IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 22, Issue 2. Ser. V (February. 2020), PP 50-57
www.iosrjournals.org

The Changing Paradigm - A Study of Direct Agriculture Finance by the Governments

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Abstract: *From times immemorial India is an agriculture country. Indian society was an self sufficient in all respects. With the advent of Britishers, as like any other segment of Indian society, agriculture was also went lot of changes. Commercialization crept into agriculture sector, which led the shortage of food grains, as the fields, up the that extent used for food crops were started usin6g for commercial crops like cotton, tobacco, sugar cane, maize, tea and coffee etc. More over beyond description Indian agriculture was neglected by alien rulers. No proper measures were taken for irrigation facilities for the arable lands, and there is no thought about rain fed areas totally. Famines were a regular phenomenon in Indian agriculture. Though they made cooperatives act in 1912 establishment of imperial bank in 1921 (predecessor of SBI), by merging three presidency banks, did not do anything for the development of agriculture sector.. The establishment of an agriculture department in RBI, at the inception of RBI in 1935 itself, the work done for the development of agriculture sector till independence by that department was nominal.*

Coming to agriculture financing, by the time of independence 80% to 90% of agriculture financial needs used to be catered by unorganized sector only. There is no penetration of banking sector into rural India. Only after getting independence, measures were taken to rescue agriculture sector from the crisis. First step in this direction was nationalization of RBI in 1949, giving importance to agriculture in first five year plan, nationalization of SBI in 1955, nationalization of 14 commercial banks in 1969, and six more in 1980, establishment of RRBs in1975, Local Area Banks, and by separating agriculture and rural development, NABARD was established in 1982.

With expansion branches to rural areas by nationalized banks, and efforts by both government and NABARD, agriculture financial needs, as a part of rural financial needs, though not fully, but were met up to some extent.

Date of Submission: 10-02-2020 Date of Acceptance: 25-02-2020

I. Introduction

AGRICULTURAL FINANCING – MEANING

Before first five year plan began in 1951, almost all the financial needs of the rural sector, including agriculture were provided by the money lenders. At that time, the RBI was very active in pursuing co-operative movements through a variety of initiatives. Despite all those efforts, the provision of credit through co-operatives and commercial banks were to the extent of about four percent of the total outstanding debt as at end June 1951 – according to All India Rural Credit Survey, RBI, 1954.

So RBI took serious steps to further Institutional credit to the different areas for Agriculture i.e. Agriculture marketing, processing, storage and warehousing. In this direction, formation of Agriculture Refinance Corporation in 1963, nationalization of major commercial banks in 1969 and 1980 in second phase, setting up RRBs in 1975, and formation of NABARD in 198, was initiated by RBI to institutionalize the credit channel for rural sector. In the 1990s and 2000s, the concept of micro credit along with MFI and SHG – Bank linkage models have evolved with the institutional support of the RBI and NABARD in order to help the poor in providing credit without collaterals.

But despite of the above efforts, the presence of informal credit in rural areas is increasing. The evidence for this is, the report of the 'Task Force on Credit Related Issues of Farmers', submitted to the ministry of agriculture in June 2010, had looked into the issue of a large number of farmers, who had taken loans from money lenders (and not covered under the loan waiver scheme). The report has mentioned: In recent years, policy interventions have led to doubling of agriculture credit, but the limited access of small and marginal farmers to institutional credit continues to be a matter of concern. What is worrying is that the proportion of such farmers is increasing and they form more than four-fifths of the operational holdings.

