



Volume: 2, Issue: 9, 565-571  
Sep 2015  
www.allsubjectjournal.com  
e-ISSN: 2349-4182  
p-ISSN: 2349-5979  
Impact Factor: 4.342

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## Agricultural indebtedness in India: A comparative analysis of NSSO 59<sup>th</sup> and 70<sup>th</sup> round

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### Abstract

Agricultural indebtedness has always been a major social and economic issue in India, despite the growth of institutional credit to agricultural, indebtedness among farmers persists. This is mainly due to the transcendence of the deficit nature of rural family budgets especially the small holding agriculturists and all other farmers having poor means of income. The unpredictable weather, the burden of old debt, a long time gap between expenditure and income from farming activities, the small size of land holdings, unproductive spending on social-ceremonies, a high rate of illiteracy are some of the important factors responsible for the agricultural indebtedness in India. The study is based on secondary data collected from NSSO 59<sup>th</sup> and 70<sup>th</sup> Round. This paper aims to make comparative analysis of two rounds of NSSO to find indebtedness across states. The data has been analyzed using tables & graphs. If debt is used only to meet the deficit in family budgets and is not utilize for productive purpose, it will entail a dangerous outcome. The amount of indebtedness will go on increasing beyond one's repaying capacity, which will be detrimental to the interest of both, the lender and the borrower. As a result suicide cases are increasing day by day. So; Indian agriculture is backward and this stultifies all talks of agricultural improvements.

**Keywords:** Indebted households, outstanding loan, sources of loan, India

### Introduction

Agricultural indebtedness has always been a major social and economic issue in India, despite the growth of institutional credit to agricultural, indebtedness among farmers persists. The prosperity of India depends on agriculture and 58 per cent population are engaged in the agriculture sector for their livelihood. After independence it was our national requirement that India should self-reliant in agricultural products. To acquire self-reliant status India introduced new scientific approach like green revolution to agriculture. After the Green Revolution and liberalization and globalisation agricultural activities have become high investment in modern inputs. Taking loan for agriculture production is not bad but farmers take loan for unproductive purpose like birth, death, litigation and celebration of religious festival and marriage. As a result debt goes on increasing from generation to generation and agriculture is not making any progress due to heavy indebtedness of cultivator. So; Indian agriculture is backward and this stultifies all talks of agricultural improvements. In India there is a large population of small farmers. They cultivate small piece of land. Their production is small but their need of credit for agricultural operations and household needs are greater. To meet their requirement they take loans mostly from moneylender at a high rate of interest. Farmer takes mostly loan for unproductive purpose. Productivity of the agricultural land is decreasing, cost of cultivation is increasing and burden on small and marginal farmers is increasing. As a result suicide cases are increasing day by day. A productive debt creates its own means of payment but an unproductive debt becomes a burden in as much as the principal and interest go on increasing. Indian agricultural debt in that sense is a great curse to the cultivators. It is the bonds of debt that shackle agriculture." Like a fly in the cobweb, which can rarely escape, like the farmer once caught by the moneylender can rarely come out of his clutches. Loans from the moneylender support the farmer just as the hangman's rope supports the hanged.

### Objectives of the study

- To examine indebted farmer households in each states.
- To find outstanding loan per farmer household.
- To find outstanding loan by source of loan.

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### Methodology

The present study is based on the secondary data. The secondary data have been collected from NSSO 59<sup>th</sup> & 70<sup>th</sup> Round & various books.

### Indebted Farmer Households in Each State:-

According to NSSO 59<sup>th</sup> Round 48.6 per cent farmer households were estimated to be indebted. The incidence of indebtedness was highest in Andhra Pradesh (82.0 per cent), followed by Tamil Nadu (74.5 per cent), Punjab (65.4 per cent), Kerala (64.4 per cent), Karnataka (61.6 per cent) and Maharashtra (54.8 per cent). Moreover, Haryana, Rajasthan, Gujarat, Madhya Pradesh and West Bengal each had about 50

to 53 per cent farmer households indebted. States with very low proportion of indebted farmer households were Meghalaya, Arunachal Pradesh and Uttarakhand. In each of these States less than 10 per cent farmer households were indebted. In NSSO 70<sup>th</sup> Round about 52 per cent of the agricultural households in the country were estimated to be indebted. Among the major States, Andhra Pradesh had the highest share of indebted agricultural households in the country (92.9 per cent) followed by Telangana (89.1 per cent) and Tamil Nadu (82.5 per cent). Assam (17.5 per cent), Jharkhand (28.9 per cent), and Chhattisgarh (37.2 per cent) were the major States with lowest share of indebted agricultural household.

