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POLICY BRIEF

EVALUATING THE RYTHU BANDHU SCHEME: Implications for Small and Marginal Farmers in Telangana – *A Policy Brief*

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Context

Telangana remains a predominantly agrarian state, with a substantial proportion of its population directly dependent on agriculture for livelihood. Nearly 55 per cent of the population derives its livelihood from the agrarian economy, making agriculture central to the state's social and economic structure. Yet, this agrarian economy continues to be shaped by deep-seated structural vulnerabilities, including low agricultural productivity, inadequate access to institutional credit, and insufficient investment in cultivation. These constraints are particularly severe for small and marginal farmers, whose economic viability remains fragile and uncertain. Over the past few decades, the agrarian structure of Telangana has undergone a marked transformation, characterised by the steady expansion of small and marginal holdings. Agricultural Census data indicate that the share of marginal holdings (below one hectare) increased sharply from 38.45 per cent of total holdings in 1970-71 to 64.56 per cent in 2015-16. During the same period, the proportion of operated area under marginal farmers rose from 5.53 per cent to 23.69 per cent. When tenant farmers are included, these vulnerable cultivating groups account for nearly 92 per cent of all holdings, yet they cultivate only about one-third of the land. By contrast, large farmers constitute only 0.16 per cent of holdings while operating 2.25 per cent of total land, with an average holding size of 14.22 hectares compared to just 0.44 hectares among marginal farmers. Tenant farmers, who are frequently underreported in official data, account for roughly 24 per cent of farm households and cultivate about 13.65 per cent of cultivable land. These patterns point to a highly unequal agrarian structure in which the majority of cultivators operate under severe land constraints, limited resource endowments, and precarious conditions of production. It is important to note that the increasing predominance of small and marginal holdings is not unique to Telangana but reflects a broader all-India trend. This shift has been driven by growing demographic pressure on agricultural land, fragmentation of holdings across generations, and policy regimes that have not fundamentally altered the unequal distribution of productive resources. In such a context, the question of agricultural viability becomes inseparable from the issue of access to finance.

Finance occupies a central place in agricultural production. In a sector marked by high risk, uncertain returns, and seasonal income flows, credit becomes indispensable not only for meeting cultivation expenses but also for sustaining household consumption during periods of instability. Since Independence, the Indian state has introduced a range of policies and institutional mechanisms to reduce farmers' dependence on informal sources of credit. Nevertheless, the persistence and in many cases the deepening of agrarian indebtedness suggests that these interventions have achieved only limited success. Findings from the Situation Assessment Survey (SAS) 2019 show that nearly half of all agricultural households in India were indebted, while the average outstanding loan amount rose sharply to ₹74,121, compared with around ₹47,000 in 2013. Evidence from the NABARD All India Rural Financial Inclusion Survey (NAFIS) further indicates a continued rise in rural indebtedness, with the average outstanding debt per agricultural household increasing to ₹1,04,602 in 2021-22. These trends underscore the growing dependence of agricultural households on borrowed capital for both production and survival.

Against this backdrop, the Rythu Bandhu Scheme (RBS) in Telangana represents a major policy intervention in the agrarian sector. Introduced as a direct income support programme for landowning farmers, the scheme was designed to assist cultivators in meeting initial investment requirements and other essential costs of cultivation. As a form of direct financial transfer, RBS has been widely presented as an important milestone in agrarian policy, particularly for its potential to reduce dependence on informal sources of credit such as moneylenders, commission agents, and traders. The scheme thus raises an important policy question: can direct investment support improve the financial resilience of cultivators and reduce their credit vulnerability? At one level, the scheme appears to have been introduced in a context of acute agrarian distress, where indebtedness, rising input

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costs, and unstable farm incomes have often translated into severe livelihood crises. In Telangana, official data on farmers' and tenants' suicides show a declining trend between 2014 and 2023. The total number of suicides, which peaked at 1,358 in 2015, declined sharply to 56 cases in 2023. While this trend may indicate some easing of recorded distress over time, it does not by itself establish the effectiveness of specific policy interventions such as RBS. Nor does it reveal how different categories of cultivators especially small, marginal, and tenant farmers have actually experienced the scheme in relation to credit access, debt burden, and dependence on informal lenders.