The inadequate and untimely credit along with procedural hassles from formal institutions has been added to the credit access by rural farmers. At the same time, micro finance institutions (MFI) have been criticized for seeking higher interest rate and mostly confined to the states with fairly well-developed banking system and also competing for the same target group. The performance of some of the public sector bans in rural and agriculture lending is also inadequate while that if the private and foreign banks is even lower, despite considerable expansion of the scope of priority sector lending (Reddy, 2006). Many repots like AIDIS survey, RBI report 2006, Government of India Report 2010, RBI Report 2011 confirmed the above facts. In 2012, the micro finance institutions (development and regulation) bill was made by government of India. The report of the Task Force (GOI,2010) was of the view that 'Institutional Finance' should include the following:

(a) Banks and other financial institutions (both public & private)
(b) State owned financial institutions (aimed at financing the less privileged)
(c) User owned institutions such as SHGs and their federations and co-operatives both
PACs, as well as new generation thrift and credit co-operatives registered under ore liberal co-operative laws.
(d) Added to the above sources of finance are also not for profit non-banking financial companies
(NBFCs) and not for profit non-govt. organizations(NGOs)

No doubt, the informal credit has declined, as a part of rural credit, over the time. But by 2002, 43% of rural households rely on informal finance (persistence of informal credit in rural India, evidence from 'All India Debt and Investment Survey' and beyond by the existing financial institutions tend to restrict their lending activities to more risky field of lending i.e. agricultural sector. More over informal sources do not insist on punctual without that the interest rates are much higher. Though the institutional agricultural credit has increased on an overall basis, but its growth is not equally spread in all the regions of the country. The developed regions had greater access to credit as compared to less developed regions (Dadibhavi, 1988, Giri and Das Gupta, 1988, Haque and Berma, 1988). Similarly, the dependence of small and marginal farmers is still very high on non-institutional source. The transaction costs of borrowing from formal institutions to the borrowers and high due to complicated lending procedures, required documentation and tangible loan. Collaterals while such costs are less in non-institutional sources due to flexibility in lending, no requirement for documentation and loan security.

II. Sources Of Agriculture Finance In India

Types of Agriculture Credit:

The agriculture credit can be classified on the basis of : 1. According to Tenure of Agricultural Credit. Again the credit requirement based on the time-period of loans can be three types: (a) Short-term: It refers to the loans require for meeting the short-term requirements of the cultivators. These loans are generally for a period not exceeding and repaid after the harvest. For example loans required for the purchase of fertilizers, HYV seeds, for meeting expense on religious or social ceremonies etc., (b) Medium-Term: These loans are for a period up to 5 years. These are the financial requirements to make improvements on land, buying cattle or agricultural equipments, digging up of canals etc. (c) Ling-Term: These loans are for a period of more than 5 years and are generally required to buy additional land or tractor or making permanent improvements on land. 2. According to purpose of Agriculture Credit: The agriculture credit on the basis of purpose for which the credit is used can be of two types: (a) Productive: Productive loans are the loans that are related to agricultural production and economically justified. For example purchase of tractor, land, seeds etc. (b) Unproductive: Unproductive credit are used for personal consumption and unrelated to productive activity for example loans for expenditure on marriages, religious ceremonies etc. Source of Agricultural Credit in India: On the basis of organization there are two broad sources of agricultural credit in India: (1) Non-Institutional Sources: The non-institutional finance forms an important source of rural credit in India, constituting around 38.4 percent (2002) of total credit in India. The interest charged by the non-institutional lenders is usually very high. The land or other assets are kept as collateral. The important sources of non-institutional credit are as follows: (a) Traders and commission Agents: Traders and commission agents advance loans to agriculturists for productive purposes against their crop without completing legal formalities. It often becomes obligatory for farmers to buy inputs and sell output through them. They charge a very heavy rate of interest o the loan and a commission on all the sales and purchases, making it exploitative in nature. It is an important source of finance in case of cash crops like cotton, tobacco and groundnut. (b) Landlords: Mostly small farmers and tenants depend on landlords for meeting their financial requirements. c) Money lenders: Despite rapid development in rural branches of different institutional credit agencies, village money lenders still dominate the scene. Money lenders are of two types: agriculturist money lenders who combine their money lending job with farming and professional money lenders whose sole job is money lending. A number of reasons have been attributed for the popularity of moneylenders such as (i) they meet demand for productive as well as unproductive requirement (ii) they are easily approachable at odd hours, and (iii) they require very low paper work and advances are given against promissory notes or land. Money lenders charge a very high rate of interest as they take advantage of the urgency of the situation. Over the years a need for regulation of money lending has been felt. But lack of institutional credit access to certain sections and areas had facilitated unhindered operation of money lending.

