



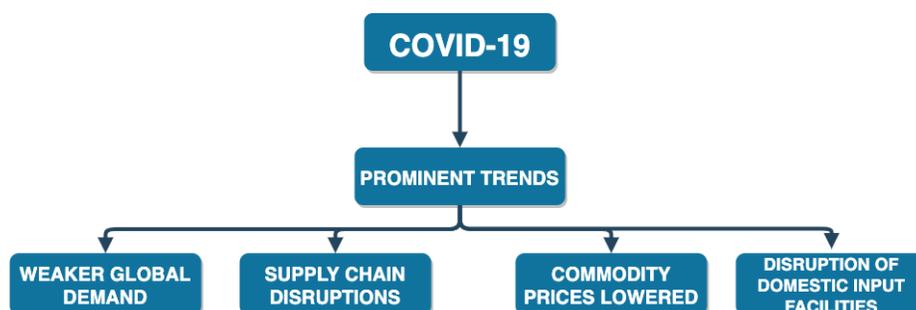
IMPLICATIONS OF THE COVID-19 PANDEMIC FOR AGRI-ENTREPRENEURS AND THE RURAL ECONOMY:
Results of a May 2020 study
Summary Version

Introduction

The COVID-19 pandemic has had a protracted impact on the Indian economy. The government was quick to enable movement of agriculture products categorized as ‘essential commodities’. On the ground, however, various factors took time to fall into place; supply chains were left disrupted. Agriculture and its allied sectors, employing half the Indian workforce, have been impacted significantly.

Fortunately, the [AEGF](#) Agri-Entrepreneurship program was able to mitigate some of the effects. Farmers trained as village-level agri-entrepreneurs (AEs) are well placed to respond quickly and assist other smallholders in the community. During a crucial phase of the pandemic, over 1700 AEs reached out to 1.5 million farmers. They provided services such as market links and access to government schemes, machinery and labor.

AEGF decided to investigate further in order better to understand the lockdown’s early impact on the rural economy. The study summarized here ran in May, during the 12th week of lockdown. The participants were AEs. They answered questions both about themselves and their communities’ farmers. This short version of the full study report presents key findings and recommendations.



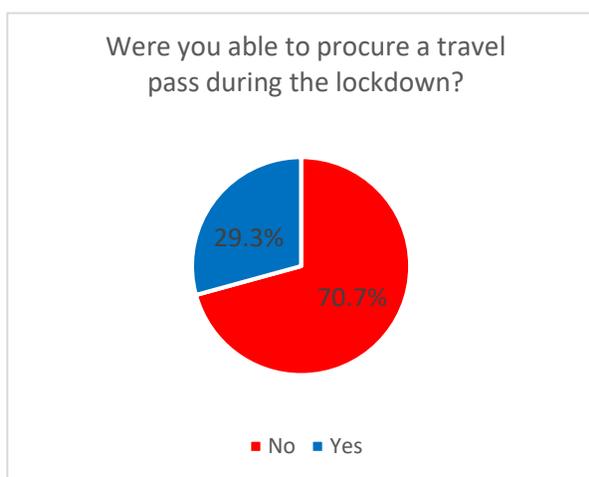
The study addressed four thematic areas:

1. Trade and service disruptions, and their effect on earnings
2. Behavioral changes of rural families
3. Access to institutional support
4. Impact on women and children

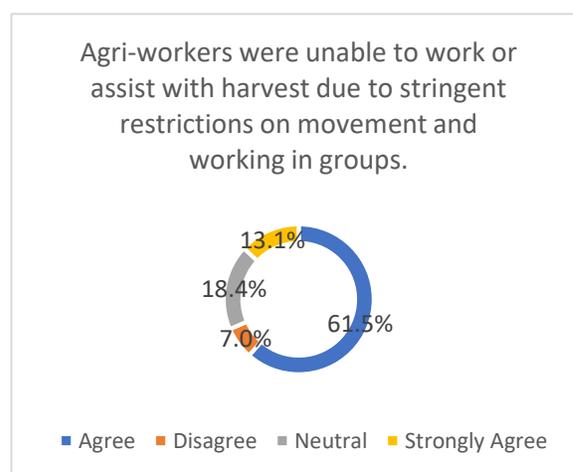
673 AEs from nine states participated: Andhra Pradesh, Assam, Bihar, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan and Telangana. 534 were male and 139 female. AEGF sought their responses in the first three thematic areas. For the fourth area, specific effects on women and children, data came from 155 female AEs in the Maharashtra State Government Livelihood Mission.

