



International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at <http://www.serialsjournal.com>

© Serials Publications Pvt. Ltd.

Volume 15 • Number 13 • 2017

Indebtedness of Farmer's in Punjab

Neeru Sidana¹ and Ajay Sidana²

¹Assistant Professor (Economics) Lovely Professional University Phagwara, Punjab

²Assistant Professor (Finance) Lovely Professional University Phagwara, Punjab

ABSTRACT

The issue of Farmer's Indebtedness in Punjab has become the central problem of Punjab state. Farmers of Punjab are committing suicides because of heavy indebtedness represents a broader problem. Now the issue of farmer's indebtedness has become a serious problem for Punjab.

Purpose: The purpose of this study to focus on the status of farmer's indebtedness in the Punjab.

Findings: The finding of the study Indicates that the informal source of borrowing plays a dominant role for the different categories of farmers. Debt taken by farmers is used more in unproductive Purposes like in marriages and other ceremonies and more over its ratio is high in scheduled and backward communities in Punjab. Further it is observed that the situation of farm household of state related to social group is in better situation than as compared to India as aggregate. Informal borrowing by farmers of Punjab is having negative relationship with the different range of land holding.

Practical implications: This study also suggests that Punjab government should keep an eye on the informal sources of credit. Farmers should have awareness regarding the use of loan in productive and unproductive activities and government should boost up the co-operative movement in the Punjab state.

1. INTRODUCTION

Punjab's agriculture sector is in crisis and showing signs of sickness by falling productivity and shrinking returns. Farmers are under debt owing to low profitability even small farmers in particular are leaving agriculture. According to Agricultural experts small farmers are working under severe economic constraints their earnings are very low and farmers are indebted — and hence many are compelled to leave farming.

A survey conducted by NSSO in year 2003 entitled 'Situation Assessment Survey: Indebtedness of Farmer Households' to assess the indebtedness of farmers. As many as 65.4 per cent of the farmers are reported to be under debt in Punjab. The magnitude of debt per household was Rs. 41,576, the highest amongst all states. The share of institutional sources was found to be 46 per cent for Punjab in comparison to 55 per cent for all India, which amounts to Rs. 19,125 per farm household from the institutions. This is far less than the actual outstanding of the institutions, which even amounted to as much as Rs. 19,384 per hectare as of March 2003.

According to the latest government survey, 2,116 farmers have committed suicide in Punjab during the last 15 years [Nibber 2004]. However, farmers' organizations like the Bharatiya Kisan Union (BKU) claimed that 13,000 farmers in Punjab had committed suicides during the last five years [Sumbly 2005]. The figure shows a great difference believe it or not the actual number of suicides are more than the figure provided by state government. Major reasons behind the suicides in the state were economic hardship, indebtedness and crop failure [AFDR 2000]. The crisis became so severe that in 2002, the gram panchayats of three villages in Punjab declared their 'Villages for sale'.

Shergill (1997) estimated that the total debt of Punjab farmers was Rs. 5,700 crore. The total debt burden was 32 per cent of NSDP from the agriculture and livestock sector in 1997. The National Bank for Agriculture and Rural Development (NABARD) chair unit at Punjab Agricultural University (PAU) conducted a study on overdue loans and indebtedness in the cotton belt of Punjab during 1998-99 [Sidhu et al 2000]. The average amount of debt in the Punjab cotton belt was Rs 1, 12,63 out of which Rs. 68,119 (60.5 per cent) came from non-institutional sources. The debt burden was so severe that the marginal, small and semi-medium farmers were unable to pay off even the interest payments of outstanding debt, not to speak of any reduction in the debt burden. Singh and Toor (2005) conducted a study to estimate the magnitude and determinants of indebtedness in Punjab in 2002-03. The study estimated that 78 per cent of farm households were under debt. The average debt per household was Rs 92,394, which amounted to Rs 23,406 per hectare. The total debt burden in 2002-03 on Punjab farmers was Rs 9,886 crore. The main focus of the study is to access the situation of farmer's indebtedness in Punjab state.

2. OBJECTIVES

1. To access the position of farmer's indebtedness in Punjab.
2. To analysis the different sources contribution in farmer's indebtedness.
3. To study the role of informal source of credit in determining the relationship between size of land holding and indebtedness of farmers.
4. To Identity the loan utilization pattern of farm households in state.

3. HYPOTHESIS OF THE STUDY

1. There is significantly negative relationship between informal borrowing and different range of land holding by farmers.
2. There is significant difference between indebtedness among different monthly Per capita expenditure classes in Punjab and India.