Cooperative credit and self help groups can play a major role in control of money lending (d) Friends and relatives: These credits are generally used for meeting personal expenditure or too short time expenditure.

NON - INSTITUTIONAL FRAME WORK FOR INDIA

Figure

(2) INSTITUTIONAL SOURCES: The general policy on agricultural credit has been one of progressive institutionalization aimed at providing timely and adequate credit to farmers for increasing agricultural production and productivity. Providing better access to institutional credit for the small and marginal farmers and other weaker sections to enable them to adopt modern technology and improved agricultural practices has been a major thrust of the policy. National Bank for Agriculture and Rural Development (NABARD) is an apex institution established in 1982 for rural credit in India. It doesn't directly finance farmers and other rural people. It grants assistance to tem through the institutions described as follows: Rural Co-operative credit institutions: Rural Credit cooperatives are the oldest and most extensive form of rural institutional financing in India. The major thrust of these cooperatives in the area of agricultural credit is the prevention of exploitation of the peasants by moneylenders. The rural credit cooperatives may be further divided into short-term credit cooperatives and long-term credit cooperatives. Short term credit cooperatives are of pyramidical structure. As a base at village level primary Agricultural Credit Societies (PACS), at district level District Central Cooperative Banks (DCCB), and at state level State Co-operative Banks (SCB)

AGRICULTURE AS A PRIORITY SECTOR FOR BANK LENDING

(a) Priority Sector lending - Meaning:

Priority sector lending refers to lending to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation.

(b) Priority sector lending by banks:

Priority sector lending is an important role given by the Reserve Bank of India to the banks for providing a specified portion of the bank lending to few specific sectors like agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections. This is essentially meant for an all round development of the economy as opposed to focusing only on the financial sector.

(c) Agriculture as a priority sector:

Both direct and indirect finance is availed to agriculture and allied activities. Direct finance to agriculture shall include short, medium and long term loans given for agriculture and allied activities directly to individual farmers, self-help groups (SHG) or joint liability groups (JLGs) of individual farmers without limit and to others (such as corporate, partnership firms and institutions) up to Rs. 20 lakh, for taking up agriculture/allied activities. Lending to agriculture sector has been re-defined to include (i) Farm Credit (which will include short-term crop loans and medium/long-term credit to farmers) (ii) Agriculture infrastructure and (iii) Ancillary Activities.

In a bid to give a leg-up to priority sector lending, the Reserve Bank of India, in the last week of July 2018, made a statement that all scheduled commercial banks will be allowed to co-originate loans with non-banking financial companies (NBFCs) for creating eligible priority sector assets. The central bank, however, has excluded regional rural banks (RRBs) and small finance banks (SFBs) from co-origination as most of the loans they originate are priority sector loans. Further, only NBFCs classified as Non-Deposit Taking – Systemically Important can get into Co-origination arrangements with scheduled commercial banks.

Priority sector loans include, loans given to the agriculture sector (farm credit, agriculture infrastructure and ancillary acidities), micro, small and medium enterprises (MSMEs), export credit, education, housing, social infrastructure, and renewable energy, among others. The RBI said the co-origination arrangement should entail joint contribution of credit by both lenders at the facility-level. It should also involve sharing of risks and rewards between the banks and the NBFCs for ensuring appropriate alignment of respective business objectives as per their mutual agreement.

For domestic scheduled commercial banks (excluding RRBs and SFBs) and foreign banks with 20 branches and above, the RBI has set priority sector lending target at 40 percent of Adjusted Net Bank Credit, or Credit Equivalent Amount of Off-balance Sheet Exposure, whichever is higher. Within priority sector lending, there are sub-targets for agriculture, micro-enterprises, and advances to weaker sections.

