

A budget boost for solar power could reshape india's energy and agricultural landscape

Central Government's Pradhan Mantri Kisan Urja Suraksha Evam Utthaan Mahabhiyan (PM-KUSUM) scheme holds transformative potential for both India's agricultural and energy sectors. Decisive financial boosts in the 2025 budgets will harness the growing winds of interest and pave the way for widespread adoption.

JANUARY 31, 2025

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India's agricultural and electricity sectors are in a standoff. Free or low-cost power for agriculture accounts for around one-fifth of the country's power demand, necessitating significant subsidies and straining the finances of distribution companies (DISCOMs). To reduce losses, DISCOMs regulate the hours of power supply to farmers. The result is nobody is happy.

The solution is solar power: a clean, cheap, and reliable energy source that can increase power supply to farmers while alleviating subsidy burdens and reducing greenhouse emissions. These are precisely the goals of the Central Government's Pradhan Mantri Kisan Urja Suraksha Evam Utthaan Mahabhiyan (PM-KUSUM) scheme launched in 2019 with a budget outlay of INR 34,422 crores. But as the March 2026 end date is rapidly approaching, the scheme has achieved only 5% of its targeted 34.8 GW solar deployment.

The Parliamentary Standing Committee on Energy recently urged the Centre to implement strategic financial and administrative reforms to the scheme. The upcoming Union and state budgets present a pivotal opportunity to address the implementation bottlenecks, unlock the scheme's benefits, and lay the groundwork for a revamped second phase.

PM-KUSUM seeks to deploy 10 GW of decentralized solar plants on farmer-owned lands, install 14 lakh standalone solar pumps, and solarize 35 lakh grid-connected agricultural pumps—known as Components A, B, and C, respectively. By subsidizing solar pump adoption and supporting DISCOMs to solarize grid-connected pumps with decentralized solar plants, the scheme delivers reliable daytime power to farmers.

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FY22 alone, of which approximately 75% are attributed to agricultural consumers. Solarizing even 33% of agricultural power demand is estimated to enable annual subsidy savings of INR 24,000 crore by 2030, substantially easing the financial strain on DISCOMs. Moreover, the scheme can potentially mitigate 5.2 million tonnes of carbon emissions annually. In fact, studies show that solarizing irrigation is the most cost-effective way to integrate renewables into India's energy mix, positioning PM-KUSUM as a cornerstone of India's clean energy transition.

Despite its ambitious goals, the PM-KUSUM scheme faced a slow start. While component B, focussed on stand-alone pumps, achieved 35% of its target, the other two components achieved 3% or less.

However, since January 2024, the scheme witnessed a surge in interest, evidenced by the 25 GW tenders floated under Components A and C. States including Maharashtra, Rajasthan, and Gujarat awarded nearly 15 GW of projects. Tariffs for nearly 19 GW were approved by different State Electricity Regulatory Commissions, reflecting an accelerating number of projects in the pipeline.

Sustaining this momentum requires addressing both financial and operational challenges identified in the scheme and calls for concerted efforts from the central government and states.

As large tenders are rolled out, the Centre can act in two ways.

First, timely disbursement of Central Financial Assistance (CFA) is crucial for the successful deployment of projects. An allocation of at least INR 20,000 crore in the FY 2025–26 Union budget would signify a strong commitment to ensuring timely subsidy disbursements for developers and financiers, addressing a long-standing concern that has impeded progress.

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scheme, demonstrated the vital role of project management tools and IT dashboards in effective implementation. The Centre can provide strategic financial support for IT infrastructure upgrades to support states.

Simultaneously, state governments play a fundamental role in PM-KUSUM's success as it is a demand-driven scheme managed by the State Implementing Agencies. The states' upcoming budgets should allocate sufficient funds, address implementation challenges, and complement the Centre's broader efforts around the scheme.

In addition, states can advance the scheme's goals through two key reforms.

First, they should implement mechanisms that provide developers with financial security. Delayed payments from DISCOMs, due to poor financial health, have been a major deterrent for developers. Establishing payment security mechanisms such as revolving funds within state budgets would address this issue.

Second, states must improve local distribution grid infrastructure to ensure reliable connectivity of PM-KUSUM plants. Supplementing national schemes like the Revamped Distribution Sector Scheme (RDSS) with state funding for local grid upgrades could facilitate the integration of solar plants and improve overall grid reliability. Maharashtra's investment of INR 25 lakh per substation in their Mukhyamantri Solar Krishi Vistar Yojana (MSKVY) offers a compelling case for similar budgetary strategies.

PM-KUSUM holds transformative potential for both India's agricultural and energy sectors. Decisive financial boosts in the 2025 budgets will harness the growing winds of interest, kindle the aspirations of other states, and pave the way for widespread adoption. As the saying goes, *"Tomorrow is built on the actions we take today"* now is the time to shape a sustainable

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About the authors:

Priyami Dutta is a Policy Advisor at the International Institute for Sustainable Development (IISD), Bharat Sharma is a Program Associate at the Council on Energy Environment and Water (CEEW), and Mallik EV is a Senior Associate at the Center for Study of Science, Technology and Policy (CSTEP).

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