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September 8, 2016 | Saurabh Chandra (<http://www.infracircle.in/author/saurabhchandra/>)

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## Doubling farmers' income: Rural infra, governance are the key



*Rural infrastructure is a necessary condition for agricultural growth. Its development is hugely capital intensive.*



While presenting the Union budget for 2016-17, finance minister Arun Jaitley began his address on the subject of agriculture and farmers' welfare by stating that the "government will, therefore, reorient its interventions in the farm and non-farm sectors to double the income of farmers by 2022".

This commitment was reiterated by Prime Minister Narendra Modi a month later. He emphasised the need to shift the focus from farm output to income of farmers and the need for an amalgam of good strategy, well-designed programmes, adequate resources and good governance in implementation to realise the envisaged outcome. He also enumerated the seven components of the strategy to achieve this through increase in area under irrigation, provision of quality seeds and nutrients based on soil health, reducing post-harvest losses through investment in warehousing and cold chains, food processing, creation of a national farm market, a new crop insurance scheme and promotion of ancillary activities such as poultry, beekeeping and fishery.

Doubling of farmers' income is not an option, though. It is imperative to address the prevailing rural distress and mitigating the problem of rural unemployment and underemployment. Fragmented holdings, land degradation, inadequate availability of certified seeds, inefficient water usage and imbalanced use of fertilisers add to the challenge.

Rural infrastructure is a necessary condition for agricultural growth. Its development is hugely capital intensive, making it a high-risk and low-return endeavour. The bulk of the expenditure on core rural infrastructure such as roads, irrigation and electrification being un-remunerative in financial terms, it has to be, perforce, sourced from the government budget, with the state governments working as the main implementing agencies.

Studies have shown that in terms of impact on farm income, rural connectivity takes the pride of place. Besides delivering a host of other benefits, roads have the potential to lower input cost and reduce post-harvest losses, and the gap between farmgate price and consumer price. Next in importance is the quality of electricity supply and reliable and controlled availability of water for irrigation. Electric pumpsets lower the cost of irrigation. Crop yields and area under irrigation are also strongly correlated. Agricultural research and extension services are the fourth pillar of the primary strategy to boost farm productivity and agricultural income. Easy access to formal credit via a wide network of credit and financial services, aimed at reducing dependence on local



moneylenders, building adequate infrastructure for processing and storage of farm produce to reduce post-harvest losses, and an effective delivery system for providing health and education services are the other priority areas for policy intervention.

Given the boundary conditions set by limited resources and the deadline of 2022, a paradigm shift in resource allocation priorities and the approach to improving the quartet of rural connectivity, electricity supply, irrigation and agricultural extension services would be the need of the hour.

The quality of rural works—roads, irrigation and electrification—in a number of states is a matter of grave concern as it directly affects farm income. The poor state of rural works reflects the state of governance and is an implementation issue. Unless addressed, plan objectives will not be realised and the best devised strategies will fail, resulting in frittering of scarce resources.

Implementation of rural works is often held hostage to a powerful nexus between the elected, selected and the local strongman masquerading as the contractor. The local strongman or contractor can get away with quality issues in rural works because of the belief that he can influence electoral outcomes. Breaking the nexus between the resourceful and the powerful is a precondition to ensure good governance in building rural infrastructure. This, first and foremost, requires political will and determination from the highest quarters in state governments. Once this signal is given, both the local bureaucracy and contractors will take little time to fall in line. Technocratic solutions for quality improvement such as cement concrete roads, separate feeders to supply electricity for agricultural operations and domestic consumption in rural areas, and metering the supply of electricity and water to farms are likely to be adopted once there is a clear direction from the top. Statistical data of irrigation coverage, road and electricity connectivity may not reflect ground realities.

The most important component and catalyst of this strategy quartet is an effective agricultural extension network. In spite of clear evidence of its contribution to ushering in the Green Revolution in the 1960s, it has been the subject of considerable neglect during the last three decades. After the World Bank-funded training and visit scheme came to an end in the 1980s, the mantle was passed on to Krishi Vigyan Kendras. With the annual agricultural growth rate having fallen to 1.7% during the first three years of the 12th Five-Year Plan, the need for experimenting with alternative approaches has never been greater.



To do so, the role of the village-level workers under the state governments needs to be re-invented. Extension services in the public-private-partnership mode could be started on a pilot basis. Their extension workers could, inter alia, assist the farmer in getting the soil tested, help in procurement of certified seeds, advise on issues such as crop diversification, optimal use of fertilisers, efficient use of water and new agronomic practices, and also facilitate the availability of bank credit and increased coverage under the crop insurance scheme. Some of these services could be fee-based. Additionally, the public sector institutions, which constitute the National Agricultural Research System, can be made responsible for extension work in certain designated areas as their successful interventions have a powerful demonstration effect.

The long-term annual agricultural growth rate since 1970-71 has been about 3%. To increase farmers' income at an annual compounded rate of at least 12%, strategy has to focus on reducing input and cultivation costs, raising crop productivity, getting a better farmgate price, crop diversification and promotion of ancillary activities. A robust-quality rural infrastructure is a critical enabler for achieving this outcome. Rural distress has assumed alarming proportions and the countryside is impatiently awaiting effective government intervention to redeem the promise made.

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