

INCOME INVESTMENT PATTERNS

Wolf (1955)<sup>1</sup> wrote that the peasant aims at subsistence, not at re-investment ..... He sells cash-crops to get money to buy goods and services for subsistence and to maintain his social status, rather than enlarge his scale of operations.

The propensity of capital investment in traditional agricultural setting of India does not make the analyst happy for it presents a very dismal state of affairs conforming, in some measure, to what Wolf and Thomas et. al have mentioned above. These investment indices in agriculture are mainly in terms of power - man, animal and machine, and other inputs. Investment is presumed to entail introduction of capital equipment on the farm in preference to labour and animal power and the other elements of modern agricultural technology. A relative issue is the extent of savings and capital formation out of the income increments. How much of this is built up and ploughed back in agriculture or otherwise, is a vital determinant in the context of investment. In industrially advanced countries, farm mechanization has created more possibilities for capital formation. There is a direct link between the level of farm mechanization and the investments. If there is rapid technological change in agricultural organization, it will mean high levels of investments as pre and post conditions, and increased income and employment as its consequences for better

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1. Wolf E.R., Types of Latin American Peasantry; A Belininaj Discussion, American Anthropologist, 1957, 452-471.
  2. Thomas, M.I. et. al. The Polish Peasant in Europe and America University of Chicago Press, Chicago, U.S.A. 1918.

life. Further, what sort of investment will lead to more production and employment is the criterion for any policy of investment.

In the context of farm mechanization, the State has to extend assistance to farmers, most of whom lack farm investment resources. The fact that initially, farm equipment is costly was confirmed by the categorical reaction of the respondents. They, therefore, held that the State should reduce prices of machinery and give loans on easy terms and conditions. That was in response to a specific question concerning government policy in this context. The high cost of machinery due to black market premia paid by the farmer, for reasons of scarcity has been a constraint to the wider use of machine by the farmers most of whom have sufficient resources. Further, the long term benefits of investment in farm machinery are more economical and rewarding as compared to human or draft power. Also the traditional machines in the long, as well as short run, prove costlier than the modern farm machines for reasons of efficiency, proficiency and overall profitability.

One of the motives of the farmers while purchasing tractors was to ensure maximum return of money with a view to increasing yield and augmenting income. Earlier it has been observed that use of machines led to increased income. However, the next and more crucial issue was how this income increment was being utilized as this will indicate the investment trends and

pattern. The assumption was that more of this income increment in recent years was being invested back in the farm per tractor farmer and per unit of land under command. An analysis of the channels <sup>where</sup> ~~shows~~ this money was being siphoned into is the objective of this chapter.

Details of the production and consumption aspects of respondents' families are given below. 21 | 1

Thus, most of the farmers were investing in purchasing various implements and other agricultural inputs. Among the productive expenditure, the order of preference was: agricultural inputs, matching implements, land purchase/levelling work, constructions and other agricultural technology as well as increasing their irrigation resources. Among consumption expenditure, the first three preferences were: education, births and deaths and marriages. Among the socio-cultural aspects, these were: births, deaths and marriages and relatively far less on old debt payment and litigations. It was given out that very little portion of their earned income was being spent on socio-cultural aspects, 75% was invested back in the farm. Surprisingly, in all the productive aspects, except on engine or pumping set, the migrants were spending more than the natives, the differences being sharper on items like building activity, other agricultural machinery etc. In the consumptional aspects also the proportion of income spent was slightly more for the migrants than among the natives. On the whole, it was found that average expenditure increased with increase in land size. The average number of aspects of expenditure was more for the migrants compared to the natives. The

Productive:

Various agricultural inputs (Seeds, fertilizers, pesticides etc.)	46 (97.87)	34 (100.00)	13 (92.86)	9 (100.00)	6 (100.00)	30 (100.00)	78 (97.50)	108 (98.18)
Matching implements for tractor.	41 (87.23)	33 (97.06)	12 (85.71)	9 (100.00)	6 (100.00)	30 (100.00)	77 (96.25)	107 (97.27)
Land purchased/improvement.	42 (89.36)	31 (91.18)	11 (78.57)	9 (100.00)	6 (100.00)	28 (3.33)	71 (86.25)	99 (90.00)
Construction of store, shed, house.	33 (70.21)	29 (85.29)	11 (78.57)	9 (100.00)	6 (100.00)	28 (93.33)	60 (75.00)	88 (80.00)
Other agricultural machinery	14 (29.79)	17 (50.00)	4 (28.57)	7 (77.68)	3 (50.00)	19 (63.33)	26 (32.50)	45 (40.91)
Tubewell/pumping set.	9 (19.15)	1 (2.94)	4 (28.57)	1 (11.11)	2 (33.33)	4 (13.33)	13 (16.25)	17 (15.45)
Others	5 (10.65)	6 (17.64)	4 (28.56)	3 (33.33)	2 (33.33)	5 (16.67)	15 (18.25)	20 (18.02)