Key findings

1. Trade and service disruptions, and their effect on earnings



Graph 1: Percentage of AEs able to get travel passes



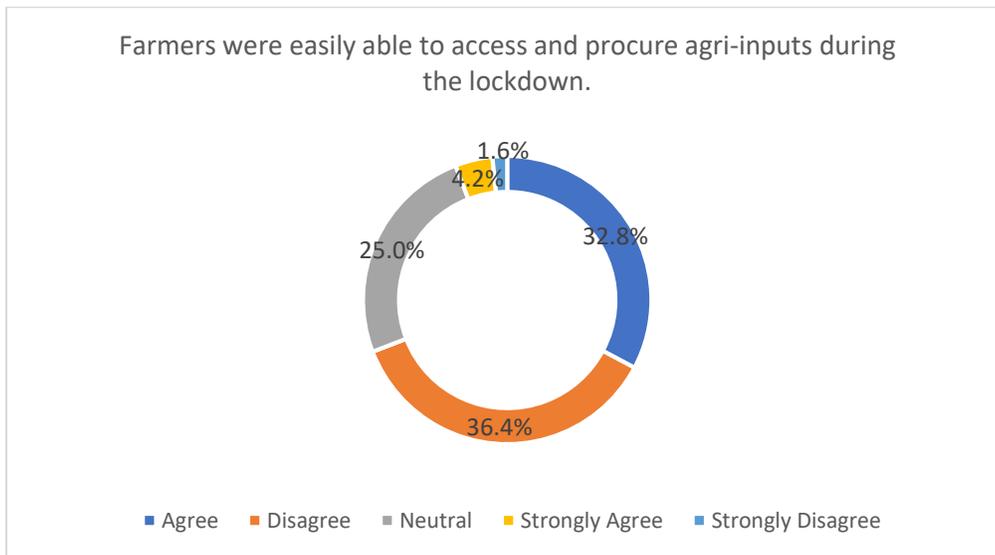
Graph 2: Availability of farm labor during lockdown

More than 70% of AEs were unable to procure travel passes. This essentially barred them from inter- or even intra-state movement to sell produce, and therefore from earning farm income.

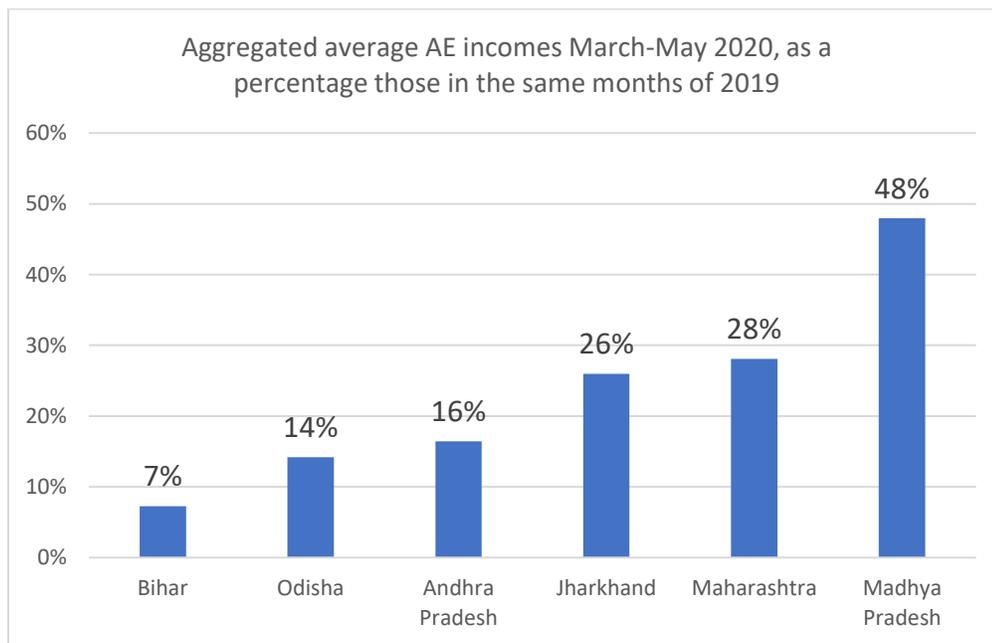
Three-quarters of farmers (Graph 2, “Agree”/ “Strongly Agree”) were unable to get farm labor in the pandemic. That made harvesting and movement of produce significantly more difficult.

