Agriculture Investment Support Scheme (Rythu Bandhu) - A ray of hopes to farmers

P. Chandra Shekar
Research Scholar, Department of Economics,
Kakatiya University, Hanumakonda, Telangana

Dr. Naveen Vodapelly
Faculty, Department of Economics,
University Post Graduate College, Kakatiya University, Hanumakonda, Telangana

Abstract
Investment is the surest way to enhance agriculture productivity and also income to the farmers, besides breaking the vicious cycle of rural indebtedness. In order to ensure that the farmers do not fall again in to the debt trap, a new scheme called "agriculture Investment Support Scheme" (Rythu Bandhu) introduced to take care of initial investment needs of every farmer. Telangana state leads the way in farmer empowerment with its Rythu Bandhu Scheme. It is the first ever farmer investment support scheme in India. In this regard, this paper deals with the agriculture investment support scheme with special reference to rythu bandhu. This study has been carried out in the selected districts of Telangana State to find out the importance of agriculture investment support scheme through rythu bandhu in the process of development in rural areas.
Keywords: *Agriculture Investment, Rythu Bandhu, Rural Credit*

I. Introduction:

Credit is not only one of the critical inputs in agriculture but is also an effective means of rural development. A large number of agencies, including co-operatives, regional rural banks (RRBs), commercial banks, non-banking financial institutions, self-help groups (SHGs) and a well-spread informal credit outlets together constitute the Indian rural credit delivery system. One of the objectives of the credit policy is to minimise the role of non-institutional sources, mainly the money-lenders in the flow of agricultural credit. Several initiatives have been taken in this regard since Independence. Some major milestones in rural credit are the acceptance of Rural Credit Survey Committee Report (1954), nationalisation of major commercial banks (1969 and 1980), establishment of RRBs (1975), establishment of National Bank for Agriculture and Rural Development (NABARD) (1982) and the ongoing reforms in the financial sector since 1991[1]. Simultaneously, several measures like establishment of Lead Bank Scheme, direct lending for the priority sectors, banking sector's linkage with the Government sponsored programmes targeted at the poor, Differential Rate of Interest Scheme, the Service Area Approach, the SHG- Bank linkage programme were undertaken.

Importance of the study:

Initiatives like Kisan Credit Card Scheme (KCCs), Special Agricultural Credit Plans, and RIDF schemes have been introduced to enhance the flow of credit to the rural sector. Several committees have been constituted to suggest ways to increase the availability of institutional credit to the rural areas. These include the Expert Committee on Rural Credit (Chairperson V.S. Vyas), Committee on Agricultural Credit through Commercial Banks (Chairperson R.V. Gupta), Committee on Co-operatives (Chairperson Vikhe Patil), Advisory Committee on Flow of Credit to Agriculture (Chairperson V.S. Vyas), and Task Force on Revival of Co-operative Credit Institutions (Chairperson A. Vaidyanathan). The government has accepted and implemented several of their suggestions.

However, inspite of these efforts and initiatives, the flow of credit to the agricultural sector remains a matter of concern, and the moneylenders continue to play a dominating role in the delivery of credit to rural households, as the reach of institutional agencies has remained poor, particularly to the small and marginal farmers. Also, empirical studies on the characteristics of borrowers from institutional and non-institutional sources are few and the factors which determine the choice of credit outlook have not been well discussed among the academia and policymakers.

For a scientific and empirical analysis of rural credit delivery, one needs to examine at the micro level the distinguishing characteristics of the rural households. Such an analysis would be useful in understanding the reasons for approaching one type of credit institution as opposed to others by groups of borrowers. This will also help in reorienting the credit policies and programmes for a better impact.

In smallholder agriculture, it remains a challenge to raise productivity and increase farmers' incomes through agri-operations. It requires 'end-to-end' solutions starting with easy access to modern inputs and then selling the produce in most remunerative markets. Institutional credit at reasonable cost all along the value chains is one such catalytic instrument that can facilitate this by converting many erstwhile subsistence farmers into vibrant commercial farmers.