This is particularly significant because the design of RBS is not socially neutral. Although the scheme aims to support agricultural production, its benefits are restricted to landowning farmers, thereby excluding a large section of actual cultivators, especially tenants, who often face the greatest degree of production risk and credit dependence. At the same time, some absentee landowners and those who have moved out of agriculture continue to receive benefits under the scheme while also deriving rental income from leased-out land. Such contradictions raise important concerns regarding the distributive implications, targeting efficiency, and actual developmental impact of the programme. Despite the large fiscal commitment involved in the implementation of RBS, limited scholarly attention has been paid to its differentiated impact across classes of cultivators, particularly among small and marginal farmers who constitute the overwhelming majority of the agrarian population. Their constrained access to land, formal credit, irrigation, technology, and market power makes them especially vulnerable to debt and financial instability. In this context, it becomes essential to critically assess whether RBS has merely provided short-term liquidity support or has meaningfully reduced dependence on informal credit and strengthened the viability of cultivation. Against this background, the present study critically examines the implementation and outcomes of the Rythu Bandhu Scheme in Telangana. It seeks to assess the extent of farmers' dependence on informal credit, analyse the differentiated effects of the scheme across categories of cultivators, and evaluate whether RBS has been effective in reducing informal borrowing and enhancing the financial viability of agriculture among small and marginal farmers.

Methodology

The study covered 817 farm households across five districts in Telangana, selected to represent the state's agrarian diversity. Four villages were chosen based on distinct irrigation conditions canal, tube well, tank, and rainfed to assess how irrigation sources and assess how land owned by different social category influence access to the benefits of Rythu Bandhu Scheme (RBS). A structured household survey was carried out in multi-caste villages to examine social, tenancy, and landownership dynamics, including absentee landowners and tenant farmers who are excluded from the scheme.

Selection of Districts, Mandals and Villages

Table 1: Selection of Study Districts, Mandals and Villages

District	Mandal	Village	No. of HH
Bhadradri Kothagudem	Sujatha Nagar	Gareebpet	200
Mulugu	Govindaraopet	Bussapur	114
Nraryanapet	Kosgi	Chennaram	179
Rajanna Sircilla	Vemulawada	Chekkapally	215
Suryapet	Neredcherla	Badaladinna	109
Total			**817**

Source: Field Survey.

Table 1 provides an overview of the study area and households. The study selected 817 farmer households from five districts, representing various regions of Telangana. The Rajanna Siricilla district, representing Telangana's northern region, included 215 farmer households from Chekkapally village in Vemulawada mandal. Bhadradri-Kothagudem and Mulugu districts, chosen from the eastern region, included 114 farmer households from Bussapur village in Govindaraopet mandal and 200 farmer households from Gareebpet village in Sujatha Nagar mandal, respectively. To represent Telangana's southern region, 109 farmer households were selected from Badaladinna village in Neredcherla mandal, Suryapet district. The Narayanpet district, representing the western region, included 179 farmer households from Chennaram village in Kosgi mandal. First, the survey encompassed a diverse representation of castes among the 817 households. Data collection aimed to provide insights into the agrarian structure in the village, implementation of the RBS, and its impact on small and marginal farmers. The village is used as the unit of analysis, encompassing all landowner and tenant households within the study villages to examine social representation within the village structure.

Key Findings

The study analyzed the farmers' dependence on informal credit sources and whether the implementation of the RBS has reduced the dependence on informal credit sources or not. In addition, it is critically examined the Rythu Bandhu Scheme (RBS) and suggested to the policy makers on the overall agriculture policy of the state in order to assess the impact of RBS. Across the four study villages (N = 817), caste-wise analysis reveals stark disparities in landholding. SC farmers remain overwhelmingly marginal and small cultivators (75.9%), with only 0.9% represented among large farmers. In contrast, ST farmers are more evenly distributed across marginal to medium categories, indicating relatively better land access. BC farmers are concentrated in the semi-medium group (35.4%), while OC farmers report the highest share of large holdings (11%).

Table 2: Area Covered and not Covered under RBS by Land Size Class in Surveyed Area

Land Size Class	Area covered under RBS (in acres)	Area not covered under RBS (in acres)	Own land in acres
Marginal Farmer (less than 1acre)	118 (69.41)	52 (30.59)	170 (100)
Small Farmer (1.1 to 2 acres)	261 (72.10)	101 (27.90)	362 (100)
Semi - Medium Farmer (2.1 to 5 acres)	696 (70.88)	286 (29.12)	982 (100)
Medium Farmer (5.1 to 10 acres)	477 (72.05)	185 (27.95)	662 (100)
Large Farmer (10.1 acres and above)	136 (85.53)	23 (14.47)	159 (100)
Total	**1687 (72.28)**	**647 (27.72)**	**2334 (100)**

Source: Field Survey. Note: Figures in parentheses are percentages.

