

Debt distress and its impact on Farmers' lives

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Abstract

Objective: The present study has tried to develop a thorough understanding of why Indian farmers borrow; the effectiveness of loan waiver announcements; and their impact on farmers' lives; and more critically on farmers' suicides. The Study has also highlighted the "other" factors, which act behind the curtain, but, have a great influence.

Methods/Analysis: The Study is explorative in nature and takes a descriptive form. It has looked into the reasons that have led to farmer distress, the relationship between debt and farmer distress, which culminates to suicides, and the impact of loan waiver on this process, using secondary data.

Findings: The study found that there is no concrete connection between farm loan waivers and farmers' suicides, and farm loan waivers do not necessarily result in reduction in farmers' suicides, and largely, are an electoral agenda. There are various "other" factors, contributing to farmers' debt distress, forcing them to commit suicide, as a last resort, which is not accounted for, at large. These factors include environmental degradation, education expenditures, and health issues and related expenditures.

Policy suggestions: Farm loan waivers need to be supported with augmentative and alternative models to make them a success. These augmentative models include Debt-Swap, Encouraging Food Processing Industry, Alternate Sources of Income and Organic Farming and strategies such as KALIA and can be used as an alternative model to farm loan waiver.

Keywords: Farmer distress, loan, suicide, loan waiver, other factors.

1. Introduction

India is an agrarian economy. Till date, agriculture is the largest employer in the Country. Despite this fact, the farmers of India face varied issues. These include poverty, indebtedness, low productivity, declining growth of agriculture, falling yields, lack of adequate investment, lack of timely availability of input and information, environmental degradation, health expenditure and many more. These issues affect the small and marginal farmers the most, which constitute the major and rising proportion of Indian farmers. Indebtedness is one such burning issue among the farmers of India and has been quoted as the critical cause of farmer distress and farmer suicides. The government understands the gravity of the situation and has, from time to time, launched various initiatives in the form of Farm Loan Waiver to help the food producers of the Nation. Despite the deep understanding that indebtedness among farmers is a major contributing factor to their distress; factors other than agriculture causing indebtedness are never looked into in depth. The present study has tried to understand the nature and reasons, behind borrowings made by farmers and how these borrowing turn to debt. Further, it has discussed how this debt leads to distress and farmers' suicide, with the aim of identifying, if agriculture is the only reason behind farmers' debt-distress resulting in suicide. The Study has also addressed the question of whether loan waivers reduce farmer distress and lead to reduction in farmer suicide. The Study has attempted to bring to the forefront, factors, other than agriculture, which contribute to farmers' debt, adding to distress further.

2. Objectives and Methods

1. To discuss the relationship between debt and farmers' suicide and address the question whether loan waivers reduce farmers' distress and lead to reduction in farmers' suicide

2. To highlight “other” factors contributing to farmers’ debt-distress

Methodology: The present Study is explorative in nature and takes a descriptive form while identifying the reasons that lead to farmer distress, the relationship between debt and farmer distress, which culminates to suicides, and the impact of loan waiver on this process, using secondary data, majorly from National Crime Records Bureau [1].

3. Analysis and Results

The farming community in India has been divided into five broad categories, namely, large farmers, medium, semi-medium, small and marginal farmers. According to the provisional results of Agriculture Census 2015-16 [2], small and marginal land holdings are on the rise, whereas large and medium farmers are declining, across different agriculture Census periods starting from 1970-71 to 2015-16, making small and marginal farmer more vulnerable. The vulnerability of farmers can be attributed to various aspects, especially non-availability of adequate amount of funds to carry out agricultural as well as personal works. Hence, farmers are forced to borrow. It is a common understanding that farmers borrow for three major reasons, namely, cultivation and related activities, social and personal activities, and thirdly to repay previous debt. The first two purposes are productive and generate positive outcomes for the farmer; however, the third purpose is unproductive and simply implies that the farmer is in a debt trap. Also, it must be noted that, farmers take additional loan to finance health issues, as cited by National Sample Survey Office (NSSO) 2013 [3]. Indebtedness for any purpose leads to a lot of pressure on the farmer and his family, causing distress. According to NSSO 2013 [3], about 70% of farmer households have more expenditure than earning, on an average, every month, this forces them to borrow to fulfill the needs and adds to their distress. These borrowings are routed through both institutional and non-institutional sources. When the debt becomes way too much, farmers lose the strength and the purpose to repay the debt, especially, when the borrowing is from the formal channel. These farmers do not worry about the loss of creditworthiness, as they are in no position to repay, but, tend to take further loans to keep financing their needs, leading to a lot of pressure on the farmers, resulting in a great deal of anguish, as they get caught in a continuous cycle of borrowing.

