

Farmers' Distress

Proof beyond Question

It has been five decades since independence, yet several policy initiatives framed by central and state governments do not really reach their intended beneficiaries – the farmers. Recent findings of the National Sample Survey Organisation's 59th round are revelatory of the plight of our farmers; over 48 per cent of them are indebted and nearly two-thirds of the farmers are frustrated with their profession. It is only to be hoped that the results will help in the framing of a long-range farm policy.

R S DESHPANDE, NAGESH PRABHU

Five decades after independence and India still lacks a credible database on farmer households. The National Sample Survey Organisation (NSSO) in its 59th round undertook this special survey, covering 51,770 households, spread over 6,638 villages. Planning the survey involved an elaborate exercise with an expert working group rigorous in framing definitions and concepts. The results of the survey are now available in four volumes: *Indebtedness of Farmer Households*; *Access to Modern Technology for Farming*; *Some Aspects of Farming*; and *Household Consumption Expenditure*.

The results of the NSSO round are quite revealing as regards the current plight of the farmers. The data reveals conclusively that the farmer's situation verges on the pathetic. The distress expressed by the farmers and their leaders is evident, as is the anger, that was held widely responsible for the defeat the National Democratic Alliance government suffered in the last general elections of May 2004. Despite this, there has been little improvement in the situation since then. It can only be hoped that the new data will provide the much-needed policy pointers to improve the farmers' situation. This note discusses a few of these issues.

Extensive Indebtedness

Farmer indebtedness has been singled out as the foremost cause for farmer suicides in a few states. Borrowing during

the farming season and returning the principal with interest at the time of harvest is a routine most commonly followed by farmers over centuries [NSSO 2005a]. Large numbers of loan sharks take advantage of this so as to exploit the situation further. These include the proverbial moneylenders, the intermediaries, and now banks and other financial institutions. Naturally, the expectations held by the farmer during the sowing season are high and framed keeping in mind many parameters such as the weather, availability of fertilisers and their response and quality, impact of pests and diseases, use and effectiveness of pesticides, and above all the product market conditions (harvest season prices) expected to prevail after the season. These uncertainties distance the farmer from the *a priori* expectations during the sowing season, and by harvest time, accumulated debts are quite high. Therefore, the farmer's debt situation perpetuates itself. It is indeed difficult to locate a single farmer who is totally free of debts. The findings of NSSO 59th round clearly shows that 48.6 per cent of the farmers are indebted, and have incurred significant liabilities. The estimated prevalence of indebtedness among farmers was seen to be highest in Andhra Pradesh (82 per cent) and lowest in Uttaranchal (less than 10 per cent). More than 50 per cent of the farmers have availed loans for capital or to meet current expenditures for farming purposes. 58 per cent of borrowing accrues to cultivation and other agricultural activities while the remaining percentage suffices to meet other

consumption needs. In a majority of states, more than half in the farming community rank among the indebted (Figure 1).

Out of the estimated 43.4 million indebted farmer households, 6.9 million indebted households are from Uttar Pradesh, whereas 4.9 million are from Andhra Pradesh. Maharashtra follows close with 3.6 million farmers and West Bengal is not far behind with 3.5 million. The highest proportion of indebted farmers belongs to the other backward castes (OBC) category with 41.5 per cent, followed by the scheduled castes (SCs) with 18 per cent. The distribution is shown in Figure 2.

The largest percentage of indebted farmers is located in the size class of 0.01 to 1 hectare. More than 70 per cent of farmers who own less than two hectares are in the indebted category. The average amount of loans outstanding is Rs 12,585.

The farmers of Punjab borrow higher amounts averaging Rs 41,576, followed by the farmers of Kerala (Rs 33,907) and Haryana (Rs 26,007). Karnataka farmers borrow Rs 18,135 on an average that is very close to the Andhra Pradesh farmers where an average farmer borrows Rs 23,965. These seem to be underestimates. But as the survey reveals, a larger share of borrowing is availed from banks and cooperative societies. Professional moneylenders and traders lend almost 26 per cent of the borrowed amount whereas banks, cooperatives and government sources together lend 55 per cent of the borrowed funds.

