% of the total number of agricultural households in the country. Does this mean that handouts under PM-KISAN would give income equal to more than a month’s earnings to 87% of India’s farmers? If this is true, it is not an insignificant move. Still, simply using the NSSO figures could overestimate the PM-KISAN’s impact on farmers’ incomes. This is because the 2012-13 incomes would have increased by 2018-19, the first year when farmers are supposed to get the PM-KISAN payments. Since we do not have NSSO data for farmers’ incomes after 2012-13, one way to extrapolate farmers’ incomes in 2018-19 would be to apply the compound annual growth rate (CAGR) of 8.2% in the nominal gross value added component of agriculture and allied activities between 2012-13 and 2018-19 on the farmers’ income figure given in the NSSO report. Basically, this

increases farm incomes by the same proportion as the agriculture component of the economy.

Once this growth rate is applied, the nominal average income of a farmer in 2018-19 increases to ₹10,329 per month, while the average weighted income of the beneficiary group increases to ₹8,422 per month. The NSSO report also gives monthly incomes for farmers’ in each decile class in 2012-13. Using the method described above shows that all farmers in India would have had a monthly income of more than ₹6,000 in 2018-19. The analysis further shows that ₹6,000 would be less than two-thirds of the monthly income for more than half of agricultural households in 2018-19, if the income distribution given in the NSSO report were to hold today. Unless the CEA has access to statistics which are not in the public realm, and show that farm incomes have fallen in nominal terms between 2012-13 and 2018-19, the impact of PM-KISAN will be much less on farmers’ income. The scheme will only provide 6% of annual income of the targeted farmers, instead of 17% figure as claimed by the CEA. That said, for a family earning ₹8,422 a month, every little bit helps.