II.   Review of Literature:

A significant rise in all the states of India in reliance for credit on institutional sources after nationalisation, but this trend was reversed after 1991. The focus of the financial reforms initiated in 1991 seemed to have bypassed the rural credit needs and left the rural people vulnerable to exploitative credit. However, the performance and trends were not uniform across different states. In some states like Bihar, Chhattisgarh, Tamil Nadu and most of the North eastern states, the share of institutional credit in the total rural credit fell dramatically. For instance, in Bihar it fell from 51 per cent in 1991-92 to 24 per cent in 2002-03. If immediate corrective measures are not taken, the situation may even worsen in future. Further, the poorer households are more dependent on the non- institutional sources of finance, which are exploitative in nature. Therefore, it may be inferred that during the period of banking reforms, the excessive emphasis on profitability eroded the primary mandate of some of the formal financial institutions like co-operatives and RRBs and facilitated the comeback of exploitative non- institutional credit sector in rural lending[2].

The borrowings have witnessed higher growth rates from both institutional and non-institutional sources in relatively more developed agricultural states. The regional disparity across the country in the disbursement of institutional rural credit was found glaring. The southern region of the country availed higher amount of rural credit, followed by the northern, western and central regions. The credit availability from the institutional sources was abysmally low in the economically backward states like Bihar and the North Eastern states. Accessibility to institutional credit was higher in the developed states and lower in the backward states, which has been accentuating over time. The annual increase in the availability of credit from institutional sources also varied across the states. It was only 4 per cent in Bihar, 16 per cent in Punjab and 22 per cent in Kerala. It is a kind of vicious circle operating in the less developed states, where less availability of credit adversely influences the adoption of modern technology and private capital formation[3].

Due to several problems involved in getting loans from formal financial institutions, rural households especially the poor ones often turn to informal sources such as moneylenders, traders, and landlords etc. to finance consumption or working capital. Several factors induce the borrowers to take loans from non-institutional sources. The transaction costs of informal borrowings are low as moneylenders are located conveniently, loan procedures are minimal and cash is disbursed promptly, even at odd hours. But, the interest rates are very high. The average rate of interest charged by moneylenders turned out to be 36 per cent per annum in 1991-92 which had further increased to about 42 per cent in 2002-03. It is more than three times the interest rate charged by the institutional agencies.

Indian agriculture is a critical area not just for the policy makers but also for the producers who are engaged in this business. Even today, Indian economy is vastly dependent on its agricultural needs and therefore, it tries to understand the problems that persist in the domain of the agriculture, reflecting upon the situations throughout the country and conditions in Telangana State is not an exceptions. However, the need of an Agricultural Investment Scheme like Rythu Bandhu Scheme that is being implemented by the Telangana government deals with the reasons that led the government to adopt this policy. The agricultural investment scheme like that of the Rythu Bandhu Scheme is an alternative to the age old government policies like Minimum Support Price (MSP), subsidies and loan waivers. Henceforth, it tries to fill in the gaps that were left by these earlier schemes[4].

The scheme is only beneficial to those farmers who are the owners of an agricultural land. The farmers who work as a tenant on the land of the others do not fulfill the criteria for its eligibility. Hereafter, the tenant farmers did not receive the monetary assistance given by the state. But the policy makers should have included the tenant farmers under the ambit of the agricultural investment scheme. A policy like that would include larger number of farmers and would lead to the equal distribution of income among all the sections of the farmers[5].

Importance of Rythu Bandhu Scheme:

Investment is the surest way to enhance agriculture productivity and also income to the farmers, besides breaking the vicious cycle of rural indebtedness. In order to ensure that the farmers do not fall again in to the debt trap, a new scheme called "agriculture Investment Support Scheme" (Rythu Bandhu) introduced in

the year 2019 to take care of initial investment needs of every farmer. Telangana state leads the way in farmer empowerment with its Rythu Bandhu Scheme. It is the first ever farmer investment support scheme in India.

The scheme offers a financial help of Rs. 10,000 per year to each farmer (two crops). There is no cap on the number of acres and most of the farmers are small and marginal. Like other parts of the State of Telangana, farmers in our study areas of Hanumakonda and Mahaboobnagar also receiving the benefits from Rythu Bandu.