Indebtedness is not to be understood as an ingrained habit. However, all through the 1990s, farm business income showed insignificant growth. Average farm business income of 14 states (deflated by Consumer Price Index for agricultural labourers) grew at 1.02 per cent per annum during 1990-91 to 1999-2000 as against 3.21 per cent during 1983-84 to 1990-91 [Sen and Bhatia 2004: 241]. This presents a sorry picture when when one plots the CPIAL along with the index of farm business income on the same base.

Distress among the farmers in the country is indeed a fact and the situation has reached depressing levels in a few states,

Figure 1: Per Cent of Indebted Farm Households

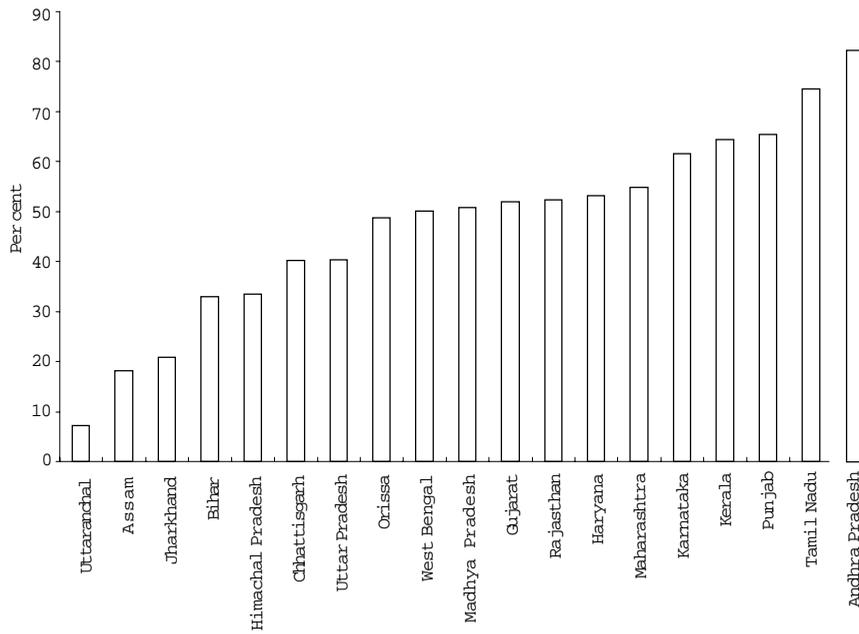


Figure 3: Per Cent of of Indebted Households by Size Class of Land

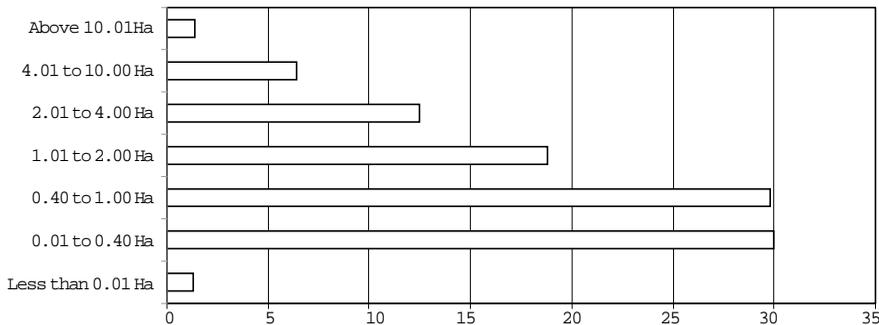


Figure 4: Indices of Farm Business Income and CPIAL

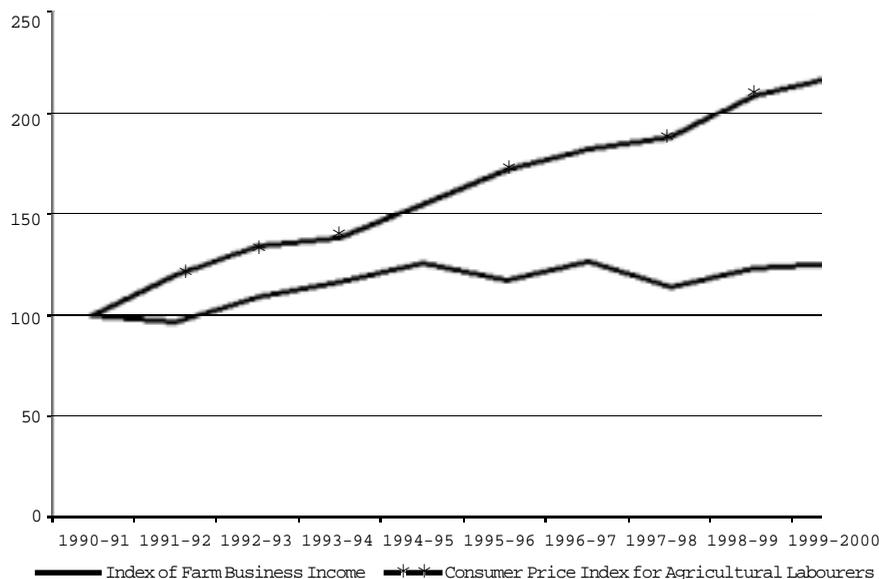
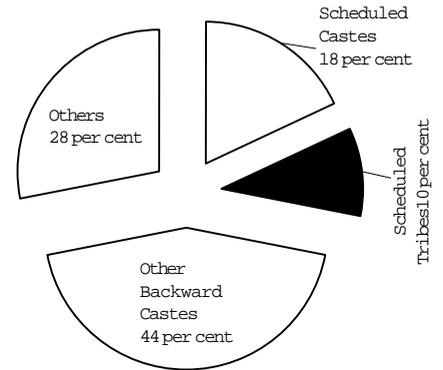


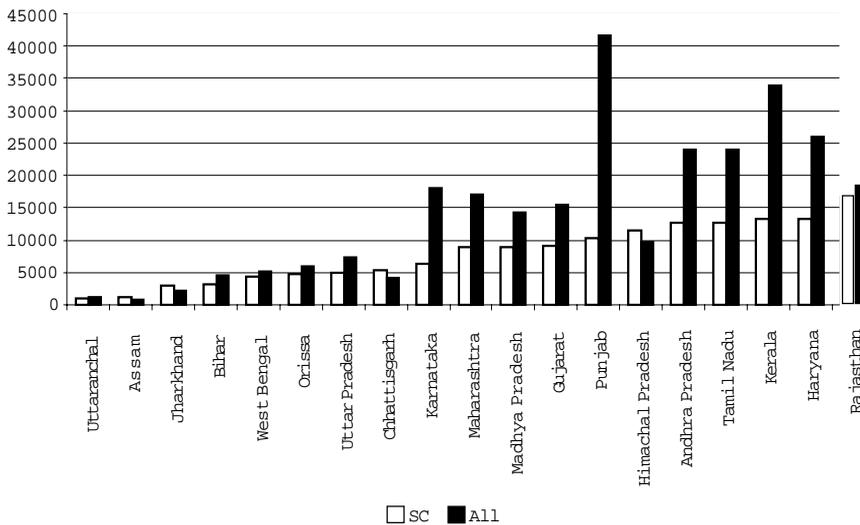
Figure 2: Per Cent of Indebted HHs by Social Groups



including Karnataka, Maharashtra, Rajasthan, Orissa and Assam [Deshpande et al 2004]. Though one cannot draw a direct correspondence between distress in the farm sector and the present spate of suicides in some states farm and farm-related activities have a large stake in explaining these unfortunate occurrences. The absence of any welfare provisions for farmers has persisted for a while now and may affect the economy, if not addressed in time. In a broader economic perspective, farmers who have turned to entrepreneurship and have tried to adopt new ventures are most likely to be discouraged. The absence of safety nets should not crush this entrepreneurial spirit. The phenomenon of inherent discrimination threatens the well being of the farming sector in the future if it is not dealt with in the present. Therefore, the state must come out with a strong safety-net programme, market reforms and ensuring an income for the farmers. The NSSO recommendations go a long way in this direction.