3. Debt- distress and Farm loan waiver

It has been observed that the number of defaulters keep increasing mainly because the loans get used up for unproductive purposes, and more debt needs to be taken. This continuous cycle of indebtedness has been cited as one of the major reasons for farmers’ suicides. In such conditions, when the debt becomes way too much, and the number of defaulters become too large, the government brings in the policy of loan waiver to ease the farmers of the distress and simultaneously, solve the issue of farmers’ suicides. Farm loan waiver was introduced for the first time in India in 1990, by the then Prime Minister V.P. Singh, which was a relief package implemented on all-India basis, with special focus on the small and marginal farmers, wherein, through a one-time payment system, all the loans of the farmers were waived. This package cost the government a huge amount of ₹10,000 crores. This was followed by the, “Agriculture Debt Waiver and Debt Relief Scheme”, which was launched in 2008, by the then Finance Minister, P. Chidambaram. Under this scheme, the government of India waived off ₹52516 crore worth of agricultural debt issued by both commercial and cooperative banks. Such packages were then introduced in the year 2014 and 2017 as well, in different States. Now, the question arises that were these packages really successful in fulfilling their motive of reducing farmers’ distress and reducing farmers’ suicides or were they just apolitical gimmick to satisfy the electoral motive. Table 1 shows the chronology of announcement/ sanction of loan waivers in India. It is not surprising that each of these waivers were either announced just before elections or just after a new government was elected, for instance the 1990 waiver was implemented and elections were held in 1991; the same happened in 2008 and also, most of the parties have loan waivers as an agenda on their respective manifestos, which shows that loan waiver is a popular electoral issue. On the face of it, farm loan waiver seems a policy to satisfy the electoral motive, but its impacts are deep and long lasting.

For instance, the ₹10,000 crore waivers implemented in the 1990, led to a decline in agricultural loans from cooperatives and commercial banks soon after the scheme was declared, as it took these institutions considerable amount of time to write-off the loans waived off, and it took almost nine years to recover completely. Even though, these loan waivers target reduction in farmers' distress, however, the number of farmer suicides paints a different picture. The National Crime Records Bureau presents records of farmers' [1] suicides annually and has cited indebtedness as one of the major causes of farmers' suicides, of the loan waivers. Suicides committed by daily wage earners (20,409) was the maximum, followed by persons engaged in farming sector (11,584) and self-employed persons (11,124), were three major groups out of total 91,528 male suicides. Farming Related Issues (19.5%), Indebtedness (38.7%), Failure of Crop (19.4%), Illness (10.5%) and Family Problems (11.7%) were cited as major causes of farmer/cultivator suicides, during 2015, as stated by Accidental Deaths & Suicides in India 2015 Report [4] of the National Crime Records Bureau. This points out to the fact that loan waivers are missing the target of reducing farmers' distress caused by indebtedness. This fact is proved further, if one looks at the loan waivers and simultaneously, with number of farmers' suicides, case by case. The Agriculture Debt Waiver and Debt Relief Scheme, which was announced in 2008, covered the entire country. If we compare the farmers' suicide records for the years 2007 to 2009, we can conclude that for majority of States and at an all India level, farmers' suicides have increased after the loan waiver, whereas it was expected to fall. For the year 2014, when the waiver was announced in Andhra Pradesh and Telangana, a similar pattern was observed. Hence, it can be clearly concluded that loan waivers are not leading to reduction in distress as farmers suicides are not declining. Benefits from loan waivers are short term and indebtedness continues to crop up the next season, as farmers are never able to repay the loan and further loans are raised by them to fulfill various needs and for unproductive purposes.