Getting hold of inputs has always been a challenge for farmers in India’s most food-insecure states. But across all nine states represented in this survey, a large majority of the AEs (69.2%, Graph 3) said that the lockdown had disrupted access to inputs.

Average AE income is 78% lower than in the same period last year. The worst-hit states are Bihar (93% drop), Odisha (86%) and Andhra Pradesh (84%). Graph 4 shows the remaining income percentage.

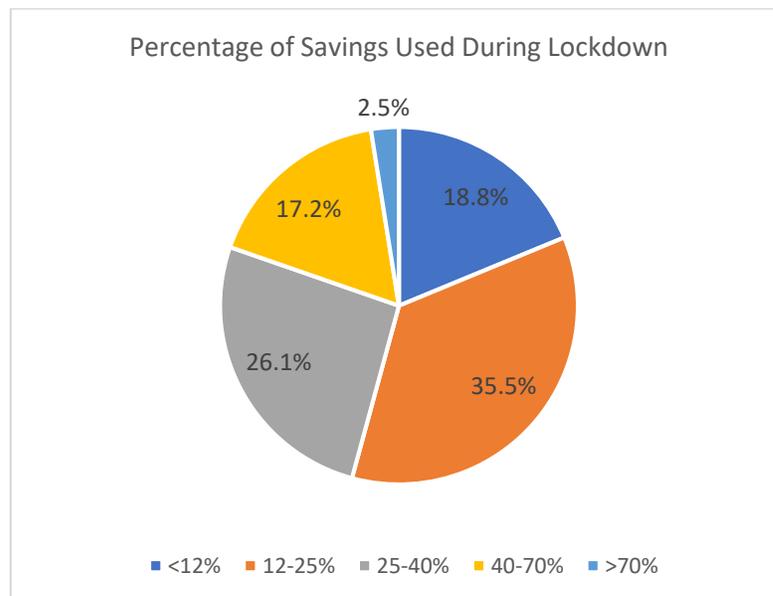


Graph 3: Accessibility of agri-inputs during lockdown



Graph 4: AEs' three-month average income compared to previous year

2. Behavioral impact



Graph 5: Percentage of savings used by AEs during lockdown

A slight majority of the sample (54.3%) used up to a quarter of their savings. 26 individuals (2.5%) reported spending 70% of their savings; six of them said they had exhausted their entire savings.