**Table 1:** Estimated number of indebted farmer households in each state

(Figures in Number)

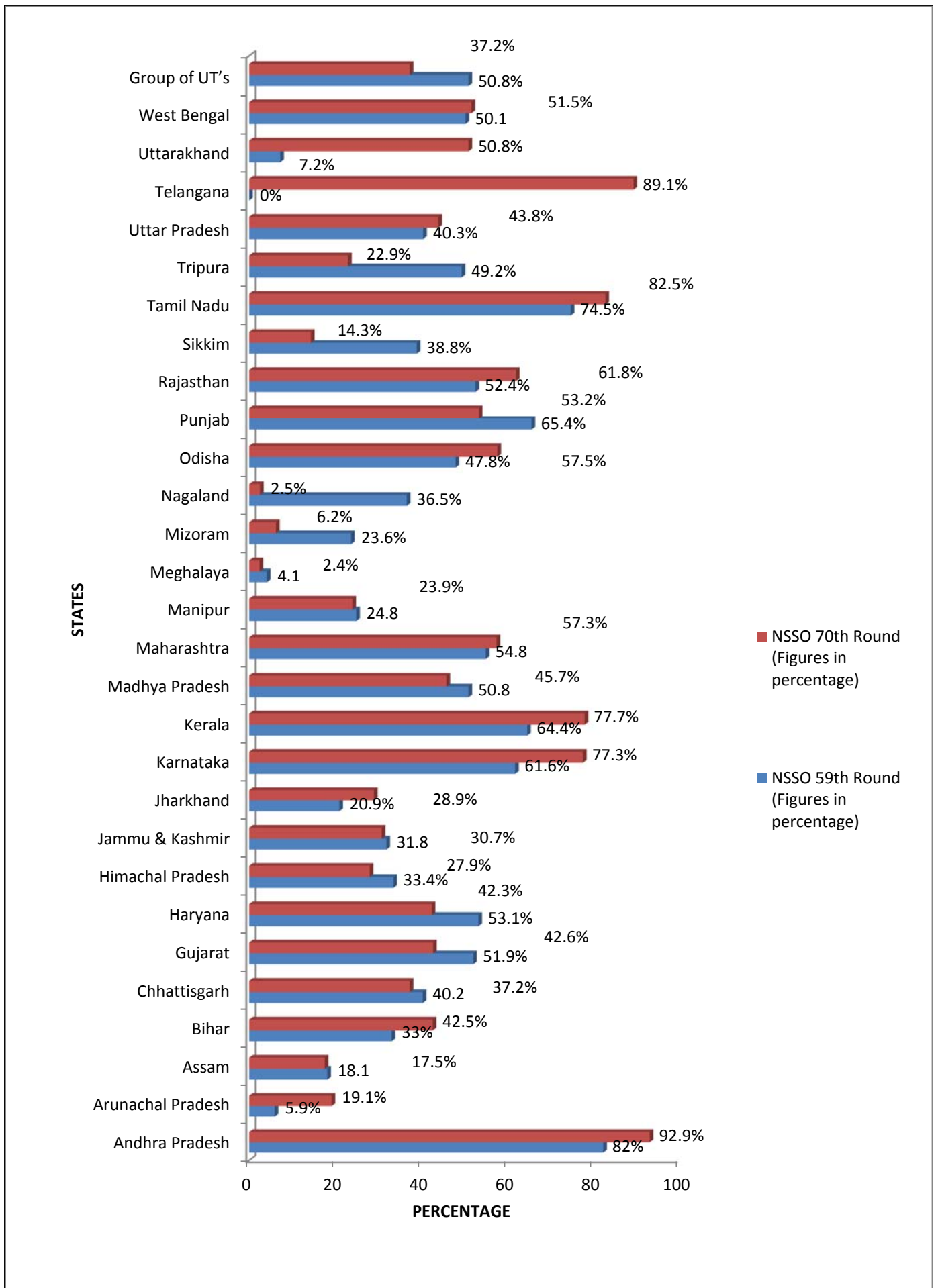
State	NSSO 59 <sup>th</sup> Round	%age	NSSO 70 <sup>th</sup> Round	%age	Increase/Decrease (percentage)
Andhra Pradesh	49493	82	33421	92.9	(+10.9)
Arunachal Pradesh	72	5.9	206	19.1	(+3.2)
Assam	4536	18.1	5995	17.5	(-0.6)
Bihar	23383	33	30156	42.5	(+9.5)
Chhattisgarh	11092	40.2	9538	37.2	(-3.0)
Gujarat	19644	51.9	16743	42.6	(-9.3)
Haryana	10330	53.1	6645	42.3	(-10.8)
Himachal Pradesh	3030	33.4	2457	27.9	(-5.5)
Jammu & Kashmir	3003	31.8	3463	30.7	(-1.1)
Jharkhand	5893	20.9	6464	28.9	(+8.9)
Karnataka	24897	61.6	32775	77.3	(+15.7)
Kerala	14126	64.4	10908	77.7	(+13.3)
Madhya Pradesh	32110	50.8	27414	45.7	(-5.1)
Maharashtra	36098	54.8	40672	57.3	(+2.5)
Manipur	533	24.8	421	23.9	(-0.9)
Meghalaya	103	4.1	84	2.4	(-1.7)
Mizoram	184	23.6	47	96.2	(-17.4)
Nagaland	294	36.5	65	2.5	(-34.0)
Odisha	20250	47.8	25830	57.5	(+9.7)
Punjab	12069	65.4	7499	53.2	(-12.2)
Rajasthan	27828	52.4	40055	61.8	(+9.4)
Sikkim	174	38.8	97	14.30	(-24.5)
Tamil Nadu	28954	74.5	26780	82.5	(+8.0)
Tripura	1148	49.2	559	22.9	(-26.3)
Uttar Pradesh	69199	40.3	79081	43.8	(+10.5)
Telangana	-	-	22628	89.1	(+89.1)
Uttarakhand	644	7.2	5387	50.8	(+36.6)
West Bengal	34696	50.1	32787	51.5	(+1.0)
Group of UT's	372	50.8	267	37.2	(-13.6)
All India	<b>434242</b>	<b>48.6</b>	<b>468481</b>	<b>51.9</b>	<b>(+3.3)</b>