The question, which arises next, is that, who actually bears the brunt of these waivers, as they are not hitting the desired target of reducing farmers' distress. The taxpayers and the banks that write off these waivers are the actual bearers of the burden, besides the budget of the government. It can be said that farm loan waivers are financed by the improper channelization of taxpayers' money, which doesn't even reap the desired results, while the political parties who announce the same gain sympathy and public confidence. It also needs to be noted here, what are the "other" factors that play an important role in reducing farmer distress and what can be done alternatively, as loan waivers are not yielding the desired results. Credit, although vital to the farming process, cannot be the only factor. Factors such as environment, health, education, besides timely availability of inputs and technology, proper access to markets, and need for enhanced investment in agriculture, also play a crucial role, but, are never brought to limelight. Simultaneously, alternative and augmentative models to farm loan waiver can be developed to target farmer distress.

Table 1. Loan waiver chronology

Year	State	Government
1990	All India	Janta Dal
2008	All India	Congress
2014	Telangana and Andhra Pradesh	Telegu Desham Party
2017	Uttar Pradesh	Bhartiya Janta Party
	Maharashtra	Bhartiya Janta Party
	Punjab	Shiromani Akali Dal (Announce)
	Karnataka	Congress (Announce)
	Punjab	Congress
2018	Madhya Pradesh	Congress
	Chattisgarh	Congress

Source: Author's Compilation

4. The "Other" Factors

As important as agricultural credit is, when it comes to understanding factors that cause debt related distress in farmers' lives, there are various "other" factors which are contributing to farmers' debt distress and forcing them to commit suicide as a last resort.

These factors include environmental degradation, health issues and related expenditures and education expenditures. Each of these factors have deep rooted existence and impact on farmers' lives hence, need to be brought out in broad day light.

Environmental Degradation: Farming is an environment depend economic activity, especially in India, where agriculture is mostly rain-fed. Post Green Revolution the use of chemical pesticides and fertilizers increased. Through this resulted in food self-sufficiency and creation of buffer stocks; however it, also led to increased need for inputs, increased salinity of the soil, contamination of water and degradation of soil. These fertilizers and pesticides eventually entered the food chain by means of infected food fruits, vegetables, causing health issues among other issues. Further, this increased the farmers' need for credit in order to continuously use the post green revolution method of production. This increased expenditure on agriculture and on health, forced farmers to borrow, leading to distress. Additionally, the buffer stock created was not sold, in the market and even when sold farmers earn meager incomes and are unable to recover the costs of production. The important thing to note, here is that, the consumers pay huge amounts, but, the farmer actually gets a very small payment for his produce. This process also points to the huge network of middlemen, who charge huge sums of commission, adding to the price of the produce. These issues keep recurring crop season after crop season, leading farmers to borrowings, resulting in debt distress, which ultimately forces farmers to commit suicide, when they are unable to take this pressure any more.

Health: The NSSO 2013 [3] report stated that farmers take additional loan to finance health issues, which is a contributing factor to Indebtedness, leading to a lot of pressure on the farmer and his family, causing distress. Farmers' health has been deteriorating because of effect of use of excessive pesticides and fertilizers, and advent of other diseases. Numerous examples, such as cancers in Punjab, Arsenic diseases in West Bengal, can be quoted as an evidence of this unhealthy scenario. The increased occurrence of communicable and Non-communicable diseases has taken a toll on farmers' pockets, leading to catastrophic health expenditures. Their situation is further aggravated because of the non-availability and poor availability of publicly provided health services, leading farmers to private health facilities. These catastrophic health expenditures force farmers to borrow, pushing them deep into debt distress.

Education: In search for better living and better job opportunities, farmers want their children to get educated. The issue is that these children are unable to get access to good quality education, which leads them to poorly paying jobs. The dream of education for their children, hits the farmer in a multi-pronged manner. Firstly, in order to finance education for their children, farmers are forced to borrow, simultaneously, as the family/children are missing to perform as farm labour, the farmer has to employ additional labour to work on the farms, who have to be paid, so the farmer has to borrow, to keep the system running or the farmer himself has to put in more efforts, taking a toll on his health and productivity. As the children are unable to procure well-paying jobs because of poor quality of education, the loans cannot be serviced. This process cumulatively adds to the distress in farmers' lives.

As these factors influence farmers' lives so deeply, there is a need to attend to each of these factors with appropriate policy measures, rather than just announcing farm loan waivers.