Data Base:

For the purpose of the study, both the primary and the secondary data have been used. The secondary data required for this study was gathered from the websites, books, reports, journals and the office records. The primary data collected by administering a structured interview schedule among beneficiaries of rythu bandhu scheme (RBS). The sample of the study consists of 300 borrowers belonging to various castes and also categories of different villages in Hanumakonda and Mahaboobnagar districts of Telangana State. The sample borrowers selected at random.

The data analyzed by keeping in view the objectives of the study. The statistical tools like chi-square tests and symmetric measures applied for the analysis of the data.

Objectives of the study:

The objectives of the study are as follows:
1)   To study the socio-economic background of the borrowers;
2)   To review the rural credit structures especially the Agriculture Investment Support Schemes in the selected areas of Telangana;
3)   To access the performance of Rythu Bandhu Scheme vis-à-vis Rural Development;
4)   To suggest suitable measures for the effective functioning of Rythu Bandhu Scheme in Telangana

Hypotheses:

In order to test the above objectives certain hypothesis have been formulated:
i)   Assured credit facilities by Agriculture Investment Support Schemes will have positive impact on rural development
ii)   Performance of Rythu Bandhu in influencing rural development is differ from areas to area

III.   Findings:

Table-1 shows the distribution of the sample beneficiaries according to their purpose for using of credit taken from the respective study areas of Hanumakonda and Mahaboobnagar districts of Telangana State during our study period. It is obvious to note that in the entire study areas 97 per cent of the respondents used the RBS amount for agriculture purpose only. They have taken amount to fulfil their desire of medium term, short period and long term for the development of agriculture and allied activities. Some of them taken credit to purchase HYV of seeds, fertilizers and pesticides (short term) etc. Few of them have used credit for purchase of farm implements and for development of existing and purchase of new land. In other words, almost all the respondents used Rythu Bandhu mostly to develop their main occupation – agriculture.

Table-1: Distribution of the Sample Respondents as per the
Purpose of Amount of RBS used

Purpose of Credit	District		Total
	Hanumakonda	Mahabubnagar	
Agriculture	143 (95.33)	148 (98.66)	291 97.0)
Non-agriculture	4 (2.6)	2 (1.33)	6 2.0)
Others	3 (2.0)	-	3 1.0)
Total	150 (100.0)	150 (100.0)	300 100.0)

Source: Field study

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.753	2	.153
Likelihood Ratio	4.924	2	.085
Linear-by-Linear Association	3.641	1	.056

Symmetric Measures		
	Value	Approx. Sig.
Phi	.112	.153
Cramer's V	.112	.153

Even, if we look at the area-wise separately also, particularly in Mahaboobnagar district out of 150 respondents 148 members i.e. nearly 99 per cent used the amount only to develop their agriculture. Whereas in Hanumakonda, their number was found to be 143 i.e. 95 per cent spent for agriculture purpose. However, we could see 3 members also used for other purpose such as to meet the expenditure on social functions and other 4 members for non-agriculture. It means some amount of RBS possessed under the respondents living in Hanumakonda areas used for non-agriculture and other purpose. On the other, we could not find a single respondent in Mahaboobnagar used this amount to meet their other expenses.

The Pearson Chi-Square and other Chi-Square based measures had been estimated for the data reported in the table and found to be statistically significant, which denotes that there is an inter-dependability of the variables used for the analysis. Further, symmetric measures like Phi, Cramer's V, Pearson's R, Spearman's correlation had also been estimated and found to be significant.

Table-2: Distribution of the Sample Respondents as per the Loans in Time Particulars

Loans in time particulars	District		Total
	Hanumakonda	Mahabubnagar	
Yes	137 (91.3)	125 (83.3)	262 (87.3)
No	13 (8.7)	25 (16.7)	38 (12.7)
Total	150 (100.0)	150 (100.0)	300 (100.0)

Source: Field study

Chi-Square Tests	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.339	1	.037
Likelihood Ratio	4.405	1	.036
Linear-by-Linear Association	4.325	1	.038

Symmetric Measures	Value	Approx. Sig.
Phi	.120	.037
Cramer's V	.120	.037

We have inquired from the respondents whether they are receiving RB from the on time or any delay. Table -2 reveals us that out of 300 respondents, 87 per cent of them received the loan on time from their respective areas and this response is when we look at in aggregate of the sample of both the villages.