Source: NSSO 59<sup>th</sup> and 70<sup>th</sup> Round.

Note: Figures in parenthesis indicates percentage.

The table-1 shows that indebted farmer households increased in Uttarakhand by 36.6 per cent, Karnataka by 15.7 per cent, Kerala 13.3 per cent, Andhra Pradesh by 10.9 per cent and in Uttar Pradesh by 10.5 per cent and a large share is decrease in

Tripura by 26.3 per cent, Sikkim by 24.5 per cent, Mizoram by 17.4 per cent, Punjab 12.2 per cent and in Haryana 10.8 per cent in 70<sup>th</sup> than 59<sup>th</sup> Round.



Source: NSSO 59<sup>th</sup> and NSSO 70<sup>th</sup> Round

Fig 1: Estimated number of indebted farmer households in each state

**Outstanding Loan per Farmer Household:-**

According to NSSO 59<sup>th</sup> Round the average amount of outstanding loan per agricultural household was Rs. 12,585. The average amount of outstanding loan was highest for Punjab (Rs. 41,576) followed by Kerala (Rs. 33,907) and Haryana (Rs. 26,002). Assam (Rs. 813), Arunachal Pradesh (Rs. 493) and Meghalaya (Rs. 72) were the States with lowest amount of average outstanding loan. According to NSSO 70<sup>th</sup>

Round the average amount of outstanding loan per agricultural household was Rs. 47,000 which was 4times than NSSO 59<sup>th</sup> Round. The average amount of outstanding loan was highest for Kerala (Rs. 2,13,600) followed by Andhra Pradesh (Rs. 1,23,400) and Punjab (Rs. 1,19,500). Assam (Rs. 3,400), Jharkhand (Rs. 5,700) and Chhattisgarh (Rs. 10,200) were the States with lowest amount of average outstanding loan.

