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Agricultural Indebtedness – Crisis and Revival

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Abstract:-

Royal commission remarked on Agriculture that, "The Indian peasant is born in debt, lives in debt, dies in debt and bequeaths debt." As India is developing country, distress in agriculture sector becomes hurdle in the development process. Indebtedness is that level of debt burden for the individual, which offsets the process of credit recycling, impedes production and productivity and forces a person into a on intractable vicious debt trap. Agricultural indebtedness has always been a major social and economic issues in India, desire the growth of institutional credit to agricultural, indebtedness among farmers persists. As prosperity of India depends on agriculture 58% population are engaged in the agriculture sector for their livelihood. Population depending an agriculture is growing on without growing productivity and therefore per capita income goes down.

Introduction:-

Though the Indian economy accelerating substantially, there has been a distinct slowdown in the agricultural growth. It is worth noticeable that reduction in the share of agriculture in national product but without much reduction in the share of workers depending on it for their livelihood.

This means agriculture sector is absorbing too many people in order to produce too less value. There is over saturation of workers and farmers. Who are depending on ever smaller return from it.

There are two sides of agrarian distress, one is threatens the livelihoods of farmers (especially small and marginal farmers) and other is reduction in agricultural growth accompanied by low profitability.

An average India farmer, who has in work on an uneconomic holding using traditional methods of cultivation and being exposed to the risk of a poor agricultural season is almost always in debt. He is a perennial debtor. Once the farmer falls into debt due to crop failure or low prices of crop or malpractices of moneylenders he can never come out of it. In fact, large part of liabilities of farmers is ancestral debt. Thus along with his landed property, he passes on his debt to the next generation.

Objectives of the study:-

Following are the specific objectives of the present study

- 1) To review the farmers indebtedness in India method in India method adopted.
- 2) To throw the lights on the reasons of indebtedness among Indian farmers.
- 3) To suggest the remedies of agrarian crisis.



Indian Agricultural Indebtedness:-

Indebtedness means obligation to pay money to another party the issue of farmers indebtedness becomes a matter of intense debate, but the root cause of the current crisis is not indebtedness alone, it is just symptom. The reasons behind the indebtedness are motionless agriculture, low market price lock of availability of institutional credit, exploitation from moneylenders etc. Actually there is slight difference between borrowing and indebtedness. As borrowing is the cause and indebtedness has remained burning issue on India mainly due to its socio-economic dimensions and ramifications. After nationalization of private banks there was hope to reduction in indebtedness but agricultural indebtedness still persist, Various factors are responsible for agricultural indebtedness. According to the report of export Group of Agricultural Indebtedness (2007, chaired by R. Radhakrishna) the major reasons for farmers indebtedness are

- 1) Indebtedness of farmers is large because agriculture depends mainly on the monsoon, the return from crop cultivation is not assured most of the time, which ultimately affects the repaying capacity of the farmers.
- 2) Though agricultural credit has increased manifold, most of the farmers depend fully at partly on non institutional sources where the rates of interest are quite high and terms and condition often exploitative.
- 3) The dominance of middle man often prevents the farmers from getting remunerative prices for their produce.
- 4) The farmers do take loans for non productive purposes from moneylenders, which do not yield any income and the interest rate are high leading to indebtedness.

From the above we can conclude that availability of finance is important but not only one solution to revival of agriculture but following points should taken into consideration.

1) Agricultural finance

Agricultural finance is the financing and liquidity services provided to farm borrowers. It is the provision of multiple types of services dedicated to supporting both on and off-farm agricultural activities and business including input provision, production and distribution, wholesale processing and marketing. Most of the times farmers suffers from the problem of inadequate financial state. This situation leads to borrowing from an easy and comfortable source. Professional money lenders were the only source of credit to agriculture before nationalization of banks. They used to charge unduly exorbitant rate of interest and follow serials particles while giving loans and recovering them. As a result, farmers were heavily burdened with debt.

Now a days situation is changed to the some extent due to the easy availability of institutional credit. Government establish national Bank for Agriculture and Rural deployment (NABARD) to assist the rural credit. It does not directly finance farmers and other rural people. It grants assistance to them through regional rural bank cooperative Bank, Commercial Bank etc.

2) Minimum support price (MSP)

MSP is form of market intervention by the government of India to insure agricultural producers against any sharp fall in farm prices. MSP are announced by the Govt. of India at the beginning of the sowing season for certain crops on the basis of the recommendations of the commission for Agriculture cost and prices. It provides assurity of price to farmers. Here all



these process is much influenced by middleman, who exploit the framers so there should be strict control over the working of middleman.

3) Cost of production, demand of loan and supply of loan

Due to increasing rate of inflation, prices of inputs are increasing cost of seeds, fertilizers; wages of labours are now growing fast. In the proportion of cost of input, credit should be available in same proportion to the farmers. Banks should understand the requirement of loan for per cre. If banks is unable to provide loan then farmer divert tot he non-institution credit source which rate of interest is high. There should be proper calculation of demand of loan and supply of loan by considering cost of production.

4) Lack of agricultural education

There should be proper guidance to farmers before sowing the seeds. Sometimes traditional approach of farming result into low productivity. Soil testing is necessary to check the productivity of land. The farmers should be made fully aware of all the produces and benefits of institutional credit schemes. This can be done by educating farmers through awareness camp organised time to time at gram panchayat level.

5) Crop Insurance scheme

Of the various crop insurance schemes at the national level the Pradhan Mantri fasal Bima Yojana is the most ambitious risk mitigation programme for farmers. The yield based National agriculture Insurance scheme (NAIS) was the most widely implemented scheme. There should be special efforts to close the loopholes and so that farmers will take the benefit from it.

6) Loan waiver scheme

Government should adopt loan waiver scheme as well as there should be system to made farmers financial strong. Money should be provided to productive use like farm pond, irrigation facility, high yielding seeds etc. So that farmer will become self sufficient.

These points should be taken into consideration to revival of agriculture and for loan free farmers. There should be new approach towards agriculture as profit making business.

Conclusion:-

From the above secondary data, we can conclude that, for revival of agriculture special efforts of Government are necessary regarding adequate credit facility, higher MSP and loan waiver scheme.

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