5. Alternative/Augmentative Models

Loan waivers need to be augmented to become a success, below are few of the same, Krushak Assistance for Livelihood and Income Augmentation (KALIA): The Odisha Government under the leadership of Naveen Patnaik has launched KALIA Scheme, which could be taken as an example of an alternative strategy as compared to farm loan waiver. It is a comprehensive package for farmers' welfare comprising of benefits to cultivator, landless agricultural households, to marginal and small farmers, landless agricultural households, and vulnerable agricultural households. By using direct benefit transfer the financial assistance will be directly routed to the beneficiaries, of ₹25,00 for cultivation and purchase of inputs; ₹12,500 to landless agricultural households for doing allied activities, and of ₹10,000 to vulnerable agricultural households. Further, the scheme also provides for insurance and provision for taking interest free loans. As this scheme targets various aspects of farming and farm productivity, it can act as an alternative model to farm loan waiver.

Debt-Swap: According to NCRB report of 2015, indebtedness and farming related issues are reported as major reasons of suicides among farmers and cultivators. Agricultural households with small and marginal farm holdings are most indebted as compared to those having large farm holdings. Summing up, it can be concluded that farmers who are small and marginal are more in debt and are victimised. Most of these farmers rely on non-institutional credit and excluded from any farm loan waivers scheme of government. Little work has been done on Debt swap scheme for farmers to convert these non-institutional credits into institutional credit except in some selected area of Karnataka. If it will be implemented on a large scale, it is expected to bring big relief to the farmers, as compared to the interest laden (30-35% on an average) borrowings of moneylenders. Then, more and more Farmers will be counted into the bank's fold and loan will be offered at concessional rate. Although, Debt-Swap seems a prospective augmentative model, it will be interesting to plan and implement it, especially when Indian farmers borrow from both Institutional and Non- Institutional sources.

Food Processing Industry: The buffer stocks that the agriculture sector of our Nation produces have been seen to be lying unsold in the market and rotting without proper storage. This can be stopped if the food processing industry of our Nation becomes active. Hence, there is a need to incentivize the food processing industry to encourage them to become the support system of farming in India. **Encouraging Alternate Sources of Income:** There is a need to reduce the farmers' dependence on agriculture, as it is not generating enough income, to support their lives; in fact it is becoming a cause of their distress. Farmers need to be appropriately incentivized and made aware of the different alternate employment options, which can be performed alongside agriculture without much hassle, and can generate additional incomes to smoothen farmers' lives. These alternative employment options can include sericulture, horticulture, rearing cattle, poultry farming and various others.

6. Conclusion

As discussed above in detail, Indian farmers borrow both for farming and personal needs. Indebtedness has become a major cause of farmer distress and suicide, as farmers are unable to repay the loan whether it is from institutional or non-institutional sources, as they use their borrowings for unproductive purposes and agriculture does not provide with sufficient funds to repay the loans. The government, from time to time, has been announcing farm loan waiver to reduce this distress of the farmers and, in turn, reduce farmer suicides, but, such schemes have failed to hit the target and have become more of a political gimmick, whose bill has to be borne by banks and taxpayers. As this strategy is not producing the desired results, there is a need for understanding causes other than credit that could be causing the same. Alternative and augmentative models to loan waiver model need to be developed and adopted. Simultaneously, it is also important to take a deep plunge into the prospects and challenges brought out by the other factors, including the environment, health and education, as contributors to distress of farmers in India, and curb the spider web network of middlemen. One jacket doesn't fit all, hence, there is a need to develop customized set of policies for different regions, as our Nation is diverse and so are the needs of the farmers.

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Annexure

Table 1. State wise farmer suicides in 2007

State Name	Suicide		
	Male	Female	Total
Andaman and Nicobar	16	0	16
Andhra Pradesh	1508	289	1797
Arunachal Pradesh	14	1	15
Assam	276	2	278
Bihar	78	8	86
Chattisgarh	1264	329	1593
Dadra & Nagar Haveli	17	0	17
Daman & Dui	0	0	0
Goa	0	0	0
Gujarat	289	28	317
Haryana	179	0	179
Himachal PRADESH	14	1	15
Jammu and Kashmir	31	2	33
Jharkhand	101	12	113
Karnataka	1772	363	2135
Kerala	1158	74	1232
Lakshadweep	0	0	0
Madhya Pradesh	1065	198	1263
Maharashtra	3968	270	4238
Manipur	0	0	0
Meghalaya	14	4	18
Mizoram	0	0	0
Nagaland	0	0	0
Orissa	170	70	240
Puducherry	181	16	197
Punjab	86	2	88
Rajasthan	589	29	618
Sikkim	15	6	21
Tamil Nadu	396	88	484
Tripura	0	0	0
Uttar Pradesh	389	97	486
Uttarakhand (Uttarnchal)	18	10	28
West Bengal	878	224	1102
Total>>>>	14486	2123	16609

