IDinsight THE WORLD BANK Development Data Lab

Economic Impacts of COVID-19: Rapid Survey of Rural Households (Round 2)

Executive Summary

This is a high-level overview of the results of the survey of **5,005 households** across six Indian states on the continued impact of COVID-19. The survey was conducted between July 19-23 in **Rajasthan, Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh** and **Andhra Pradesh**. It is the second[1] survey conducted as part of a three-round rapid phone-based sample survey.

EMERGING TRENDS

AGRICULTURE

❖ Land under cultivation has increased and borrowings have reduced this Kharif season vis-a-vis last year. Fertiliser expenditure has also declined but there exists significant heterogeneity across sample.

LABOUR & MIGRANTS

❖ Reverse migration observed during the lockdown has impacted the urban workforce and is expected to continue at least till the next month. However, (rural) labour in non-agricultural sectors are returning to work post lockdown. Wages and work availability have improved since the lockdown but remain suboptimal.

SOCIAL SECURITY & ACCESS TO RELIEF

❖ PDS systems are functioning well in terms of beneficiary coverage and access to entitlements. However, food security persists from the lockdown. MNREGA work availability is also limited.

SAMPLE DESCRIPTION [2]

❖ 58% of households cultivate their own land as their primary occupation. Out of the remaining households, ≈21% report working as daily wage labourers in non-agricultural sectors followed by ≈13% households working as daily wage labourers in agriculture.
❖ 70% of respondents had not graduated from high school.
❖ ≈46% of respondents belonged to the Scheduled Caste and Scheduled Tribe communities.

- ❖ 15% of the respondents for agricultural households surveyed were female. For the remaining modules, 33% of the respondents were female.
- ❖ Approximately 42% of the sample reported self-help group membership, with high membership in Bihar (≈50%), Uttar Pradesh (≈51%) and Andhra Pradesh (≈53%).
- ❖ 23% respondents reported that at least one member of their household was a migrant[3] worker before the lockdown.

AGRICULTURE

- ❖ ~89% of farmers report that cereals are their dominant crop by acreage, compared to ~9% reporting pulses and ~1.5% reporting perishables respectively.

- ❖ On average, farmers have reported a **≈7% increase** in area under cultivation from last year's Kharif season. While 17% of the farmers reported an increase in area under cultivation, 70% of the farmers reported no change in the area under cultivation. This trend is consistent across different cropping patterns and different scales of input expenditure.

- ❖ There was an average **≈6.7% decrease in fertilizer spending** this monsoon season vis-a-vis last year's monsoon, consistent with reported increases in fertilizer prices, but inconsistent with increased planting.
  - ➢ As expected, increases in land under cultivation are positively associated with changes in fertilizer expenditure - a 1% increase in acreage **is associated with only a ≈0.4% increase in fertilizer expenditure** (controlling for state fixed effects, price and application covariates). This suggests that changes in fertilizer expenditure are driven by increases in the amount of land cultivated, but the magnitude of the increase may be attenuated by rising prices.
  - ➢ **Changes in fertilizer expenditure are negatively correlated with previous year's fertilizer expenditure[4],** controlling for numerous covariates. There is significant heterogeneity in fertilizer expenditure change based on the farmer's previous year's expenditure.
    - ■ On average, farmers who were in the bottom quintile of fertilizer expenditure last year (spending ≈Rs.333) reported a **30% increase in fertilizer expenditure.** These farmers also reported a 10.6% increase in land under cultivation (refer to Table 1 in endnote 4) .
    - ■ The size of this increase steeply declines as one moves up farmer fertilizer expenditure quintiles, culminating in a **13% decline in fertilizer expenditure** for farmers in the top quintile of fertilizer expenditure last year (spending ≈Rs.28,660). In terms of changes in area under cultivation from last year, these farmers report a **decrease of 1.5%** (refer to Table 1 in endnote 4).

- ➢ Even though **58% respondents reported no difficulties while buying fertilizers**, farmers reported challenges such as limited stock (~17%) and perception of being overcharged by retailers (~18%), implying that the supply curve has shifted and resulted in an increase in fertilizer prices.

- ❖ Agricultural borrowing has declined by **19% on average** compared to last Kharif while KCC borrowings have declined by 23% on average. Percentage of households reporting borrowing are lower than last year **irrespective of changes in acreage and fertilizer expenditure**.
- ❖ Nearly 37% of farmers did not borrow this season. Nearly 83% of this group cited the availability of personal savings as their main reason for not borrowing funds.