AVAILABILITY OF AGRICULTURE FINANCE IN INDIA

Availability of Agriculture Finance by Banks:
The banking sector failed to meet the priority-sector lending (PSL) targets overall, revealed data released by the RBI. The banks also failed to meet targets of specific sectors such as agriculture and micro, small and medium enterprises (MSMEs).
While public sector banks met their priority sector lending target for agriculture of 18 per cent, private banks and foreign banks failed to meet the targets at 16.2 per cent and 16.7 per cent, respectively.
"Bank credit to agriculture decelerated during 2017-18, partly reflecting the pervasive risk aversion and debt waivers by various state governments, which may have dis-incentivised lending to the sector," said RBI
The year-on-year growth in agricultural lending stood at 3.8 per cent during 2017-18, against 12.4 per cent during 2016-17. The total number of operating kisan credit cards also fell marginally during the year. The gross non performing asset ratio (GNPA) for the agriculture sector went up in financial year 2018-19, possibly reflecting debt waivers by several states. The asset quality for agricultural loans worsened during the first half of 2018-19. The GNPA ratios are expected to widen with more farm loans waivers.
The share of priority sector NPAs in total NPAs of banks is declined marginally during 2017-18 but it is still constituted a fifth of the total NPAs. Agricultural NPAs and MSME NPAs comprise 8.6 per cent and 9.5 per cent of the total.

BUDGETARY ESTIMATES BY SELECT STATES FOR CAPITAL OUTLAY TO AGRICULTURE AND ALLIED SECTORS IN 2018-19
Some states made a substantial budgetary allocation (more than 40%) for capital outlay on agriculture and allied sectors, viz. Andhra Pradesh (66.5%), Gujarat (58%), Odisha (46%), Jharkhand (42.6%), Karnataka (40.8%), and West Bengal (40%)
States with share of capital outlay between 30% and 40% of the budgetfor agriculture and allied sectors were Maharastra (37.6%), Telangana (37%), Assam (36.9%), Madhya Pradesh (34.8%) and Bihar (31.1%)
Uttar Pradesh, Rajastan, Tamil Nadu, Chhatisgarh, Kerala and Punjab had relatively low shares of capital out lay in total expenditure on agriculture and allied sectors.
(source: NABARD)

FINANCE PROBLEMS FACED BY AGRICULTURE SECTOR
Though comparatively less but like any other sector, agricultural activities also need finance. More over agricultural financial needs are seasonal. Despite of the efforts made by commercial banks and Governments, agriculture sector in India is facing the following finance problems.

1. Delay in disbursement of bank loans
2. All the agricultural processes like tilling, harvesting, threshing require money, which every farmer cannot afford to pay.
3. Due to non-affordability for the manpower often farmers leave the lands barren.
4. The governments of most of the developing nations do not provide subsidies for the product that farmers grow. Due to which when loss occurs, there occurs a great deal of financial loss.
5. There are also no fixed price categories of the products, like fixed price for vegetables, dairy, fruits and so on. Farmers are forced to sell their agriculture products for cheap and easy rates, which are later multiplied by the middle agents, which are then sold to the markets in an excessive price ranges.
6. The agriculture operations require inputs and other tools which are difficult for almost every farmer to purchase
7. Undeveloped rural money market.