Table 2 presents the data on land covered and not covered under RBS across different land size classes of farmers. The analysis reveals that approximately 27.72% of farmlands are not covered under RBS due to these lands being officially recorded as forest, podu, and community lands. This non-coverage is primarily attributed to the lack of proper documentation, such as Pattadar Pass Books (PPBs), and the failure to enter some of these lands into the online system. For semi-medium farmers, out of a total of 982 acres, 696 acres (70.88%) are covered under RBS, while 286 acres (29.12%) are not. The reasons for this non-coverage include errors in PPBs and the Dharani portal. In the case of small and medium-class farmers, the proportion of land covered under RBS is 72%. However, 27.95% of their land remains uncovered due to documentation issues and inaccuracies in land records. Large farmers experience a different scenario, with 85.53% of their land being covered under RBS and only 14.47% not covered. The reasons for non-coverage in this category include non-linking of Aadhaar, bank accounts, and PPBs, as well as the unavailability of proper documentation. This analysis underscores significant disparities in RBS coverage across different land size classes, highlighting the need to address documentation and administrative challenges to ensure more comprehensive and equitable access to the benefits of the scheme.

Indebtedness continues to constitute a major structural driver of agrarian distress and farmer suicides in Telangana. In this context, the introduction of the Rythu Bandhu Scheme (RBS) appears to have contributed to a notable decline in dependence on informal credit among several categories of landholding farmers. Between 2015 and 2020, the share of informal borrowing declined from 84.7 per cent to 70.2 per cent among small farmers, from 82.5 per cent to 62.1 per cent among medium farmers, and from 78.1 per cent to 64.9 per cent among large farmers. These figures indicate a substantial reduction of nearly 14 to 20 percentage points across these categories. However, the experience of marginal farmers stands in sharp contrast. Their dependence on informal credit declined only marginally, from 91.8 per cent to 90.8 per cent, suggesting that RBS has had only a limited effect in easing their credit constraints. This pattern indicates that while the scheme has improved liquidity support for relatively better-positioned landholders, it has not adequately addressed the deeper financial vulnerability of the most resource-poor cultivators. Although the Rythu Bandhu Scheme is designed as a universal input support programme for all landowning farmers, village-level evidence reveals significant gaps in its actual coverage. Small and marginal farmers together constitute 84.4 per cent of landholders in the study villages, yet semi-medium farmers account for the largest share of operated area, at 41.07 per cent, making them the principal beneficiaries of the scheme in practice. Despite its formally inclusive design, as much as 26.8 per cent of owned land across the study villages remains outside the ambit of RBS. A range of administrative and land-record-related problems constrain effective coverage, including non-registration in Pattadar Passbooks (PPB), discrepancies between PPB, Aadhaar, and bank account details, and the classification of land as forest, community, wasteland, or non-cultivable in official records. These exclusions are especially pronounced in forest-fringe villages. In Bussapur, nearly 60 per cent of land classified as forest is excluded from RBS benefits, while in Gareebpeta, 343 acres, accounting for 58.4 per cent of land, remain outside the scheme for similar reasons.

Overall, the evidence suggests that RBS has improved credit conditions for a section of landowning farmers, particularly those with relatively greater operational holdings, but it has failed to reduce the vulnerability of tenant cultivators and the poorest landholders. Tenants continue to be excluded from direct benefits, remain heavily dependent on informal lenders, and operate within an expanding and increasingly monetised tenancy system. The scheme, therefore, appears to have mitigated credit stress only partially, without fundamentally addressing the structural inequalities embedded in Telangana's agrarian economy.

Key Recommendations

The purpose of this research study is to generate knowledge on the RBS and to influence the policymaking process by evaluating its performance, identifying its shortcomings and leakages, and assessing its impact on agrarian communities.

A). A Redesign of Rythu Bandhu Scheme for Enhance Inclusiveness: The RBS has extended benefits to all landowners regardless of land size, it fails to support tenant farmers. This study highlights the necessity of revising the scheme to include small and marginal landowners and tenants who operate less than five acres, thereby ensuring a more equitable distribution of resources and fostering the long-term sustainability of the agrarian sector.