TRENDS IN AGRICULTURE FROM SECONDARY SOURCES

- ❖ As per the latest sowing data released by the Ministry of Agriculture, farmers have in the current kharif (monsoon) season planted 13.9% more area compared to last year's coverage at the same time . Moreover, acreages are higher in all major crops, barring jute.

- ❖ According to Department of Fertilizers dashboard, the all India retailers' DBT sales was 92.31 lacs MT as of July 2020. This is an increase of 34% from July 2019 when DBT sales were 68.69 lacs MT.

Sources: Ministry of Agriculture and Farmers Welfare Press Release May 2020; Department of fertilizers, Government of India Dashboard.

MIGRATION

- ❖ **≈80%** of the returned migrants reported that they intended to stay back at their hometown/village for at least another month.
- ❖ Of the highest earning migrants from each household, **≈64% and ≈ 58%** reported working **zero days** in the first week of May (during lockdown) and June (post lockdown) respectively.

INCOME AND FOOD SECURITY

- ❖ **≈40%** of non-agricultural households reported zero income in **June**, declining from **≈71%** who reported zero income during lockdown in **May**. However, the corresponding percentage was **≈18% for March** which is significantly lower than households reporting zero income in June.

- **47%** of all households that showed **signs of food insecurity**[5] during the lockdown **continue to report being food insecure** after the lockdown was lifted.

- The most commonly cited sign of food insecurity was **limiting portion sizes or reducing meals**. Approximately, **26% of the households** reported doing so in the 7 days prior to the survey due to lack of money or other resources.

RELIEF

- More than **51%** of all households reported receiving some amount of **monetary relief** from the government in June.

- The primary channels of withdrawing the money received were **ATM/ bank branches** (≈45% of respondents reported using them) followed by **Business correspondents (** (≈38% of respondents reported using them).

- **90%** of all respondents received rice, wheat or pulses for **free from PDS shops** in June. On average, respondents reported receiving 22kgs of free wheat and 20kgs of free rice[6].

- Of the respondents who tried to get MNREGA work in June, **≈50% reported receiving no MNREGA work** while ≈33% reported working for some of the days for which they sought it. The remaining ≈17% reported working for all the days for which they sought it.

HEALTH

- Approximately **10%** of all households in Rajasthan and Jharkhand reported **foregoing healthcare services** due to COVID-19-related fears and restrictions.

Foreign, Commonwealth & Development Office

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Endnotes

1. The first survey round was conducted between May 5 -10 and covered 4576 households across 6 Indian states.

2. The sampling frame used in this survey was assembled from three prior IDinsight surveys conducted between 2018-2019, and from a study of the National Rural Livelihoods Programme commissioned by the Ministry of Rural Development. Each of these prior surveys sought to represent distinct populations in different states, and employed sample designs and weighting schemes. In this survey, post-stratification and non-response weights were applied to ensure representativeness is retained while stitching together these frames. More details on the sampling methodology can be provided on request.

3. Migrants are defined as individuals who are a part of the surveyed household, but for employment reasons, have been residing in a different town or village for at least six months.

4. Previous year's fertilizer expenditure is used as a proxy for a farmer's scale of operations. While data on farmers' land size under cultivation, it is indexed in local land units (which can vary across blocks and districts). Converting these to standardised units will require data on local conversion rates. Indices like the PPI index to serve as proxies for household wealth to be used in future analysis.

Table 1: Association between last year fertilizer spending and percentage change in land cultivated, fertilizer spending and amount borrowed between monsoon 2019 and 2020

Quintile (Last year fertilizer spending)	**% change in land cultivated**	**% change in fertilizer spending**	**% change in amount borrowed**
First *(Rs. ~333)*	10.6%	27.8%	-39.2%
Second *(Rs. ~1850)*	9.5%	14.0%	-12.1%
Third *(Rs. ~3960)*	6.0%	1.3%	-18.6%
Fourth *(Rs. ~7900)*	4.4%	-2.7%	-20.2%
Fifth *(Rs. ~28,660)*	-1.5%	-1.2%	-10.1%

5. A household is considered to show signs of food insecurity if at least one of the following is true for any member of the house in the 7 days prior to the survey:
    a. Limited portion size or reduce meals
    b. Ran out of food
    c. They were hungry but did not eat
    d. Went without eating for a whole day

6. The government has announced entitlements of 10 kgs per person through PDS under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKY). Additionally, under the Antyodaya Anna Yojana (AAY), households are also eligible to get an additional five kg wheat/rice per person in addition to their entitlement of 35 kg wheat or rice per month per AAY household.