

DIRECT AND FULL BENEFIT OF MINIMUM SUPPORT PRICE TO FARMERS

In a nutshell: Shift from indirect payment of the Minimum Support Price (MSP) to the direct, online transfer into the accounts of the farmers has been highly beneficial to the farmers of the states of Haryana and Punjab

Nodal agency: Department of Food and Public Distribution, Government of India

Farmers in Punjab and Haryana have been traditionally selling their produce through commission agents or Arhatiyas for many decades. The commission agents were entitled to payment of Dami or Arhatiya commission for their services under the Agriculture Produce Market Committee (APMC) Act. However, the Minimum Support Price (MSP) was also paid to the Arhatiyas, along with commission, and the Arhatiyas in turn, passed the MSP payment on to the farmers.

There were reports that full MSP payment was not always distributed to the farmers. Since they completely relied on the Arhatiyas for their required payments, the farmers were often exploited. There were no checks available with the authorities to see whether MSP payments were correctly passed on to farmers or not.

The Food Corporation of India (FCI) utilized the Public Financial Management System (PFMS) to ensure Direct Benefit Transfer (DBT) to the farmers' account. In addition, an integrated and powerful database network system was created by integrating farmers' information with their land records. Through these data-driven technological interventions, the FCI was able to start linking the Aadhar number of the farmers with their land records data with the help of the state agencies.

Impact

- Record high fund transfer – Farmers have received a record to ₹84,369 crore in their bank accounts for the wheat sold to the government procurement agencies led by the Food Corporation of India since April 2021.
- Fostering transparency in the system – Previously, farmers were at the mercy of the Arhatiyas to find out how much money was owed to them, but now they know the quantity, at what rate, and on what date the procuring agency purchased and how much money was paid to them.
- Timely payments – Direct benefit transfer (DBT) has been instrumental in reposing faith of the farmers in the MSP system and government policy, in general. As the payment

directly goes to the bank account of the farmers, they start earning an interest the day the amount is credited to their account.

- Reducing dependency of farmers on moneylenders – with the timely payment of MSP, farmers would be able to utilize their money as per their requirements, such as for purchasing seeds, fertilizers, farm equipment, paying off debt and for other household requirements, without having to depend on moneylenders.

Challenges

- The farmers, Arhatiyas, agencies, etc. have become so used to the traditional system that they refuse to change at every level.
- It was perceived that it would be difficult to deal directly with such a large number of farmers. As a result, the implementation of the direct online payment to the farmers kept getting delayed/postponed.