

EXPLAINED ECONOMICS

DBT and tenancy

While direct income support makes more economic sense than farm subsidies, its benefits don't reach tenant farmers. The experience of Andhra Pradesh holds lessons — and raises questions



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MOST ECONOMISTS advocate the conversion of agricultural subsidies — whether on inputs (supplying fertiliser, power, water at below cost) or outputs (procuring crops at above market prices) — into direct income support.

Such support, in the form of direct benefit transfers (DBT) on a per-acre or per-farmer basis, is seen as transparent and simple to administer. Moreover, it is crop-neutral (only rice, wheat and sugarcane farmers effectively get minimum support prices now) and does not cause distortions in input/output markets.

However, there is one limitation with the DBT schemes, such as the Centre's Pradhan Mantri Kisan Samman Nidhi (PM-Kisan), the Telangana government's Rythu Bandhu and Andhra Pradesh's YSR Rythu Bharosa — they do not reach tenant farmers, i.e. those who undertake cultivation on leased land.

Left-out beneficiaries

PM-Kisan provides an annual income support of Rs 6,000 to all landholding farmer families in India. Rythu Bandhu extends financial assistance of Rs 10,000 per acre, again to all farmers owning land and without any size limit. Under YSR Rythu Bharosa, farmer families are paid Rs 13,500 per year, which includes Rs 6,000 through PM-Kisan and the AP government's top-up of Rs 7,500.

The exclusion of tenant farmers — from income support and also zero/low-interest loans, crop insurance, disaster compensation and other agri-related schemes — is significant, given the rising trend of owners no longer directly cultivating their lands.

According to the National Statistical Office's (NSO) 'Situation Assessment of Agricultural Households' survey for 2018-19, 17.3 per cent out of the total estimated 101.98 million operational holdings (i.e. farms) in rural India were on leased lands. The share of such leased-in lands in the total area used for agricultural production was 13 per cent. The NSO's previous surveys for 2012-13 and 2002-03 revealed the shares of leased-in holdings at only 13.7 per cent (11.3 per cent of area) and 9.9 per cent (6.5 per cent), respectively.

State-wise tenancy

Table 1 shows the incidence of non-owners cultivating land to be the highest for Andhra Pradesh (AP) (42.4 per cent) and Odisha (39 per cent). In Haryana and Punjab, the share of leased-in area is higher than the percentage of tenant holdings. It means that the tenant farmers there operate relatively large holdings, even though they don't own these lands.

TABLE 1

STATE-WISE TENANCY

| | % OF TENANT HOLDINGS | % AREA LEASED-IN |
|------------------|----------------------|------------------|
| Andhra Pradesh | 42.4 | 36.4 |
| Odisha | 39.0 | 31.3 |
| West Bengal | 29.5 | 22.3 |
| Tripura | 28.5 | 18.5 |
| Bihar | 28.2 | 25.1 |
| Haryana | 21.3 | 34.7 |
| Punjab | 21.1 | 27.8 |
| Uttar Pradesh | 17.9 | 13.8 |
| Telangana | 17.5 | 11.9 |
| ALL-INDIA | 17.3 | 13.0 |
| Assam | 16.4 | 13.1 |
| Kerala | 14.7 | 13.8 |
| Jharkhand | 13.3 | 7.8 |
| Chhattisgarh | 11.4 | 7.5 |
| Madhya Pradesh | 10.9 | 8.6 |
| Himachal Pradesh | 9.6 | 4.6 |
| Tamil Nadu | 9.3 | 10.9 |
| Rajasthan | 7.9 | 6.1 |
| Uttarakhand | 7.3 | 5.2 |
| Maharashtra | 5.6 | 4.3 |
| Karnataka | 4.3 | 5.0 |
| Gujarat | 4.1 | 3.3 |
| Jammu & Kashmir | 1.5 | 0.5 |

Source: National Statistical Office; Data is for the 2018-19 agricultural year (July-June)

While the NSO surveys point to a steady increase in tenant farmers — who typically pay fixed cash rents or share of produce to owners — these would, perhaps, be underestimates: farm tenancy agreements are largely oral, unwritten contracts and seldom recorded leases.

The NSO data for Telangana, for instance, shows 17.5 per cent of holdings in the state to be cultivated under lease. But a survey of 7,744 farmers across 34 village gram panchayats in 20 districts reckons the figure close to 35.6 per cent. "One can safely assume that at least 30 per cent of Telangana's farmers today are tenants," said Kiran Kumar Vissa, co-founder of Rythu Swarajya Veditika (RSV), a Hyderabad-based sustainable agriculture organisation that conducted the survey during May-June 2022.

The Telangana government has budgeted Rs 14,800 crore for Rythu Bandhu in 2022-23. To the extent this money is being credited to the accounts of non-cultivating landowners, it is depriving the real "rythu" or farmer.