HINDRANCES IN FINANCING AGRICULTURE SECTOR
Though enough trials were made to bring entire agriculture sector into institutional finance fold, many inherited and crept from outside weaknesses are not allowing the aim to be fulfilled. They are

1. Farmers are not aware of credit policies and procedures.
2. Difficult to estimate the efficiency of farming in the absence of farm records
3. Farming exposed to natural calamities and uncertainties.
4. Frequent supervisions and follow-up after loan disbursement are difficult as farmers are scattered.
5. Land as major security being immovable is not highly liquid.
6. Ownership of land is difficult is verify as land records are not updated
7. As farm products are perishable, they are subjected to distress sales.
8. Long gestation period between investment and returns.
9. Since income is seasonal, repayment schedule is drawn in accordance with income generation from investment.
10. Adequate infrastructure facilities are not available to implement new technologies

11. Farmers are susceptible to external influence and hence some vested interests exploit

Table: 1

INVESTMENTS IN INDIAN AGRICULTURE SECTOR
FROM DIFFERENT SOURCES(%)

Sources	1951-52	1961-62	1971-72	1981-82	1995-96	2002-03	2010-11	2016-17
Non-Insti Tutional	92.7	81.3	68.3	36.8	25	44	28	30
Institutional	7.3	18.7	31.7	63.2	75	56	72	70

Source: Economicsdiscussion.net, NAFIS 2016-17 (RBI reports)

Table: 2

AGENCYWISE GROUND LEVEL INSTITUTIONAL CREDIT FLOW

Agency	2014-15	2015-16	2016-17	2017-18	2018-19 (P)
Commercial Banks	6,04,376	6,42,954	7,99,781	8,71,080	9,49,622
RRBs	1,02,483	1,19,260	1,23,216	1,41,216	1,51,258
Co-operatives	1,38,469	1,53,295	1,42,758	1,50,321	1,53,882
Total	8,45,328	9,15,509	10,65,755	11,62,617	12,54,762

Source: NABARD (As reported by banks); (P) = Provisional

DIRECT FINANCE TO AGRICULTURE:

In the wake of elections for different states and centre, the governments came out with innovative schemes to develop different sectors. Being agriculture is the primary occupation, maximum of rural Indians even today depend on agriculture directly or indirectly for their lively hood. So keeping in this view governments announced Direct Financial Help to farmers.

The pioneer in this direction is the state of Telangana followed by Andhra Pradesh, Odisha and union government as well.

Telangana's RYTHU BANDHU:

It is also can be called as Farmers' Investment Support Scheme (FISS), launched on 25th February 2018, is a welfare program to support farmer's investment for two crops a year by Govt. of Telangana. The Govt provides 58.33 lakh farmers, Rs. 8000(initially now it is Rs. 10000) per year (for both rabi and Kharif)

AP's ANNADATHA SUKHIBHAVA

Annadatha Sukhibhava is a welfare program started by Andhra Pradesh Govt., launched on 19th February, 2019, to provide Rs.15000 investment support to small and marginal farmers' family per annum which includes Rs. 6000 Central Govt. share. It supports nearly 70 lakh farmers including tenant farmers.

Odisha's KALIA (Krushak Assistance for Livelihood and Income Augmentation)

Odisha Govt. has launched KALIA, offering an annual assistance of Rs. 12500 to each farmer. It covers landless agricultural labourers too. It also seeks to provide help to vulnerable agricultural households, besides promising interest-free crop loan.

West Bengal

The west Bengal govt. also announce an annual financial assistance of Rs. 5000 in two installments.

PM KISAN SMMAN NIDHI YOJANA

To address the need for structured income support for poor land holders, this scheme was announced by the Govt. of India. Under this scheme, farmers, farmers owning up to 2 hactars will ge Rs. 6000 per year directly in their accounts in 3 equal installments of Rs. 2000 each. The initiative initially aimed to benefit 12 crore small and marginal farmers, at an estimated cost of Rs. 75000 crores annually. It was subsequently extended to benefit 14.5 crores farmers with an estimated annual expenditure of Rs. 87,217 crores.

