



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## An Empirical study on the impact of the PM Kisan Samman Nidhi on Easing Financial Liquidity Constraints of Farmers in Cauvery Delta Zone (CDZ) of Tamilnadu

By

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### Abstract

Agriculture accounts for more than half of the workforce either directly or indirectly in India. Thus, economic development is not possible without sustained agricultural development in India. Indian farmers have stagnant and uncertain income and also high indebtedness. Farmers are unable to get remunerative prices for their produce, especially for non-MSP commodities due to various reasons. More than half of the agriculture households in India do not have access to formal credit and still depend on the informal sources for their credit requirement. Hence, to tackle all these conditions, the Government of India has introduced a central sector scheme Pradhan Mantra Kisan Samman Nidhi (PM-KISAN) in December 2018. Agriculture in Tamil Nadu at Cauvery Delta has flourished for thousands of years. But with a large number of farmers from the region now immersed in debts, many quitting farming completely and others reducing their area of cultivation due to lack of water. Many in the Delta now also hold the view that only those with “back-up money or resources” can sustain for long in agriculture in the current scenario. In this context the Government of India launched a new Central Sector Scheme Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) to provide income support to all small and Marginal landholding farmer families to supplement their financial needs for procuring various inputs related to agriculture and allied activities as well as domestic needs.

**Aims:** This study aims to estimate the impact of Direct Cash Transfer scheme on Easing Liquidity Constraints of Farmers in Cauvery Delta Zone (CDZ) of Tamilnadu.

**Study Design:** Multi-Stage Random Sampling was used.

**Methodology:** Both Primary and Secondary will be used in the study.

**Keywords:** PM Kisan Samman Nidhi, Financial Liquidity, Agriculture

## Introduction

India is primarily an agriculture based country and its' roots lie in agriculture. It is a very ancient, worthwhile and important occupation for the employment generation as well as economic development. About 70 per cent of the rural households in India depend primarily on Agriculture for their livelihood and 86 per cent of the Indian farmers are small and marginal. This shows that agriculture forms the backbone of our country and farmers are an integral part in the development of our country. Indian agriculture has been marred with uncertain and stagnant farm income. Indian farmer is not self-reliant to meet all his needs in this modern era. New technology adoption is believed to one of the most promising approaches for both increasing and sustaining the income of farm families. As a result the cost of production is increasing and small and marginal farmers cannot afford adoption of new technologies due to the high costs and risks involved.

The Government has taken many measures from independence till date to strengthen the agriculture sector and to sustain the income of the farmers. These measures are mainly in the form of huge subsidies for inputs i.e., fertilizers, power, water and seeds. This condition has finally led to introduction of **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** in December 2018 by the Government of India. PM-KISAN scheme provides to each eligible farmer's family Rs. 6,000.00 per year in three instalments of Rs. 2,000.00 each. Money is transferred directly to the beneficiary's bank account. It provides an assured income support to the marginal and small farmers. The major objective of the scheme is to supplement the financial needs of the Small and Marginal farmers (SMF) in procuring various inputs to ensure proper yields and commensurate with the anticipated farm income at the end of each crop cycle.

### 1. Objective of PM Kisan Yojana

Agriculture constitutes a crucial part of India's economy, and farmers are one of the key sections of society. However, due to socio-economic disparities prevalent between urban and rural regions in the country, farming communities have often struggled with financial prosperity. This issue has plagued the more significant part of India's population since independence. The Central and state governments have relentlessly strived to address this social and economic concern through several initiatives, meant to elevate such communities. PM Kisan Samman Nidhi Yojana was launched by the Government of India in 2018 to help these communities. The Government of India released the sixth instalment under this scheme on 9th August 2020, reaching nearly 8.5 crores farmers. As per its objectives, this initiative aims to benefit approximately 125 million farmers in India, particularly those of marginal or small stature.

## 2. Major Reviews

**Robert Finger (2023)** conducted a study on “Digital innovations for sustainable and resilient agricultural systems” in Switzerland. This paper investigates emerging opportunities, challenges and policy options and concludes that the agricultural sector will not emerge on their own, but this development comes with several challenges, costs and risks, e.g. in economic, social and ethical dimensions

**J. Blasch and B. van der Kroon (2020)** in their case study on “Farmer preferences for adopting precision farming technologies: a case study from Italy” conclude that the knowledge of fellow farmers who adopted the technology positively influences the valuation of PF technology features, stressing the importance of networks.

**Sharmishta Matkar and Anil Keshav Jadhao (2015)** in their study stressed on aspects related to challenges and other issues faced by farmers regarding agricultural credit. It was concluded that the credit delivery system to the agricultural sector was ineffective and inadequate.

**Dilip Bhanagade (2012)** in his study on “Agricultural credit – truth and Foleys in India” concluded that the case of agriculture as an economic activity always remained weak due to unavailability regular supply of water, high costs of agricultural labour, flagging soil, and high cost of agricultural inputs.