Indebtedness and distress are quite significant among the scheduled caste farmers. It needs no emphasis that it hurts them more than those belonging to other castes. As a result, landlessness among scheduled castes and marginalisation of their holdings has been increasing in recent years. The data reveals that farmers for various reasons do not extensively prefer formal credit institutions. Out of a thousand borrowers, 356 borrow from banks, whereas 309 prefer to borrow from money-lenders and traders. Unfortunately, the survey does not probe deeply into analysing such borrowing preferences. However, it is clear that the hassles involved from borrowing from banks and cooperative

Figure 5: Loan Outstanding for Scheduled Castes and All Farm Households



societies are far cumbersome than borrowing from moneylenders. The difference of interest-rate between the two sources represents the opportunity cost of the hassles and bureaucratic procedures that farmers encounter in the banks and cooperative societies.

Far from Safety Nets

The report on some aspects of farming provides few interesting facts about the farming households. It is evident that about one-third of farmers did not really like farming; because it is not a profitable activity and 40 per cent of farmers are even ready to give up farming provided they could secure some other job [NSSO 2005b]. In sum, almost 70 per cent of the farmers are frustrated with their profession. Development theory texts have argued for long that rural workers should slowly move out of the agriculture so as to provide more opportunities to those who are in the farming. But no one expects 70 per cent of the farmers to express their willingness to opt out of the profession. About 50 per cent of the farmers purchase seeds, whereas 47 per cent use the seeds saved from the earlier harvest. Organic manure is popular not so much due to its acceptance but probably due to cash constraints, as more than 76 per cent of farmers use fertilisers, and 56 per cent use organic manure. Farmers feel unprotected in an uncertain environment and it is quite revealing that only 2 per cent of the farmer are members of any registered farmers' organisation while 71 per cent do not know what the Minimum

Support Price (MPS) scheme is about. The scheme of crop insurance is not popular with the farmers and almost 57 per cent do not know that such schemes exist.

Technology

The report on access to modern technology for farming also brings out a few informative facts. As believed by many, the farmer does not get sufficient information from the extension worker, but it is rather the progressive farmer, who provides information to the farmer and this constitutes the best source as acknowledged by the farming community [NSSO 2005c]. The input dealer is another major source of information, and therefore, the interlocking of input and credit market is not an unexpected outcome. Usually, the input dealer is often blamed for acting as a moneylender and interlocking the credit and input market, but it is clear that when the state extension agencies fail to perform their task, the others step in to fill the void. This can be blamed on the

inefficiency of the extension agencies and the media's failure to provide farmers with the right information at the right time. New technology is adopted, with the help of information provided by the progressive farmer or input dealer. The extension worker comes after these two major sources.

These reports raise a number of policy issues, which need to be considered so as to correct possible errors that exist at present. But experience also tells us that most of us would critically assess the data, forgetting the fact that this data also provides an excellent opportunity to formulate farmer friendly policies. Being complacent about the performance of certain programmes may not help the farming community. But do we intend to help them at all? That is the question, which needs to be answered; the farmers deserve this at least. [11]

Email: deshpande@isec.ac.in
nagprabhu@yahoo.com

References

Deshpande, R S et al (2004): *State of the Indian Farmer: A Millennium Study – Crops and Cultivation*, Volume 9, Academic Foundation, New Delhi.

National Sample Survey Organisation (NSSO) (2005): 'Situation Assessment Survey of Farmers, Report No 496, Some Aspects of Farming', NSSO, Ministry of Statistics and Programme Implementation, Government of India, New Delhi.

– (2005b): 'Situation Assessment Survey of Farmers, Report No 498, Indebtedness of Farmer Households', NSSO, Ministry of Statistics and Programme Implementation, Government of India, New Delhi.

– (2005c): 'Situation Assessment Survey of Farmers, Report No 499, Access to Modern Technology for Farming', NSSO, Ministry of Statistics and Programme Implementation, Government of India, New Delhi.

Sen Abhijit and M S Bhatia (2004): *State of the Indian Farmer: A Millennium Study – Cost of Cultivation and Farm Income*, Volume 14, Academic Foundation, New Delhi.