Area-wise analysis has shown that the response is more positive in the developed areas of Hanumakonda district compared to that of relatively backward areas of Mahaboobnagar district. Out of 150 respondents 137 members i.e. more than 91 per cent received loan on time in Hanumakonda, whereas their number was found to be 125 i.e. 83 per cent in Mahaboobnagar district. Many reasons are found in the study areas of Mahaboobnagar district for not receiving loan in prompt. Few of the strong reasons are that most of the illiterate respondents are not approaching on time or unaware of the time and terms and conditions laid down by the government. Much publicity is not given in the areas of Mahaboobnagar district on the role of the RBS in extending benefits to farming communities. Prevalence of illiteracy and ignorance are the major problems in the relatively backward areas of Mahaboobnagar district and as a result, we could less number of respondents receiving society loans in compared to that of developed areas of Hanumakonda.

The Pearson Chi-Square and other Chi-Square based measures had been estimated for the data reported in the table and found to be statistically significant, which denotes that there is an inter-dependability of the variables used for the analysis. Further, symmetric measures like Phi, Cramer's V, Pearson's R, Spearman's correlation had also been estimated and found to be significant.

Table-3: Distribution of the Sample Respondents as per the Amount is Sufficient

Amount is sufficient	District		Total
	Hanumakonda	Mahabubnagar	
Sufficient	132 (88.0)	127 (84.7)	259 (86.3)

Not Sufficient	18 (12.0)	23 (15.3)	41 (13.7)
Total	150 (100.0)	150 (100.0)	300 (100.0)

Source: Field study

An attempt has been made in this study to find out whether amount sanctioned under RBS by their respective areas is sufficient or not. Table-3 mention that 86 per cent of the respondents in the entire study areas of Hanumakonda and Mahaboobnagar districts are satisfied with the sanctioned amount. Particularly in Hanumakonda areas, out of 150 respondents 88 per cent received sufficient amount, and in the case Mahaboobnagar areas which are relatively underdeveloped, out of 150 respondents nearly 85 per cent are satisfied. It means in developed areas, farmers are getting sufficient amount in right time, whereas in relatively backward areas farmers frequently approached the officials and convinced them to sanction their required amount on time. Some times they also used pressure from the political leaders to fulfil their obligations and this trend is observed mostly in developed areas of Hanumakonda district.

Table-4: Change in Life Styles Particulars of Sample Respondents

Change in Life Styles	District		Total
	Hanumakonda	Mahabubnagar	
Changed	120 (80.0)	130 (86.7)	250 (83.3)
Not Changed	30 (20.0)	20 (13.3)	50 (16.7)
Total	150 (100.0)	150 50.0)	300 (100.0)

Source: Field study

Table-4 depicts the change in life styles of the sample respondents after receiving the amount RBS from the Government. Earlier, they used to depend upon money lenders, traders, commission agents, friends and relatives to get loan to fulfil their needs to develop agriculture and allied activities and to spend money to meet their social functions such as marriages of their daughters etc. The change is more visible in the relatively backward areas than that of developed areas. When we look at the change in the life style of the respondents of Mahaboobnagar district, out of 150 sample respondents, nearly 87 per cent felt that there is a drastic change in their life style. Earlier they had to maintain low profile with their limited financial position. It was a challenging task to them to adopt need changes. However after getting the amount from RBS, there has been increase in income and as a result could find some new changes in their life style. But in the case of developed areas of Hanumakonda, already we could observe some changes in their life styles even before getting loan facilities. This factor alone could influence to the extent of 80 per cent. It means the positive impact of RBS facilities in relatively backward areas is more apparent than that of other areas.