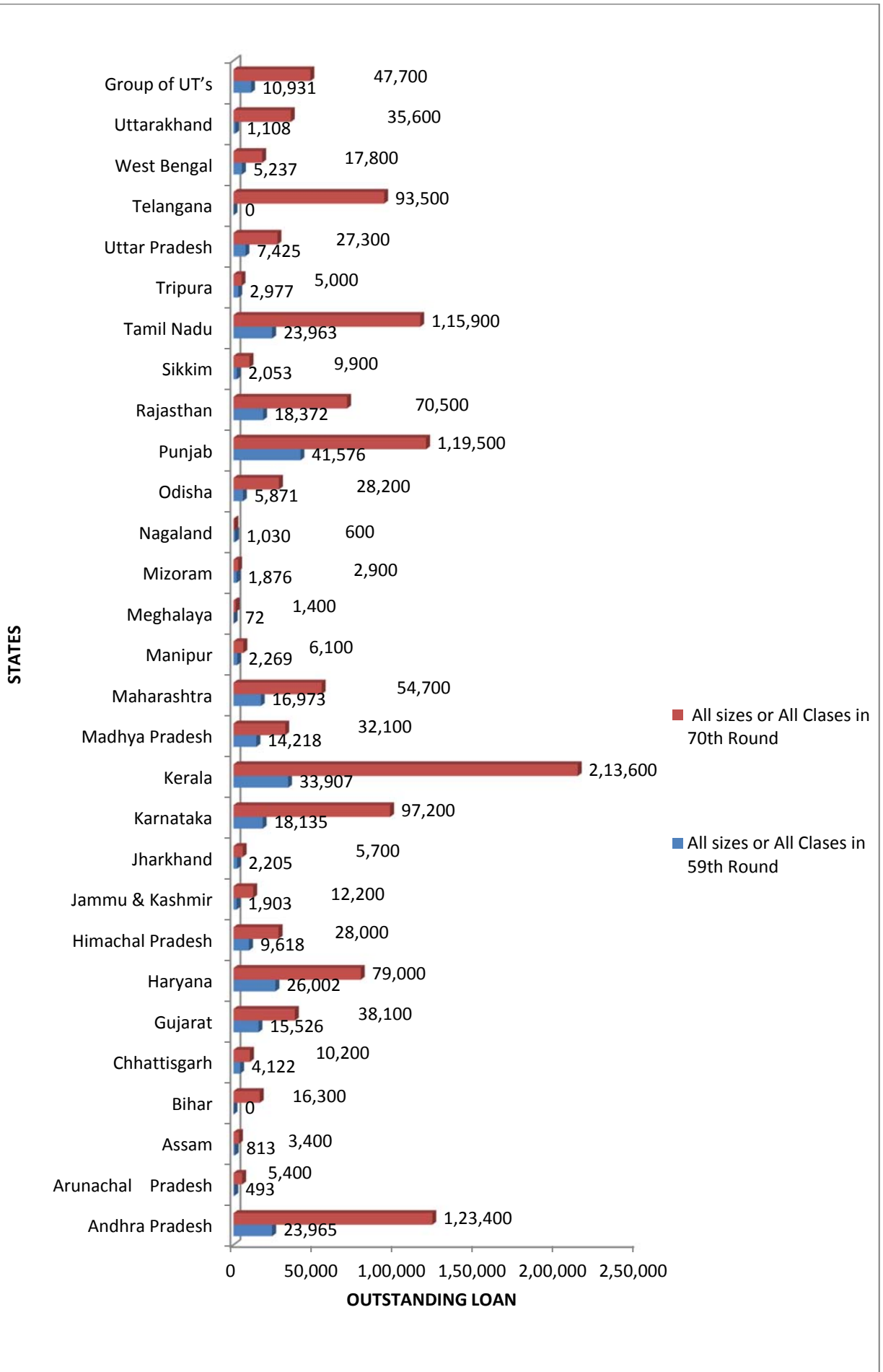
**Table 2:** Average amount of outstanding loan per farmer household*(Amount in Rs.)*