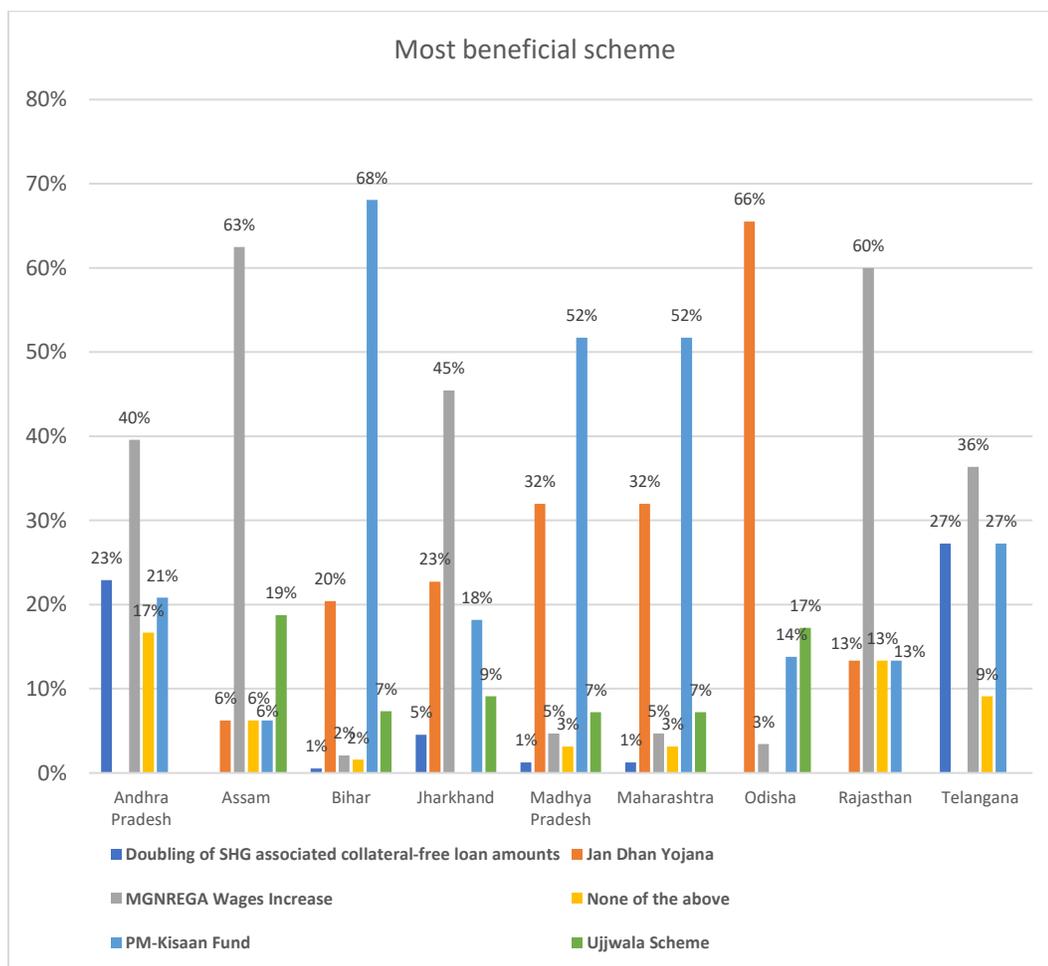
With the lockdown in place, more women were forced to use their savings. This is probably because as households had less money available, the amount allotted for women's spending also fell. India has support schemes such as *Ujjwala* and *Jan Dhan Yojana* designed specifically to help women struggling financially. Nonetheless, a higher percentage of women (92%) than of men (70%) used their savings. About one in ten reported taking out informal loans, at interest rates ranging from 12% to 40%. For specific information on women's use of their savings, see Graph 9 below.

3. Access to institutional support

48% of AEs reported that the *PM-Kisan* Fund was the most beneficial. This fully government-funded scheme, created by the Prime Minister in February 2019, assures funding to farmers. It aims to provide financial assistance to 125 million farmers annually, irrespective of their landholdings.

AEs from some states reported other schemes to be more beneficial, notably in Assam and Jharkhand (see Graph 6). However, these states do not yet have many AEs providing digital financial services. Funds transferred by the government are therefore difficult to access there.

In Assam, Jharkhand, Rajasthan and Telangana, 63%, 45%, 60% and 36% of respondents respectively stated that the rise in MGNREGA support proved very beneficial. The Mahatma Gandhi National Rural Employment Guarantee Act of 2005 guarantees the right to work and mandates a minimum daily wage. This has recently risen from 13 rupees to 34.

