NOTE

Farm Debt

Devinder Sharma writes :

Farmers in India have been trapped in debt for ages. Farmers were said to be born under debt and they bequeathed only debt to next generations. Earlier these were money lenders who behaved like sharks, sucked the blood of peasantry, leaving them to nurse their wounds and lead a life of misery.

Relief came in dozes. Now after independence and thanks to Green Revolution that pushed into commercial mode the debt has continued to rise as never before. It is true that the entire indebtedness is not due to farming practices and needs, but major portion is due to that. At times the debt ridden farmer finds no other way but to commit suicide. During the last one decade, over *one lakh and fifty thousand farmers* have taken this route which is both cowardly and brutal.

Average debt per farm household is Rs 1.39 lakh. 72 percent of farm households are more heavily involved in debt. 17 percent cannot pay back even the interest. 60 percent of the debts trapped are small or marginal farmers.

Last decade Punjab has witnessed five times increase in the debt burden of the farmers. A study conducted by a well known economist professor Harjinder Singh Shergill of the Institute of Development and Communication establishes that Punjab farmers who were in debt amounting to Rs 5,700 crore in 1997, now have a debt liability of over Rs 30,394 crore. This is the latest unofficial estimate based on field survey and other data. Now the per farm household debt has become almost three times over these 10 years - from Rs 52,000 per household in 1997 to Rs 1.39 lakh in 2008.

Further, per acre amount of debt has more than doubled over the same period from Rs 5,721 to Rs 13,062.

Professor Shergill has concluded that the outstanding debt component has increased at a faster rate (14.13 percent per year) than total farm debt (8.81 percent per year) over this period. The mortgage debt, however, has declined over this period and may completely disappear in the near future.

Surprisingly, the debt of small and marginal farmers has grown at a slower rate (1.29 percent per year) than the debt of medium and big farmers (2.71 percent per year).

Almost 30 percent of the farm households of Punjab borrowed some money for long-term, non-productive purposes during the agricultural year 2007-08. The average amount of these loans per borrowing farmer was Rs 1.25 lakh, and the per operated acre amount worked out to Rs 12,826.

Northern Malwa farmers borrowed the highest amount of non-productive loans for reasons such as house construction and repair (44.38 percent of total amount), marriages and social ceremonies (41.41 percent of total), and purchase of durable consumer goods (25.41 percent of total). The main sources of these loans were : commission agents and money lenders (54.48 percent of total amount) and commercial banks (28.96 percent of total). The share of Cooperative Credit Institutions in non-productive long-term loans was rather small, being only 3.36 percent.

Interestingly, though not related to the study, but it may be added that the Punjab farmers received only 1.3 percent of the national debt waiver in the form of relief announced by the union government in its last budget. □□□