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Research Paper

Agricultural credit problems of marginal and small farmers in Punjab

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ABSTRACT : The present study was undertaken during 2010-11 to highlight the indebtedness level of marginal and small farmers in Amritsar and Gurdaspur districts of Punjab state. The income level of marginal and small farmers was estimated to be significantly less than their total annual expenditure (*i.e.* by 27.8 per cent in case of marginal farmers and 23.7 per cent in case of small farmers). These farmers were under utilizing resources than the recommended levels due to lack of finance and the low investments further lead to low income thereby forcing the farmers to acquire more credit for meeting their financial obligations. The share of institutional credit was only 23.2 and 29.2 per cent of total credit acquired by marginal and small farmers. The poor accessibility of institutional credit to marginal and small farmers was due to various problems such as inadequate credit availability, time consuming and complicated lending procedures etc. The credit was acquired for production purpose, consumption purpose, health care, social/ religious ceremonies etc. Similarly, main reasons for poor repayment capacity of these farmers where diversion of credit for non-productive/ consumption purposes, insufficient net returns, faulty repayment schedules etc. The relationship of socio-economic variables with repayment capacity showed that variables like age, dependency ratio, per capita domestic expenditure and liquor consumption were having negative regression coefficient values indicating positive effect on non-repayment of credit.

KEY WORDS : Indebtedness, Credit acquisition, Repayment capacity, Debt burden, Socio-economic variables

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Introduction

The agriculture sector is presently facing serious ecological and economic crisis in India. The agricultural productivity has nearly stagnated due to resource degradation (soil and water especially) leading to consistent rise in the cost of production or squeezing of profit margins/income levels for farmers (Government of India, 2007). Consequently the growth rate of agriculture sector which was recorded to be 6.63 per cent per annum during the first decade of green revolution has fallen below 2 per cent during the last decade (Economic Survey of India, 2011). The worst affected are resource poor marginal (having land holding less than 1 ha) and small farmers (having land holding less than 2 ha), resulting in high incidences of indebtedness and suicides among them. The most concerning fact is that cases of farmer suicides due to indebtedness reported from states like Maharashtra, Andhra Pradesh, Karnataka, Kerala and Punjab which were considered to be agriculture prosperous states.

The government of Punjab in its report to central government has confirmed 2116 farmer suicides since 1988 due to indebtedness but the actual figure according to unofficial sources is above 40,000 suicides during the last 17 years. The debt burden on Punjab farmers has shot up by a staggering 500 per cent over the past ten years to Rs. 35,000 crores and over 89 per cent of farmers in Punjab were under debt with per farm family debt estimated to be Rs. 1,78,934 and per ha outstanding debt to be more than Rs. 50,000 (Patil, 2012).

Investment on agriculture can help in overcoming the vicious cycle of indebtedness by increasing income level of these farmers, but marginal and small farmers having lack of own financial resources, are devoid of injecting adequate capital from their own sources for transforming agriculture into a viable enterprise. Hence, they rely on credit for mitigating their financial needs. Therefore, in order to have a better insight into the problems of marginal and small farmers regarding