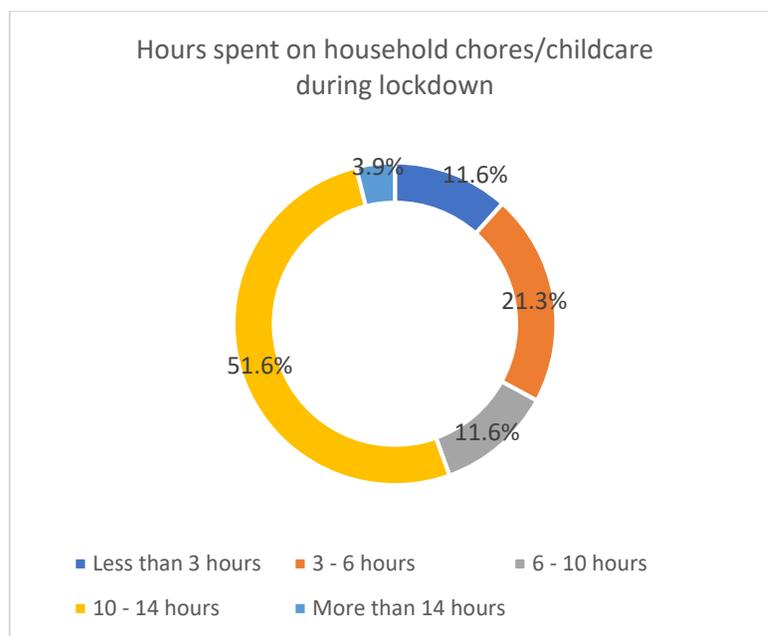


Graph 6: Most beneficial support schemes, as reported by AEs

Rural India accounts for about 70% of the total population; migration to cities is usually commonplace. During the lockdown, however, migrants were unable to find work or earn wages for about ten weeks. The increase in MGNREGA wages made this scheme popular in Assam, Jharkhand and Rajasthan. These states reported among the fewest transactions and lowest incomes during the lockdown.

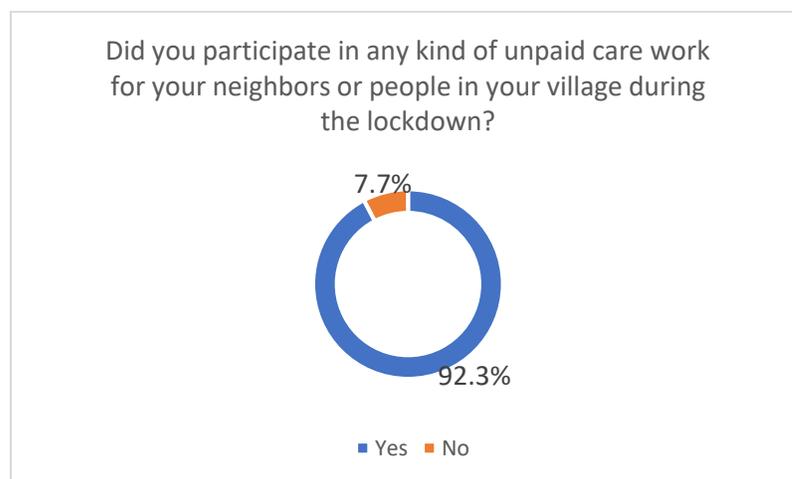
4. Impact on Women and Children

During lockdown, household chores and childcare responsibilities became much more time-consuming for women. 117 out of the 155 female AEs interviewed said that household obligations had increased.



Graph 7: Hours put into household tasks during lockdown (women AEs)

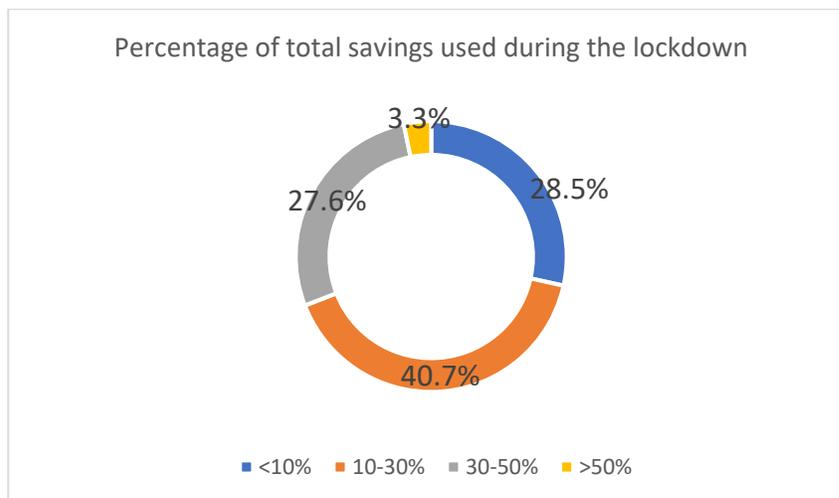
Asked about the period before lockdown, 54.2% of AEs reported allotting 4-6 hours daily to childcare and household chores. For a similar percentage (51.6%), this then grew to 10-14 hours. Around 4% of the women AEs even reported household responsibilities taking up more than 14 hours a day (Graph 7).