III. Viability Of Direct Financing Of Agriculture By Governments – A Critical Examination Case Studies

IT SOLVES NO PROBLEMS:

A. Kumara Swamy, a 30 yr. old cotton farmer from Devanoor village in Telangana's Warangal district had been a beneficiary of the Rythu Bandhu scheme, receiving Rs. 8000 (initial amount declared per acre) for the one acre he owns. However, he received no benefit for the five acres he leased. He had started leasing land six years ago, lured by the solid profits then enjoyed by cotton farmers. He hoped that a higher investment would rake in higher returns, help im pay off some pending loans, and finance his children's education. It paid off for a couple of years, before three consecutive years of drought and poor rainfall threw him into a nightmare of higher investment, higher losses, and higher debt. He says: “I need to pay for labor, tractor rental, 10 bags of fertilizer per acre, plus lease of Rs. 10,000 per acre per year. Every week, I spend Rs. 2000-3000 on pesticides because every week there is new pest, een though Bt cotton was supposed to down on pesticides. I have no money to dig bore wells.”

He used the money from Rythu Bandhu to buy fertilizer, but it was merely a drop in an ocean of bills. He now has pending loans of more than Rs. 6 lakhs, mostly taken from family and friends at an interest rate of 2% per month. Despite of repeated usage of pesticide in the first two weeks of February 2019, he could get no result. In last week of February, Kumara Swamy sits slumped on the steps of his unplastered brick home, his fingers shaky, his eyes averted. “I was in the field, feeling quite depressed. So I decided to drink the rest of the pesticide I had used for that morning’s spraying.” Seeing him fall down, a farmer in the neighboring field had run across, thrown him on the back of his motorcycle and rushed him to the government hospital in Warangal town 35 km. away. After a week since he was discharged, and he has spent his first day in the fields again. I still feel dizzy,” he says.

This is one of the small fragment from the story of suicides of hundreds of farmers from farmers’ suicide hub of Telangana i.e. Warangal Dist., same is the case with Mudika Kumar, 28 yr. tenant farmer from sripathipally, near Jangaon, in Warangal dist.

NO TIME TO UPDATE THE RECORDS

VROs are the lowest link in the chain of officials who were engaged in the state government’s massive drive to update land records a year before the Rythu Bandhu scheme was launched. Further up the chain is Distr000000ict Collector. Warangal Dist., collector Mr. Prashnt J. Patil says, “The first land survey in this area was done in 1935 in the Nizam’s time. A few minor additional surveys were done in te 1940s and the 1960s to cover areas that were left out of the Nizam’s survey, but that was it. Now 80 years have passed, and at least four generations have come and gone. Industrialization and urbanization has created a lot of land use changes. Many people still have handwritten pattas in their ancestor’s names. So it was important to overhaul the entire land records. No other state has done such a comprehensive pan-state survey since independence.”

In the wake of Rythu Bandhu, several other states, including Odisha, Andhra Pradesh and Jharkhand, have announced similar schemes, and of course, there is the Centre’s PM-KISAN scheme. Patil, however, warns that without a similar exercise to update land records, such schemes will fail. He says, “PM-KISAN may have good intentions, but it will be lost in translation without accurate land records. It is even more complicated because they want to give out money per family, not per acre. How will you identify the total land-holding of a family? When land records are held by an individual.”

Back to Devanoor village, Srinivas, the leader of the farmers’ committee, says that out of approximately 700 small farming households in Devanoor, only half have received Rythu Bandhu benefits in the first year. Out of the total 2000 acres of cultivable land in the village, about 800 acres are redistributed forest land, allocated to small farmers during the Naxalite movement, and many of them are yet to receive new passbooks. State-wide grassroots activists estimate that about 30% of eligible farmer did not receive Rythu Bandhu benefits in the Rabi season.

LAND NOT MEANT FOR PADDY:

Divya Veluguri, a researcher with the Centre for Sustainable Agriculture in Hyderabad, says, “Income support schemes like Rythu Bandhu and PM-KISAN will not be sustainable without a focus on basic resources such as soil fertility and water availability…..rather than celebrating record paddy production in the winter season in a ‘dry land’ state, what’s the government needs to do is to incentivize the cultivation of pulses, oilseeds and coarse cereals. These are the kinds of crops that land here is suited for.”