B). The Imposition of a 5-Acre Limit on Landholdings: The misuse of the RBS has become a significant concern, as substantial amounts of financial assistance have been credited to the accounts of ineligible non-cultivators. These include absentee landowners, owners of fallow lands, open lands, and lands converted into real estate ventures. This misuse highlights the urgent need for a comprehensive revision of the scheme's beneficiary criteria and farmers owning more than five acres would be classified as non-beneficiaries, thereby ensuring that the scheme primarily supports small and marginal farmers who are more vulnerable to agricultural risks.

C). The scheme should not extend support to absentee landowners or non-cultivating owners: A significant limitation of the scheme is that it extends benefits to absentee landowners and non-cultivating owners, many of whom are non-residents, salaried government employees or individuals engaged in non-agricultural occupations. Although they are not directly involved in cultivation, they continue to receive scheme benefits solely on the basis of land ownership. In most cases, such absentee landowners lease out their land on fixed rent in order to avoid the risks associated with cultivation, including natural calamities, yield uncertainty, and market fluctuations. As a result, they are able to derive income both from lease rent and from public financial support under the scheme, while the actual cultivators who bear the production risks often remain excluded. This raises serious concerns about the equity and targeting efficiency of the scheme.

D). Exclusion of Certain Areas of Tribal Lands under the RBS: Adivasis are not benefiting from the RBS due to the lack of clear land titles. Consequently, the scheme has excluded some of the most deprived agrarian communities, who are the actual cultivators in the state. Consequently, more than 51.5% of tribal lands in the study areas are excluded from the scheme. Podu farmers, who own around four lakh acres of podu lands in the state, are particularly affected by this exclusion. It is crucial to ensure that tribal lands are included in the scheme. Furthermore, it is essential to resolve administrative hurdles such as the linking of Aadhaar, bank accounts, and PPBs to enable proper documentation and inclusion of all eligible farmers.

E). The Importance of Identifying Tenant Farmers, Agricultural labourers and Officially Documenting Information: The state of Telangana has not mitigated the issue of farmer suicides, particularly among tenant farmers who remain especially vulnerable. Tenancy land comprises 23 percent of the cultivable land in Telangana. A significant problem identified is the lack of proper documentation regarding the number of tenants and the extent of land under tenancy and agricultural labourers at both the village and mandal levels. It is imperative to identify tenant farmers at the village level. The absence of accurate records hampers effective policy implementation and support for these farmers.

Conclusions

Although the Rythu Bandhu Scheme (RBS) has extended financial support to all landowning farm households irrespective of land size, the evidence reveals several critical limitations that constrain its effectiveness and equity. Persistent problems in linking Aadhaar, bank accounts, and Pattadar Pass Books (PPBs), along with errors and inconsistencies in the Dharani portal, have resulted in the exclusion of many genuine cultivators, particularly Adivasis and other vulnerable groups, from accessing the scheme's benefits. These implementation failures underscore the need for substantial institutional and administrative reforms to improve the accuracy, transparency, and inclusiveness of the delivery system. At a broader level, the present design of the scheme raises important concerns regarding its distributive logic. By extending support solely on the basis of landownership, RBS continues to benefit absentee landowners who lease out their land on fixed rents and do not directly bear the risks associated with cultivation. Such an arrangement weakens the redistributive and developmental intent of the scheme, as public support is diverted away from actual cultivators who undertake production under conditions of high uncertainty and vulnerability. This calls for a fundamental reorientation of the scheme from ownership-based entitlement to cultivation-based support. A more equitable and effective policy framework would therefore require redesigning RBS to prioritise those who are directly engaged in agriculture, especially small and marginal farmers, tenant cultivators, landless agricultural households, vulnerable farming families, and rural artisans whose livelihoods are closely tied to the agrarian economy. Extending support to actual cultivators rather than absentee beneficiaries would not only improve targeting efficiency but also strengthen the productive base of agriculture in Telangana. In this sense, the future relevance of RBS lies not merely in continuing financial transfers, but in transforming the scheme into a genuinely inclusive instrument of agrarian support. Such an approach would better address the structural inequalities embedded in the rural economy, enhance livelihood security among the most vulnerable sections, and contribute to building a more sustainable, resilient, and socially just agricultural system.

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