### 3. Statement of the problem

- The rationale behind the amount Rs. 6,000 per landholding is not clear from any of the policy documents. However, from the basic theory of production, it can be inferred that a farmer is likely to incur severe loss or may even stop cultivating if the average variable costs fall below the price they receive.
- Adoption of modern technologies is one of the most promising strategies to increase farm incomes. Among the constraints to technology adoption, the most prominent are lack of information and lack of credit.
- In India, more than half of farming households do not have access to formal credit and one fifth farmers purchase inputs on credit. In such a situation, the introduction of a cash transfer scheme (Pradhan Mantri Kisan Samman Nidhi) (PM-Kisan) to ease the liquidity constraints of Indian farmers for procuring inputs is important and relevant.

### 4. Objectives of the Study

Following objectives have been framed for the study.

1. To trace out the expenditure pattern of the fund provided to beneficiaries under PM-KISAN scheme.
2. To find out whether the fund disbursed under PM-KISAN scheme is adequate or not.

## 5. Methodology

### 5.1 Study Population

Cauvery delta place of Tamilnadu is considered as “**Nerkkalanjiam**” (Land of Paddy cultivation). With this aspect, Cauvery Delta Region in Tamilnadu has been chosen for an intensive and detailed study, since Agriculture is mostly concentrated in this region. Tamilnadu. Cauvery delta zone has a total geographical land area or 14.47 lakh hectare. There are 7 Districts and the east while Thanjavur district (comprised of Thanjavur, Tiruvarur, and Nagapattinam) occupies 5 per cent of Cauvery delta zone. The

Study is restricted to east while Thanjavur districts since the massive land use changes in Nagapattinam have a lot to do with the invasion of the sea and these are the districts least to receive Cauvery water after it is released from the Mettur Dam.

## 5.2 Sources of Data

The collection of the data for the study has been drawn both from primary and secondary sources. The primary data (like spending pattern, regularity of instalments, dependence on moneylenders, and their monthly expenditure) was collected through a close-ended structured questionnaire. Many of the secondary sources are also used to gather information like PM-KISAN website, PIB, journals, RBI reports, NSO report etc.

## 5.3 Sample Size

A sample of farmers from the East while Thanjavur District has been taken for this study, by using multi-stage random sampling method. Samples from 50 farmers of three districts each are collected to the total population of 150 samples.

## 6. Distribution of Sample Farmers by Size of Farm Holding

**Table.1**

Size of farms (Hect.)	Number of Respondents
0.00 – 1.00	94(62.6)
1.01 – 2.00	39(26.0)
2.01 – 4.00	13(8.65)
4.01 and above	4 (2.6)
<b>Total</b>	<b>150 (100.00)</b>

As Table .1 shows the distribution of sample farmers by their size of land holding. Of the total number of beneficiary households 62.6 per cent owned less than 1.00 hectare land followed by 26 per cent farmers owing the land size between 1.01 to 2.00. There were 8 farmers in the land size category of 4.01 to more than 4.00 hectares.

## 7. PM Kisan Implementation Status

**Table.2**

**PM-KISAN Implementation Status**

Implementation Details	Number of Respondents	Percentage
Registration Process is Easy	102	68%
Fund Disbursement is Regular	123	82%
Awareness of Up gradation process	76	51%
Time Frame of Next Instalment	42	28%

**Source** – Primary data (The data is based on the information from December 2018 – November 2024)

Using the data received from the respondents, it can be derived that, though the scheme has large coverage in terms of registration but there are difficulties that farmers are facing in getting registered and further the discontinuance of the instalments is the matter of concern. Government has released 16 instalments till now (February 2024) with 3 instalments (Rs. 2000 each) in a year. The data in table.2 presents the implementation status of the scheme. Data revealed that, 68% of beneficiaries found the registration process easy. After registration, regularity in the instalments is another issue. 82% respondents agreed for regular disbursement of the fund, while 18% of the beneficiaries are not able to get their instalments on regular basis. The reason seems for this is lack of awareness about the up gradation process of the scheme like the Aadhar linked bank

account, KYC requirement, which are gradually done by the government to make PM-KISAN process more efficient

## 8. Utilization of the Funds under PM-Kisan Scheme

Table-3

Years/Installment	No. of Beneficiary Farmers	Amount Received (Rs.)	Utilized funds	
			Agriculture	Others
			(Rs.)	(Rs.)
2018-2019	150	3,00,000	2,08,875	91,125
		(100)	(69.63)	(30.37)
2019-2020	150	9,00,000	6,03,375	2,96,625
		(100)	(67.04)	(32.96)
2020-2021	150	9,00,000	4,97,625	4,02,375
		(100)	(55.29)	(44.71)
2021-2022	150	9,00,000	5,97,113	3,02,888
		(100)	(66.35)	(33.65)
2022-23	150	9,00,000	6,76,230	2,23,770
		(100)	(75.14)	(24.86)
Total	750	42,00,000	19,06,988	10,93,013
		(100)	(62.52)	(37.48)

Note: Figures in brackets are percentage of total funds

The maximum utilization of funds for Agricultural purpose was during the years 2019-22 and 2022-23 that is Rs.6,76,230 (75.14) and Rs.6,03,375 (67.04%) respectively. The maximum utilization of funds for Non-Agricultural purpose was during the years 2020-21 with the amount of Rs.4, 02,375 (44.71). It shows that out of total amount Rs.42, 00,000 received as PM Kisan Scheme 62.52% was used for specific purposes and remaining 37.48% was used for other house hold expenses.