OLD WINE IN NEW BOTTLE

A highlight of the 2019-20 interim budget is the provision of cash transfer worth Rs. 6000 a year to landholding farmers with holding size of up to 2 hectares. This is clearly not aimed at restoring the viability of crop production. It is neither an input subsidy that can incentivize expenditure that raises productivity, nor a measure to prop up prices received by farmers as output subsidy.

The initiative named PM-KISAN appears to be more like a basic income scheme, in which direct transfer is made to the poor. But here to, the measure seems ill-judged. It is directed at landowning households, who may not be financially worse off in some irrigated areas of India, and ignores landless agricultural laboures, who are the poorest. Also, the amounting to Rs. 500 a month or Rs. 100 per head for a five member household is ridiculously low. Compared to his, the Rythu Bandhu scheme of Telangana, which offers a similar land holdings-linked transfer, provides Rs. 8000 (now Rs. 10000) a year per acre (0.4 ha) to farmers. If offers about Rs.40000to farmers with 2 hectares and more to those with bigger land holdings. The KALIA (Krushak Assistance for Livelihood and Income Augmentation) scheme in Odisha provides Rs. 10000 a year to every farmer with land holdings up to 2 ha and Rs. 12500 to land-less labourers. But the above amounts are arranged for by curtailing allocations to other schemes. In case of central government schemes, much more was needed for MGNREGA than what has been actually spent. Also, the revised estimated of expenditure in 2018-19 for the Pradhan Mantri Awas Yojana and the Swachh Bharat Mission, for instance, are allocated old funds for a new insubstantial scheme.

UBI IN THE GUISE OF DAF

Direct Finance to Agriculture by Governments (like Rythu Bandhu) is a great grand success than any other indirect finance support scheme like crop loan waivers, subsidies, and gold loans implemented by governments (both state and union) ever, because many farmers in drought prone areas of Telangana and elsewhere used agriculture finance disbursed by governments as basic income offered by governments, rather a supportive finance for agriculture.

THE STORY OF UNIVERSAL BASIC INCOME (UBI)

Universal Basic Income (UBI), is a regular minimum income support to the lower strata by government. UBI if properly implemented can transform people's lives. An experiment carried out by Ahmadabad based non-profit self employed women's association (SEWA) between 2011 and 2013 in Madhya Pradesh, Indore district showed positive results. SEWA zeroed in on UBI and conducted research for 18 months to determine its feasibility. There was initial skepticism, as paying direct cash was never a part of our welfare culture. As part of the initiative, basic income was transferred directly into the bank accounts of beneficiaries across eight villages; while 12 were left out the impact showed that majority of the beneficiaries (over 66 per cent) used the ready cash for constructive purposes. While some used the money to improve farm production, others invested in livestock. It was found that many of the behavioral changes like improved food consumption and the wish to seek better healthcare remained unchanged. Small farmers spent more time on their farms and stopped borrowing from money-lenders during the sowing season. Enterprises started by women continued flourish. The residents even started a grain bank at the village level. Education also became a priority and many families sent their children to better schools. As the UBI amount was fixed, it helped people plan investments in a smart way.

When former chief economic adviser to the Government of India Arvind Subramaninan wrote the 2018 Economic Survey, he was inspired by the SEWA study. Several states have realized the importance of cash transfer inspired by Telangana's Rythu Bandhu and have come up with their own versions. As far as UBI is concerned, Sikkim is planning to roll it out by 2022. However, the crux is, though cash important, the way it is paid really matters. The SEWA model ensured that the transfer was universal, individual, monthly, direct and unconditional. So, if Sikkim or any other state launches UBI, these principles should be followed in letter and spirit.

GLOBAL EXPERIMENTS

THE KENYAN STORY

UBI was a global obsession with economists. One such experiment, touted as the largest and longest experiment with UBI, is being done in Kenya. The 12 year project, covering 20000 recipients in 200 rural areas, offers each beneficiary 2,271.50 Kenyan Shillings, or $ 22, per month. Its design and amount has been carefully finalized keeping in mind the country's income status.

