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Research Paper

An economic analysis of indebtedness of marginal and small farmers in Punjab

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ABSTRACT : The present study was an attempt to examine the extent and magnitude of indebtedness among the marginal and small farmers across different regions in Punjab. The study found that 80.83 and 84.17 per cent, respectively of the marginal and small farmers were under debt in Punjab in 2005-06. The extent and magnitude of indebtedness was found to be the highest in Region-III, followed by Region-II and Region-I, which reflects that the bulk of marginal and small farmers were living in miserable conditions in the popularly known as cotton belt of the state. It was noted that majority of the marginal and small farmers are still in the clutches of the commission agents. The study suggests that there is a need to deliver more of institutional credit to the marginal and small farmers at low rate of interest with easy repayment facilities. The banking systems also need to be tuned up to serve these particular categories of farmers in a less formal and more user way. There is also a strong need to bring these farmers under the ambit of NREGA so that they can get employment in their villages and will be provided 100 days employment in a year when they are free from the farming. This would certainly increase their income and reduce their indebtedness.

KEY WORDS : Small farmers, Indebtedness, Credit, Assets

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INTRODUCTION

Excessive population, depending mainly on agriculture has resulted in the creation of small farms in underdeveloped economies. This is particularly so when size of operational holding is taken into consideration. The marginal and small farmers account for nearly 80 per cent of the total operational holdings in the country, cultivating about 36 per cent of the total area. Punjab also faces the distressed position with 30 per cent of the marginal and small farmers operating only 8 per cent of the total area. The studies conducted in various regions revealed that although our marginal and small farms are as efficient as large farms, they do not generate sufficient income to sustain the landholder's family. Low levels of income on such farms embroil them into indebtedness. It has been witnessed that in spite of significant increase in agricultural output as well as distribution of credit through institutional sources the problem of indebtedness has been continuing among the rural households in Punjab. The agricultural prosperous states are found to have large number of indebted households compared to their number in less prosperous states. Most of the indebted farming households belong to the category of marginal and small farmers and the predominant source of lending is the professional moneylenders (Lenka, 2005). There are various estimates of indebtedness of Punjab farmers. The total debt of the Punjab farmers was estimated to the tune of Rs. 5700 crores in 1997 (Shergill, 1998), which aggregated to Rs. 9886 crores in 2003 (Singh and Toor, 2005). During 2003 the 55th round of National Sample Survey brought out that 65.40 per cent of the farmers in Punjab are under debt and the average debt per farmer among the indebted farmers stood at Rs. 41576 as compared to Rs. 12535 at the national level. According to the latest study conducted by Punjab State Farmers Commission, the total debt on Punjab farmers has further mounted to Rs. 26000 crores and an average farmer in Punjab is under a debt of more than Rs. 2.5 lakh (Singh *et al.*, 2007). It has been found that on the basis of consumption expenditure, 8.75 per cent of marginal and small farming families were living below the poverty line in Punjab. This figure was 10.83 per cent in case of marginal farmers and 6.67 per cent for