State	All sizes or All Classes in 59 <sup>th</sup> Round	All sizes or All Classes in 70 <sup>th</sup> Round	Increase/Decrease (percentage)
Andhra Pradesh	23,965	1,23,400	99,435
Arunachal Pradesh	493	5,400	4,587
Assam	813	3,400	2,587
Bihar	44,76	16,300	11,824
Chhattisgarh	4,122	10,200	6,078
Gujarat	15,526	38,100	22,574
Haryana	26,002	79,000	52,998
Himachal Pradesh	9,618	28,000	18,382
Jammu & Kashmir	1,903	12,200	10,297
Jharkhand	2,205	5,700	3,495
Karnataka	18,135	97,200	79,065
Kerala	33,907	2,13,600	1,79,693
Madhya Pradesh	14,218	32,100	17,882
Maharashtra	16,973	54,700	37,727
Manipur	2,269	6,100	3,831
Meghalaya	72	1,400	1,328
Mizoram	1,876	2,900	1,024
Nagaland	1,030	600	430
Odisha	5,871	28,200	22,329
Punjab	41,576	1,19,500	77,924
Rajasthan	18,372	70,500	52,128
Sikkim	2,053	9,900	7,847
Tamil Nadu	23,963	1,15,900	91,937
Tripura	2,977	5,000	2,023
Uttar Pradesh	7,425	27,300	19,875
Telangana	-	93,500	93,500
West Bengal	5,237	17,800	12,563
Uttarakhand	1,108	35,600	34,492
Group of UT's	10,931	47,700	36,769
All India	12,585	47,000	34,415

Source: NSSO 59<sup>th</sup> and 70<sup>th</sup> Round.

Note: Figures in parenthesis indicates percentage.

The table-2 demonstrates that the average amount of outstanding loan per farmer household is highest in southern states like Kerala i.e. Rs. 1,79,693 followed by Andhra Pradesh Rs. 99,435 further followed by Telangana and lowest in North-Eastern states like in Nagaland Rs. 430 followed by Mizoram Rs. 1,024 further followed by Meghalaya Rs. 1,328 in 70<sup>th</sup> than 59<sup>th</sup> Round.



(Amount in Rs.)

Source: NSSO 59<sup>th</sup> and NSSO 70<sup>th</sup> Round

Fig 2: Average amount of outstanding loan per farmer household

**Distribution of Outstanding Loans by Source of Loan**

According to NSSO 59<sup>th</sup> Round at all India level, about 59 per cent of the outstanding loans were taken from institutional sources which included Government (2.5 per cent), Co-operative society (19.6 per cent) and banks (35.6 per cent). Among the non-institutional sources, agricultural/professional money lenders (25.7 per cent) had the major

share in terms of outstanding loans. According to NSSO 70<sup>th</sup> Round at all India level, about 60 per cent of the outstanding loans were taken from institutional sources which included Government (2.1 per cent), Co-operative society (14.8 per cent) and banks (42.9 per cent). Among the non-institutional sources, agricultural/ professional money lenders (25.8 per cent) had the major share in terms of outstanding loans.

**Table 3:** Per 1000 distribution of outstanding loans by source of loan

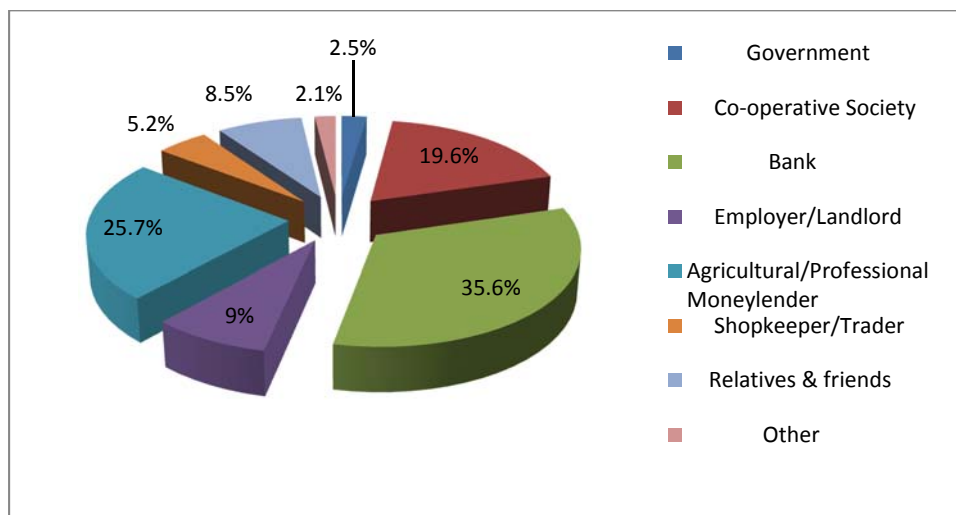
Source of Loan	<i>(Amount in Rs.)</i>				
	59 <sup>th</sup> Round	%age	70 <sup>th</sup> Round	%age	Increase/Decrease (percentage)
Government	25	2.5	21	2.1	(+0.4)
Co-operative Society	196	19.6	148	14.8	(-4.8)
Bank	356	35.6	429	42.9	(+7.3)
Employer/Landlord	9	9	8	8	(-1)
Agricultural/Professional Moneylender	257	25.7	258	25.8	(+1)
Shopkeeper/Trader	52	5.2	29	2.9	(-2.3)
Relatives & friends	85	8.5	91	9.1	(+0.6)
Other	21	2.1	16	1.6	(-0.5)
All	1000	100	1000	100	