## 9. Expenditure on Different Operations of Crops on the Beneficiary Sample Farms During Reference Year

Name of the operations	Beneficiary farms				
	Total operational costs	Owned fund	PM (Kisan) scheme	Loan from banks	Other agencies
Ploughing	5,57,612	15,851	3,86,355	1,55,406	--
Seed	3,28,805	82,011	1,66,289	80,505	--
Fertilizer	3,07,612	20,512	71,893	2,15,207	--
Pesticides	4,78,300	5,000	3,50,122	1,23,178	--
Irrigation	1,57,975	43,281	40,619	70,075	4000
Machinery Charges	2,18,190	30,190	45,768	1,42,232	--
Payment to Labour	3,88,900	35,100	51,107	1,22,093	4000
Others	2,57,975	23,313	83,907	1,50,755	--
Total	26,95,369	2,55,258	19,06,988	10,59,451	8000
	(100.00)	(8.89)	(70.75)	(20.19)	(0.17)

Sources: Primary Data

Land ploughing, seeds, fertilizers, pesticides, irrigation, harvesting and threshing are main operations of the crops. These operations require adequate capital to get optimum yield from the crops. Utilization of funds under the PM-Kisan Scheme in different operations of the crops is presented in table-4. The average per hectare input cost was estimated at Rs.17, 769 on the beneficiary farms in the reference years out of the total operational cost of Rs.29, 95,369. The share of loan from the banks was 20.19 % followed by 8.89% of

the owned fund.

It shows that the sample beneficiary farmers are still dependent on loans (20.19%). Among the various operations of the crops, the maximum share of PM-Kisan Scheme was spent on ploughing of land being 20.26%. Next to this, Pesticide and seeds accounted for 18.35% and 8.71% of total fund of the PM-Kisan Scheme. The total fund being Rs.4, 60,700 was spent in agriculture sector during 202-21. The share of ploughing, fertilizers and seeds jointly accounted for 84.25%. The pesticides and irrigation accounted for 3.36% and 4.10% respectively. It may be concluded from the result that the sample beneficiary farmers had spent maximum amount of PM-Kisan Scheme in ploughing, pesticides, and seeds in the reference years.

## 10. Major Findings

The fund disbursed under PM-KISAN scheme (i.e. Rs. 6000 per annum) is surely making some addition to the beneficiaries pocket but the expenditure they incur comparing to their average income left them realized this additional amount inadequate. From 2018 to 2022 income of rural households increased 1.49 times and inflation in the same period by 1.17 times (RBI annual report 2022). This continuous rise in inflation decreases their real income and neutralizes this income support.

Since, this scheme is very comprehensive and has been framed in a very attractive manner, the sample beneficiary farmers had a few complaints against this scheme which have been pointed out in the following sequences.

### *Constraints*

1. Almost all the beneficiaries were of the opinions that Rs.6, 000 per annum is not a sufficient amount to procure the required agricultural inputs. It was only about 70.75% of the total operational costs of the crops. Therefore, they suggested increasing the amount of the financial assistance.
2. Most of sample beneficiaries faced some difficulties is getting revenue records, opening of bank account etc. during, the registration process under PM-Kisan Scheme.
3. Apart from these wrong entry number and other mistake in Aadhar were also hurdle in the way of registration under PM-Kisan Scheme. It requires a special attention to minimize difficulties at possible extent.

## 11. Recommendations and Policy Suggestions

To fulfill the aim and purpose of the scheme in a holistic manner, the obstacles faced in the process of PM-KISAN are to be tackled. To improve the life and livelihood of the farmers, the foremost thing is a stable financial support for the farmer family. This study found a few loopholes that should be addressed by the policy makers.

- The problem of irregularity in installments should be addressed. Covering the large number of farmers is one thing but making all of them benefitted by the scheme is other. So, the reach of the scheme should be in real terms.

## Conclusion

This study found that the PM-KISAN scheme is an admiring step, in the direction of making the landholder's livelihood better and self-reliant. The beneficiaries of the scheme found it helpful to some extent. Though the coverage of the scheme is quite wide, the PM-KISAN beneficiaries have faced the problem in getting registered and also the installments are irregular for most of the beneficiaries. This paper also discussed the adequacy of the fund disbursed under PMKISAN scheme. Fund is found to be inadequate of most of the respondents

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