Graph 8: Percentage of women AEs participating in unpaid care during lockdown

In addition, 143 women (92.3%) reported doing unpaid care work outside their own households. Such care became even more important during the pandemic. On the one hand, many rural incomes fell significantly. At the same time, paid helpers were unable to get to employers who could have afforded them. The care work involved looking after children and the elderly, cooking, cleaning, etc.

Indian gender norms mean that the burden of unpaid work falls disproportionately on women.



Graph 9: Percentage of women AEs' total savings used during lockdown

Large reductions in income meant that 40.7% of the women used between 10% and 30% of their savings. 27.6% reported using between 30% and 50%.

Recommendations

The findings in this survey lead us to make a number of recommendations. The first group are in public policy, the remainder refer to the AE program.

Policy recommendations

1. **Boost farm-gate infrastructure:** AEs reported an average 30% price drop. Central government has announced a \$15.38 billion fund for farm-gate infrastructure. A targeted approach should be used for its implementation. Small and marginal farmers who have previously lacked access to suitable infrastructure such as cold-chains, storage units, aggregation points, and other such post-harvest management infrastructure should be prioritized during the implementation process.
2. **Support and assist Agri-Entrepreneurs and agri-workers:** AEs who provided Digital Financial Services and Market Linkage services reported greater access to schemes for direct benefits transfer and also greater cushioning from price falls. This suggests that government programs for small and micro entrepreneurs need additional support.
3. **Rethink the First Loss Default Guarantee (FDLG):** The FLDG enables Indian micro-finance institutions to protect lenders' interests, especially in cases of default. Under FDLG cover, lenders can ask for collateral to safeguard their money. Despite the penetration of institutional credit in rural India, farmers still continue to depend for loans on traders, moneylenders and commission agents. FLDG assistance to banks must be implemented for speedy provision of farm loans.
4. **Introduce input coupons:** Responses from 70% of AEs suggested major disruptions in access to inputs. With reduced incomes, many AEs were unable to afford crucial inputs for the upcoming

kharif season. To combat this issue, the government should consider issuing input coupons. Similar to food coupons, these would give lower-income smallholders easier access to required inputs for both the *kharif* and *rabi* seasons.

5. **Accelerate digital transformation:** This would help existing businesses digitalize business operations, optimize resource management and gain customer insights. Such tools would be particularly valuable for AEs to access during any future situation in which mobility is limited. Ensuring that India's farming sector and rural areas are connected to the digital economy should be a major government priority. More investment is required in digital infrastructure (cellular networks, 5G, etc.), making smartphones and digital networks more affordable for lower-income populations, subsidizing digital businesses that serve smallholders, and increasing the uptake of new technologies in agriculture. An additional measurement would be to refine eNAM (National Agriculture Market, a pan-India online trading platform) and make it easily accessible to agri-entrepreneurs, etc. There is a vital need in agriculture to shift from the "Green Revolution" to the "Silicon Revolution".

AE program recommendations

1. **Focus a post-Covid-19 campaign on business restoration:** After the success of the AEs' COVID-19 awareness campaign, the next one should focus on helping AEs overcome heavy business losses. This campaign would, for example, target adoption of low-investment services, design emergency loan products, and create a task force to assist women AEs.
2. **Maximize the number of AEs providing digital financial services:** By providing access to government schemes, AEs can plug a deep gap and increase the efficiency and regularity of aid in reaching smallholders. These services also help AEs to earn a steady income.
3. **Support logistics and storage:** Proven models such as the 'Community Owned Model' for solar irrigation should be adopted in storage and logistics.
4. **Intensify market links:** Market linkage must cater for a larger proportion of the produce. This would reduce the impact on smallholders of price fluctuations. Currently, farmers often have to sell their produce quickly. Close to 75% goes through local traders without AE support. AEs must now promote a 'demand-led' approach, by first meeting local requirements and supplying surrounding markets. With an increase in aggregate demand, total output will likely increase in the long run.
5. **Establish a Response Platform:** AEs would benefit from a platform on which to share information and concerns. This should be a part of AEGF's digital tool design work.

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