Source: National Crime Records Bureau; Accidental Deaths & Suicides in India 2007

Table 2. State wise farmer suicides in 2008

State Name	Suicide		
	Male	Female	Total
Andaman and Nicobar	23	0	23
Andhra Pradesh	1747	358	2105
Arunachal Pradesh	12	0	12
Assam	192	5	197
Bihar	62	5	67
Chattisgarh	1491	282	1773
Dadra & Nagar Haveli	12	0	12
Daman & Dui	0	0	0
Goa	6	0	6
Gujarat	441	85	526
Haryana	150	0	150
Himachal PRADESH	150	38	188
Jammu and Kashmir	4	2	6
Jharkhand	64	7	71
Karnataka	1439	298	1737
Kerala	768	52	820
Lakshadweep	0	0	0
Madhya Pradesh	1172	207	1379
Maharashtra	3573	229	3802
Manipur	2	0	2
Meghalaya	9	0	9
Mizoram	0	0	0
Nagaland	2	0	2
Orissa	245	15	260
Puducherry	14	3	17
Punjab	66	0	66
Rajasthan	695	101	796
Sikkim	49	11	60
Tamil Nadu	400	112	512
Tripura	45	5	50
Uttar Pradesh	616	129	745
Uttarakhand (Uttarnchal)	21	7	28
West Bengal	660	99	759
Total>>>>	14130	2050	16180

Source: National Crime Records Bureau; Accidental Deaths & Suicides in India 2008

Table 3. State wise farmer suicides in 2009

State Name	Suicide		
	Male	Female	Total
Andaman and Nicobar	19	0	19
Andhra Pradesh	2016	398	2414
Arunachal Pradesh	12	0	12
Assam	317	24	341
Bihar	85	27	112
Chattisgarh	1417	385	1802
Dadra & Nagar Haveli	15	0	15
Daman & Dui	0	0	0
Goa	4	0	4
Gujarat	498	90	588
Haryana	225	5	230
Himachal PRADESH	24	0	24
Jammu and Kashmir	8	0	8
Jharkhand	159	5	164
Karnataka	1915	367	2282
Kerala	820	76	896
Lakshadweep	0	0	0
Madhya Pradesh	1120	275	1395
Maharashtra	2692	180	2872
Manipur	0	1	1
Meghalaya	16	5	21
Mizoram	33	5	38
Nagaland	0	1	1
Orissa	143	11	154
Puducherry	146	8	154
Punjab	93	4	97
Rajasthan	775	76	851
Sikkim	14	9	23
Tamil Nadu	856	204	1060
Tripura	45	0	45
Uttar Pradesh	524	132	656
Uttarakhand (Uttarnchal)	26	4	30
West Bengal	929	125	1054
Total>>>>	14946	2417	17363

Source: National Crime Records Bureau; Accidental Deaths & Suicides In India 2009

Table 4. State wise farmer suicides in 2013

State Name	Suicide		
	Male	Female	Total
Andhra Pradesh	1554	460	2014

Source: National Crime Records Bureau; Accidental Deaths & Suicides in India 2013

Table 5. State wise farmer suicides in 2014

State Name	Suicide		
	Male	Female	Total
Andhra Pradesh	573	59	632
Telangana	1115	232	1347
Total	1688	291	1979

Source: National Crime Records Bureau; Accidental Deaths & Suicides in India 2014

Table 6. State wise farmer suicides in 2015

State Name	Suicide		
	Male	Female	Total
Andhra Pradesh	468	48	516
Telangana	1205	153	1358
Total	1673	201	1874

Source: National Crime Records Bureau; Accidental Deaths & Suicides in India 2015

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