Exclusion errors

A better idea of the costs of exclusion can be had from AP, probably India's most DBT-advanced state. Between June 2019 and October 2022, the YS Jagan Mohan Reddy government transferred over Rs 176,500 crore to some 737 crore people under 26 DBT schemes. These — mainly named after himself or his late father YS Rajasekhara Reddy — target not just farmers, but also women, senior citizens, schoolchild-

TABLE 2

DBT SCHEME BENEFICIARIES IN AP FROM JUNE 2019 TO OCTOBER 2022

| SCHEME | SECTOR/TARGET GROUP | NUMBER OF BENEFICIARIES | AMOUNT (₹ CRORE) |
|----------------------------|---------------------|-------------------------|--------------------|
| YSR Pension Kanuka | Senior citizens** | 62,79,486 | 59,954.00 |
| YSR Rythu Bharosa | Farmers | 52,38,000 | 25,971.33 |
| Dr YSR Free Crop Insurance | Farmers | 44,27,641 | 6,684.83 |
| Input Subsidy | Farmers | 19,02,825 | 1,612.80 |
| YSR Sunna Vaddi | Farmers | 65,65,000 | 1,282.11 |
| Jagananna Amravodi | Education | 44,48,865 | 19,617.53 |
| Jagananna Vidya Deevana | Education | 24,74,544 | 8,365.26 |
| Jagananna Vasathi Deevana | Education | 18,77,863 | 3,349.57 |
| YSR Cheyuvathi | Women | 26,39,703 | 14,110.62 |
| YSR Aasara | Women SHGs | 78,74,438 | 12,757.97 |
| YSR Sunna Vaddi | Women SHGs | 1,02,16,410 | 3,615.28 |
| YSR Kapu Nestham | Kapu women | 3,38,792 | 1,492.00 |
| Dr YSR Aarogyasri | Health insurance | 22,33,466 | 7,338.76 |
| YSR Bima (Insurance) | Informal workers | 1,03,171 | 1,681.93 |
| YSR Vahana Mitra | Auto/taxi drivers | 2,74,015 | 1,032.02 |
| YSR Nethanna Nestham | Weavers | 81,783 | 776.13 |
| TOTAL | TOTAL | 727,477,868 | 2,72,117.88 |

*Includes other schemes; **Also disabled persons and transgenders.

Source: Government of Andhra Pradesh



ren, unorganised workers and communities such as Kapus and weavers (Table 2).

RSV, during January-February 2022, did a survey of 3,855 tenant farmers in 31 gram panchayats across nine AP districts.

The AP government's DBT schemes such as YSR Rythu Bharosa, Free Crop Insurance, Input Subsidy and Sunna Vaddi (zero-interest loans) technically also cover tenant farmers. The Jagan government enacted the AP Crop Cultivator Rights law in August 2019. It provides for the issuance of "crop cultivator rights cards" (CCRC) to persons cultivating the lands of owners under agreements with 11-month validity, and countersigned by the village revenue officers concerned. The cards entitle lessee cultivators to benefits under the state's DBT schemes, besides being "sufficient" for obtaining crop loans from banks.

But the RSV study found just 364 out of the 3,855 tenant farmers — identified through door-to-door surveys in each of the selected villages — to have received CCRCs. Even out of the 364 card holders, only 63 had got Rythu Bharosa benefits and 12 availed bank loans on their leased lands.

"The CCRC requires the landowner's signature and can't be issued without his consent. Most owners are hesitant to sign documents confirming they have given lands on lease. They fear that any written agreement makes them vulnerable to lawsuits by tenants claiming rights over the land. Also, what if the ten-

ants take loans against CCRCs and the repayment burden falls on the owners? The new law's provisions that prevent banks from attaching the owner's land for any dues don't seem to make a difference," pointed out Vissa.

Fixing the tenant problem

AP's experience holds lessons for DBT. Both AP and Telangana have been trailblazers as far as direct income support to farmers goes. But neither has been able to crack the tenant conundrum.

Agriculture in India is increasingly seeing both "tenancy" (landless/marginal farmers leasing in land to cultivate) and "reverse tenancy" (small landowners leasing out to better-off farmers keen to reap economies of scale). This is natural, as not everyone — including those owning land — may be good at or wants to farm. Farming might ultimately become a specialised enterprise. Leasing can help both tenant and reverse-tenant farmers operate consolidated holdings, while allowing owners to take up non-agricultural employment without risking loss of their lands.

The Narendra Modi government, assuming it returns for a third term at the Centre in 2024, may well seek to expand PM-Kisan's scale and scope. That would even mean summing all existing input and output subsidies under it. But DBT schemes, be it PM-Kisan or Rythu Bandhu, need to find an answer to the tenant problem before that.