



Rural Financial Inclusion Survey

Why in news?

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NABARD has recently released the results of the All India Rural Financial Inclusion Survey.

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What does it reveal?

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- The survey, which was for 2016-17, covered 40,327 rural households.

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- **Definition** - Agricultural households were defined as those where at least one member was self-employed in agriculture in the past year, and which derived at least Rs 5,000 from agricultural produce.

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- It found that the average annual income of an agricultural household was Rs 107,172 versus Rs 87,228 for non-agricultural households.

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- **Sources of income** - Only about 48% of all rural households are agricultural and only 23% of rural income comes from agriculture.

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- This reveals that **rural India is no longer predominantly agricultural**.

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- **Diversification** - 88% of agricultural households diversified their sources of income.

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- The most important among them was wage labour, including public works, which accounted for more than a third of the income of agricultural households.

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- It provides an important source of supplementary income to farmers, especially when they consider cultivation as risky and unremunerative.

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- **Importance of land** - The income of agricultural households possessing less than 0.4 hectares (one acre) is lower than both those who have more land, and those who have no land.

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- These households might well be better off if they were to either sell off their land, or if they were to buy or lease in more land.

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- This illustrates the importance of well-functioning land markets.

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- It also highlights the need to **liberalise tenancy laws**, so as to enable the recording of leasing for the purposes of inputs, credit, insurance and marketing support.

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- **Access to finance** - 88% of the rural households reported having a bank account.

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- Yet, savings in a formal institution is meagre and this shows the dormant status of the savings account opened under Jan Dhan Yojana.

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- **Debt** - Any household which had an outstanding loan at the time of the survey is dubbed “indebted” and found that found that 47% of all rural households were “indebted”.

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- The borrowing households had borrowed about Rs 92,000 on an average from all sources, 70% from formal and 30% from informal.

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- **Insurance** - Only 6.9% of the households that had an agricultural loan had crop insurance in the agricultural year 2015-16.

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- But the coverage of farmers raised to more than 50% in the year 2016-17 under the Pradhan Mantri Fasal Bima Yojana.

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How can it be made better?

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- **Comparison** - The survey differs from NSSO surveys slightly in its definitions of basic concepts such as “rural” and “agricultural household”.

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- If these definitions had been the same, the figures produced by this survey could be more easily compared with the figures produced by the NSSO.

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- **Classification** - The term “indebtedness” conveys a negative image, notwithstanding the fact that state policy in India has been aimed at increasing formal indebtedness.

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- The term “indebted” should be used for those households whose liabilities exceed their assets or whose debt servicing obligations exceed 30% of their income, instead of taking mere outstanding loans as a criterion.

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- Access to credit helps increase the net earnings for some households, while others might find themselves in a debt trap, compelled to borrow more to repay previous loans.

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- Hence, the survey should attempt to distinguish between these two kinds of households so that it will be useful from a policy perspective.

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- Also, the survey might be better if it were shorter and the questions be spread across more households.

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Source: Business Standard

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Quick Facts

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Classification - NSSO

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- ‘Situation Assessment Survey of Agricultural Households’ conducted in NSS 70th round considers an agricultural household as -

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1. a household receiving value of produce, more than Rs.3000/- from agriculture

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2. at least one member self-employed in agriculture either in the principal status or in subsidiary status during last 365 days.

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- ‘Situation Assessment Survey of Farmers’ conducted in NSS 59th Round considers a ‘farmer’ as a person who possesses some land and is engaged in some agricultural activities on that land during last 365 days preceding the date of survey.

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- Thus the definition followed in NSS 59th Round had kept all agricultural activities of persons outside the scope of the survey which did not possess and operate any land.

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