Consumptional:

Education of children	45 (95.74)	33 (97.06)	12 (85.71)	9 (100.00)	6 (100.00)	30 (100.00)	76 (95.00)	106 (6.36)
Expenses on births and deaths.	39 (82.98)	28 (82.35)	12 (85.71)	9 (100.00)	4 (66.67)	26 (86.67)	67 (83.33)	93 (84.55)
Marriages	38 (88.85)	30 (88.24)	9 (64.29)	9 (100.00)	5 (83.33)	27 (90.00)	64 (80.00)	91 (82.73)
Litigations	5 (10.64)	8 (23.53)	4 (28.57)	4 (44.44)	4 (66.67)	13 (43.33)	12 (15.00)	25 (22.73)
Old debt payment.	6 (12.77)	4 (11.76)	2 (14.29)	2 (22.22)	0 (0.0)	4 (13.33)	10 (12.50)	14 (12.74)

Total No.  
Average

328  
6.97

254  
7.47

98  
7.00

82  
9.00

50  
8.33

244  
8.13

568  
7.11

812  
7.38

farmer was conscious of limiting spendings on social obligations and the far-reaching positives of expenditure on productive enterprises. It is now realised that economic obligations necessitate financial commitments at a point of time unlike in the social spheres where there was flexibility in time and in magnitude; also, expenses could be reduced as well as increased depending on the situation which was not always the case in economic aspects. 'Money spent on farm brings more money' is being realised increasingly by the farmers.

To spell out prospective trends in investment patterns on farm machinery, the farmers were asked to mention the implements for agricultural work which they were intending to purchase in the near future. The responses were as given in table 4/2.

It is axiomatic for quantum of expenditure to escalate in conformity with availability of extended resources. This study bears this out considerably with greater focus on agricultural expenditure. McMillan found that investment in farm-land, buildings, livestock, implements and machinery varied directly with the degree of farm mechanization. He also found that the amount of gross farm income and farm mechanization were correlated to a marked degree.

As is evident by the preceding sections, the conditions of farm land among the mechanized farmers had improved, more land area came to be commanded for agricultural production and substantial investment in cattle sheds and various structures for storing the produce. Most of them had gone for improved agricultural technology and education of children and other equally

4/2

PROSPECTIVE INTENTIONS TO PURCHASE IMPLEMENTS AS PER SIZE OF HOLDING

A	B	C	D	E	Total		Grand Total
					Migrants	Natives	
12 (25.53)	16 (47.06)	4 (28.56)	3 (33.33)	1 (16.67)	10 (33.33)	26 (32.50)	36 (32.73)
9 (19.15)	10 (29.41)	4 (28.56)	2 (22.22)	0 (0.0)	7 (23.31)	18 (22.50)	25 (22.73)
8 (17.04)	4 (11.76)	2 (14.28)	0 (0.0)	0 (0.0)	5 (16.65)	9 (11.25)	14 (12.73)
6 (12.76)	6 (17.65)	2 (14.28)	0 (0.0)	0 (0.0)	2 (6.66)	12 (15.00)	14 (12.73)
6 (12.76)	6 (17.65)	2 (14.28)	1 (11.11)	1 (16.67)	2 (6.66)	14 (17.50)	16 (14.55)
6 (12.76)	2 (5.88)	4 (28.56)	3 (33.33)	2 (33.34)	6 (19.98)	11 (13.75)	17 (15.45)
4 (8.52)	7 (20.29)	1 (7.14)	1 (11.11)	1 (16.67)	2 (6.66)	12 (15.00)	14 (12.73)
4 (8.52)	4 (11.76)	1 (7.14)	1 (11.11)	0 (0.0)	2 (6.66)	8 (10.00)	10 (9.09)
4 (8.52)	2 (5.88)	2 (14.28)	1 (11.11)	1 (16.67)	4 (13.32)	6 (7.50)	10 (9.09)
4 (8.52)	2 (5.88)	1 (7.14)	1 (11.11)	2 (33.34)	4 (13.32)	6 (7.50)	10 (9.09)
4 (8.52)	2 (5.88)	1 (7.14)	2 (22.22)	2 (33.34)	4 (13.32)	7 (8.75)	11 (10.00)
3 (6.39)	0 (0.0)	0 (0.0)	1 (11.11)	0 (0.0)	2 (6.66)	2 (2.50)	4 (3.64)
2 (4.26)	1 (2.94)	0 (0.0)	0 (0.0)	0 (0.0)	1 (3.33)	2 (2.50)	3 (2.73)
2 (4.26)	1 (2.94)	1 (7.14)	0 (0.0)	0 (0.0)	1 (3.33)	3 (3.75)	4 (3.64)
2 (4.26)	0 (0.0)	1 (7.14)	0 (0.0)	1 (16.67)	2 (6.66)	2 (2.50)	4 (3.64)
2 (4.26)	0 (0.0)	0 (0.0)	1 (11.11)	1 (16.67)	2 (6.66)	2 (2.50)	4 (3.64)
2 (4.26)	1 (2.94)	0 (0.0)	0 (0.0)	1 (16.67)	2 (6.66)	2 (2.50)	4 (3.64)
1 (2.13)	0 (0.0)	0 (0.0)	1 (11.11)	1 (16.67)	1 (3.33)	2 (2.50)	3 (2.73)
0 (0.0)	2 (5.88)	1 (7.14)	0 (0.0)	1 (16.67)	2 (6.66)	2 (2.50)	4 (3.64)
0 (0.0)	0 (0.0)	1 (7.14)	1 (11.11)	1 (16.67)	1 (3.33)	2 (2.50)	3 (2.73)
0 (0.0)	1 (2.94)	1 (7.14)	1 (11.11)	1 (16.67)	2 (6.66)	2 (2.50)	4 (3.64)
1 (2.13)	2 (5.88)	2 (14.28)	3 (33.33)	4 (66.67)	6 (19.98)	6 (7.50)	12 (10.91)
82	69	31	23	21	70	156	226
1.74	2.03	2.21	2.56	3.5	2.33	1.95	2.06