Source: NSSO 59<sup>th</sup> and 70<sup>th</sup> Round.

Note: Figures in parenthesis indicates percentage.

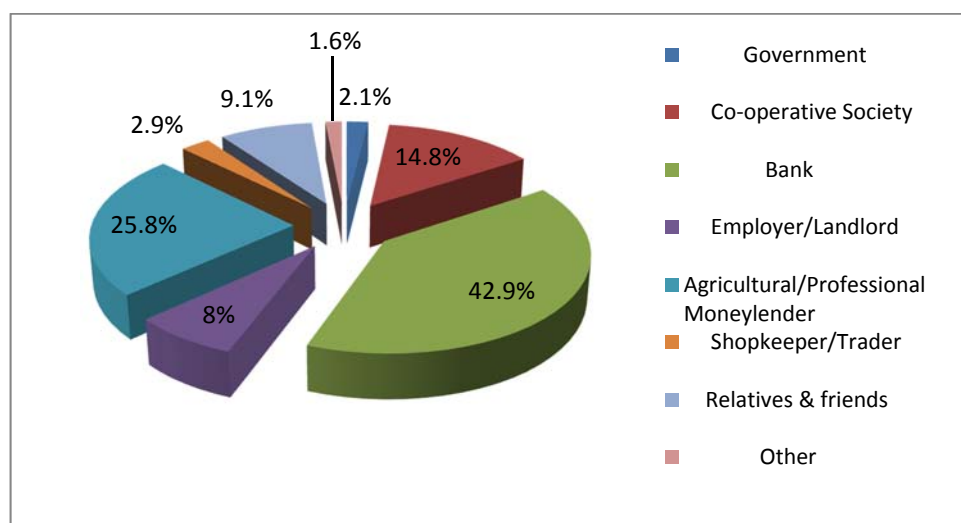
The table-3 indicates that the maximum increase in outstanding loan is in Banks i.e. 7.3 per cent and minimum in

Co-operatives i.e. -4.8 per cent followed by shopkeeper/traders i.e. -2.3 per cent in 70<sup>th</sup> than 59<sup>th</sup> Round.



Source: NSSO 59<sup>th</sup> Round

**Fig.-3 (i):** Per 1000 distribution of outstanding loans by source of loan



Source: NSSO 70<sup>th</sup> Round

**Fig.-3 (ii):** Per 1000 distribution of outstanding loans by source of loan

## Conclusion

It may be concluded from the study that agricultural indebtedness is highest in many states like Maharashtra, West Bengal, Tamil Nadu, Kerala, Karnataka, Andhra Pradesh, Rajasthan and Punjab from the national average of 48.6 per cent. Most of the indebted farmer households belong to the category of marginal and small farmers and are concentrates in the disadvantaged social groups such as SC, ST and OBC. There is need to establish an Agricultural Risk Fund to compensate the loss of farmers due to natural calamities & Kishan Aayog in each state to solve the problems of the farmers. The Govt. should promulgate a bill regarding inclusion of agriculture to concurrent list from state list. There is need to setting up a National Fund for strategic agricultural research & provide credit at 3 per cent. There is need to establish production organisation and organizing the farmers into the collectives/cooperatives so as to negotiate with the changing market conditions & Market Risk Stabilisation Fund to protect farmers from the variations in the prices of crops. The scientist need to visit farms every crop season to check soil and educate farmers about the crops. Relief measures should address all possible risks, the most important being the inadequate income that agriculture provides for the large mass of farmers.

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