The experiment, in its third year, aims to examine the major concerns over UBI. This year, the experiment is expected to fetch results on whether assured cash can have immediate effects in short term. Findings from a west Kenyan village do not indicate any negative impact. Nearly 95 per cent of the beneficiaries have reported that they continue to work the same, or even more. It was reported that many bought fishing nets from the extra cash, while others saved a part of it to create financial security.

OTHER EXPERIENCES

Finland introduced UBI in 2017 with 2000 unemployed youth. But the experiment failed as it proved much more expensive than the country's other welfare schemes.

Switzerland too, attempted the experiment by offering 2500 Swiss Francs or $2555 to every adult. But 77 per cent people rejected the idea in a voting in 2016.

CASH WILL NOT MAKE PEOPLE LAZY

The assured income will address issues related to equity in our society. It will also help work towards the United Nations-mandated Sustainable Development Goals. Take Goal No. 13, the one on "climate action" for example; if someone wants to move from firewood to electricity, then UBI will help. Be it food security, education or health, UBI will tie in well with other measures taken by the government.

Some sections have misgivings about UBI like that it will make citizens lazy. But it is not true. At some point government has to believe in its own people. Once again tak8ng the example of Sikkim, (which is going to implement UBI) which has a high literacy rate and a guaranteed income will give these literate people more choice. For example, a child, who wants to take up music today may not have means to sustain. But UBI will change that.

QUESTIONS UNANSWERED

Though Direct Agriculture Finance (DAF) to farmers is a wonderful scheme, but it has some limitations. But as Abhijit Sen, member of the erstwhile Planning Commission, observes, there are three risks in implementing UBI….. it can create avenues for corruption, take away funds from other welfare schemes and increase taxes.

1. Another point to be discussed is what about the poor tenant farmers, when the supportive income is given for land owners?
2. When farmers think it is better to treat the amount received, as profit earned on agriculture, rather than doing agriculture with uncertainty (like crop failures, lack of minimum support price etc.,)?
3. Do governments continue this for long time or do they treat it just as an election stunt?
4. What about other kinds of rural unemployment?
5. Without proper preparation, like land records, if these kinds of schemes are implemented horridly what would be the consequences?

IV. Summary Of Conclusion

Institutional credit system in India was improved by time to time. But credit system in India for agriculture is not very effective because governing body of credit delivery system is almost centralized. The formalities to meet by a borrower to get an institutional loan are very complicated and also not understood by an illiterate farmer. More than 70 per cent of the agriculture and rural credit needs are met by village money lenders only, who squeeze the small farmers. So an effective and separate institution especially for agriculture credit to small farmers should be established by government. If it works in proper ways then a great reform will be reflect in future in field of agriculture. So far this is the basic suggestion by the experts. But innovatively government started giving credit (better to be called as subsidy) to the agriculture sector.

Universal Basic Income (UBI), referred with any other name may increase the standard of living of people in a country as proved by SEWA study. But in some countries it was not a success due to different reasons. While coming to Indian scenario many questions are to be answered before implementing this kind of schemes.

V. Suggestions

Thanks to the visionaries of Rythu Bandhu for materializing the much discussed thought of Universal Basic Income (UBI), for a country where agriculture is the main occupation of 60% of rural population and is prone to monsoonal mercy, and causing economic disparities.

But before implementing these kinds of schemes, ground has to be set properly to avoid future problems. Educating farmers in this direction is much more important. States and centre should discuss and formulate a pan Indian agriculture credit policy instead of offering different schemes with different names, and also a wide discussion and debate is needed on this to confirm whether these kinds of schemes are fit to be implemented to the highly populous countries like India.

Finally if properly implemented DAF/UBI is a great instrument in the hands of government to increase the purchasing power of the rural poor, particularly to the countries like India, where effective demand is the need of the hour.

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