Figures in paranthesis indicate percentages

important aspects of productive investment. The farmers told that with the purchase of tractor, they were bound first to purchase complementary accessories and equipments and to defer expenditure on less productive expenditure except where it was essential. Several instances were observed especially among the migrants where they were first investment minded and having attained a sound base in their agricultural enterprise, a part of the increased income was diverted towards expenditure on family and household expenditure. To a large extent, the educated among the natives were becoming investment minded and, in general, all tractor owners were becoming more alert to, and conscious of, the productive guarantees resultant from spending more on farm development and adoption of improved technological know-how.

The pace of farm mechanization is dove-tailed with financial output, is now being gradually realised by the farmers. They are intensely conscious of machine-power and the ultimate reliability on investments in farm infra-structures and inputs. The new agricultural technology is making the farmer investment-oriented and this tendency is likely to gain further momentum if the existing constraints are expeditiously removed.

The farmers intended to purchase many other implements but for the various constraints like those of available money, getting implements from relatives, borrowing implements from neighbours, implements being very costly and not being available easily. Coverage of area was a prime consideration in this

regard at the initial stages and once it was covered, it was supposed to lead to increased income to be utilized to purchase other agricultural implements.

It was observed that seed-cum-fertilizer drill, thresher, leveller, traylor, additional tractor and cultivator were intended to be purchased by the farmers. Specially, the large land owners were keen to purchase new implements. This shows their consciousness of the utility of increased use of improved and sophisticated agricultural implements. The number of implements which the migrants wanted to purchase was far more compared to the natives. Thus, the tools and implements and those of more importance for work were wanted by migrants than by the natives. The average number of implements intended to be purchased increased with increase in the size of land holdings. Therefore, the issue was not of demand but of supply of implements of genuine make and material and available without manipulations and black-market premia at cheaper rates to the farmers for expanded use of farm machines.

#### DISCUSSION

The income investments due to the use of agricultural machines and other inputs were first being utilized for purchasing other agricultural machines and inputs. There was a tendency to spend preferentially for productive enterprises rather than for non-productive. It was further observed that the educated among the natives were gradually becoming investment minded. The desire to purchase additional implements was very high in the tractor owning farmers. More migrants than the natives wanted to purchase new tools and implements. The average number of

implements intended to be purchased increased with increase in the size of land-holding. Thus, it was seen that there was necessity for substantial investment in farm infra structures and inputs to make the use of modern agricultural technology more meaningful.

The tendency to increasingly invest income increments in productive enterprises found in this study is supported by similar findings of Mishra, 1970 and Nag, 1967. Patel, 1970, Babu, 1970, Shivamaggi, 1970 <sup>who</sup> had spoken of cautious and selective mechanization for reasons of investments and consequences. The farmers desired to invest ~~more~~ more in the farm machines and other inputs. However, an important hinderance was, besides <sup>the</sup> availability, <sup>was</sup> the shortage of finance which similarly/voiced by Jain, 1965, Mishra, 1970, Nag, 1967 and Haldipur, 1970, Kahlon et al. 1966 reported that among the farmers in district Hissar, investment preference was to purchase land, construct house, purchase animals, consumer durables and irrigation etc. Twenty nine per cent of the income increments, he reported, were for draft animal purchased and only 8% were used for purchasing farm tools and machinery. Labour, feed and fodder, accounted for 70% of farm expenditure, he reported.