Table-5: Distribution of the Sample Respondents as per the Rythu Bandu

Rythu Bandu	District		Total
	Hanumakonda	Mahabubnagar	
<5	48 (32.0)	32 (21.3)	80 (26.7)
5-7	43 (28.7)	73 (48.7)	116 (38.7)
7-10	59 (39.3)	45 (30.0)	104 (34.7)
Total	150 (100.0)	150 (100.0)	300 (100.0)

Source: Field study

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.843	2	.002

Likelihood Ratio	12.960	2	.002
Linear-by-Linear Association	.022	1	.882

Symmetric Measures		
	Value	Approx. Sig.
Phi	.207	.002
Cramer's V	.207	.002

Table-5 reflects that out of 300 respondents of both the areas, 104 members i.e. per cent received the financial benefit of Rythu Bandhu for 7-10 times so far, another 116 members who constitute 38 per cent in sample received 5-7 times and the remaining 80 members representing 26 per cent received less than five times. It means good number of respondents who belong to farming community in the study areas are getting empowerment with Rythu Bandhu Scheme.

When we observe area wise separately, more number of respondents of Hanumakonda i.e. 59 have received the money from Rythu Bandhu Schemes for 7-10 times whereas in Mahaboobnagar, we could observe 45 members are in this range. Even if we look at the less number of times who got the benefit of Rythu Bandhu Scheme are in Hanumakonda only. Thus Rythu Bandhu Scheme is enhancing the farm income of the farmers in both the areas.

The Pearson Chi-Square and other Chi-Square based measures had been estimated for the data reported in the table and found to be statistically significant, which denotes that there is an inter-dependability of the variables used for the analysis. Further, symmetric measures like Phi, Cramer's V, Pearson's R, Spearman's correlation had also been estimated and found to be significant.

We have tried to collect the suggestions from the beneficiaries for improving the cooperative societies in the developed areas of Hanumakonda and also relatively developed areas of Mahaboobnagar. A number of suggestions has provided by them during our field investigation. Among all, we have identified five important suggestions which are as follows: i) to increase the staff for implementing RBS, ii) to reduce the cumbersome practices for applying iii) to increase the quantum of amount to members.

Table-6: Suggestions for improving the services offered by the RBS

S.No.	Suggestions	District		Total
		Hanumakonda	Mahaboobnagar	
1.	To increase the staff in co-operative society	42 (28.0)	70 (46.7)	112 (37.3)
2.	To reduce the over rules for applying the loans	18 (12.0)	21 (14.0)	39 (13.0)
3.	To change the time schedule of the society	39 (26.0)	24 (16.0)	63 (21.0)
4.	To provide seeds, pesticides and fertilizers	9 (6.0)	5 (3.3)	14 (4.7)
5.	To increase the loan amount to members	42 (28.0)	30 (20.0)	72 (24.0)
	Total	150 (100.0)	150 (100.0)	300 (100.0)

Source: Field study

Table-6 throws light on those suggestions. It shows that in the relatively underdeveloped area like Mahaboobnagar, out of 150 respondents, more than 46 per cent suggested to increase the staff for better performance of the RBS. But in the case of relatively developed areas like Hanumakonda, we could find only 28 per cent suggested to increase the staff.

Another interesting observation is that in Hanumakonda areas, 28 per cent respondents strongly suggested to increase the quantum of amount. However in the Mahaboobnagar areas only 20 per cent respondents suggested to increase their amount. Therefore, the study has revealed different observating in the developed and relatively developed areas. The respondents of Hanumakonda suggested to increase the quantum of amount, whereas in Mahaboobnagar district, they suggested to increase the staff for the effective implementation of RBS.

IV. Conclusion:

Direct financial support to the farming communities, particularly weak farmers is not only essential but crucial for the survival and to attain sustainable development. Agricultural Investment Policy (Rythu Bandhu Scheme) implemented in Telangana State is the right approach to overcome barriers to market-labour, financial and commodity and facilitate market operations for the sake of development. Provision of RBS has shown a significant increase in income, employment in the underprivilized sections of the rural farmers and acting as a herbinger to prosperity. It has become a vital instrument in assisting thousands of poor farmers to take their initial steps to improving livelihood for themselves and their families.

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