4. RESEARCH METHODOLOGY

This paper is explanatory in nature. Secondary data is used for achieving the objectives of the study. Data is collected from farmers situation assessment survey (2003), census of Punjab and India (various issues), economic census of Punjab and agricultural statistics at a Glance (2008).The collected analyzed using a wide range of techniques such as mean, C.V. and regression methods

Table 1 shows that rural farm households in Punjab are 29,84,700 which are only 2.01 of the total rural farm household of India as well as urban household in Punjab are 18,44,200 which are 2.06 Percent of the farmhouse hold of India. In the year of 2003, the percentage share of farm households to rural household is 61.7 percent while in India the percent share of household is 60.41 .This figures clearly shows the more dependency of Punjab's rural economy on activities related to farm as comparative to India's rural economy.

Table 1
Estimated No. Of Rural households and farms household

Details	Rural House Holds(Estimated)	Farm House Holds(Estimated)	The Percentage Share of Farm House Hold To Toal Rural Households
Punjab	2755200	1408300	51.1
All India	156144200 (100)	90201100 (100)	57.8

Source: Author's calculation from National Sample Survey report No.498

Table 2
Percentage of farm household belongs to Different categories

Catagory	Punjab	All India
ST	0.4	13.3
SC	31.5	17.5
OBC	16.2	41.5
Others	51.0	27.6

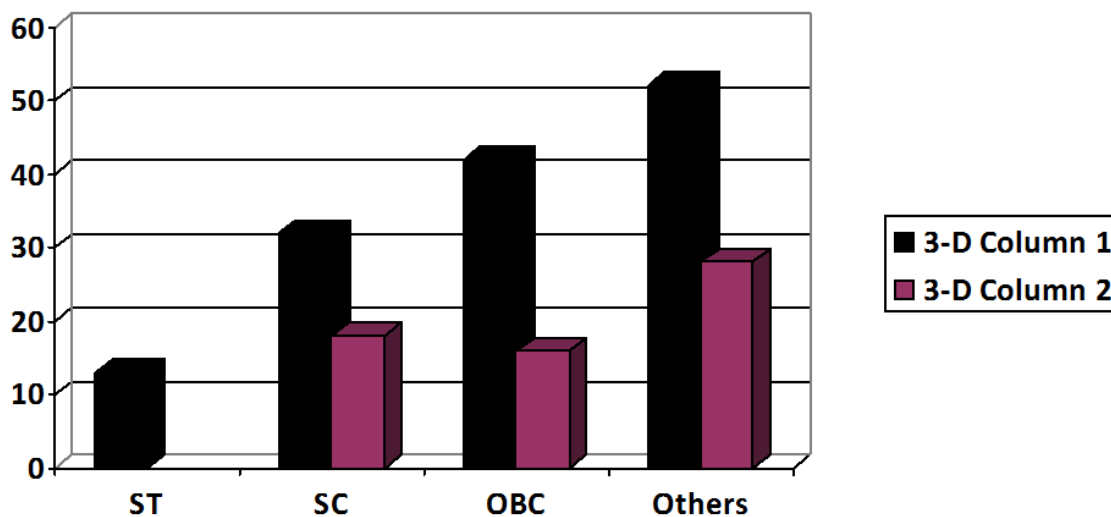


Figure 1: Percentage of farmer household based on Different social group

Figure 1 Depicts the Percentage of households which belongs to farm households of Punjab and India based on scheduled tribe, schedule caste, other backward classes and others. In India ratio

Of ST 13.3, SC is 17.5, OBC is 41.5 and other is 27.50 respectively. So it clearly shows that rural households (belongs to other categories) are in dominating nature. At the same time Farm household belongs to schedule Tribes category plays nil roles.

Table 3
Percentage of farm households based on different ranges of Land holding

<i>Ranges of Land Holding</i>	<i>Punjab</i>	<i>India</i>
<0.01	2.7	1.3
0.01 to 0.40	39.8	29.9
0.41 to 1	10.8	29.8
1.01 to 2.00	15.8	18.9
2.01 to 4.00	17.0	12.5
4.01 to 10.00	11.8	6.4
Above 10.00	2.2	1.2

Source: Author's Calculations from National sample survey report No.498

Table 2 depicts that households particularly related to farm activities which are holding the land ranging between .01 to .40 are majority in numbers in Punjab. The Farmers who are having land between 4.01 to 10.00 are 97.9 in Percentage. This shows that marginal farm households are in dominant in Punjab.

Table 4
Indebted Farm household

<i>Details</i>	<i>Indebted Farm Households(Estimated)</i>	<i>Indebted Farm Households as Percent to Total Farm Households</i>
Punjab	1206900	65.4
India	43424200	48.6

Table 4 represents the indebted farm household's (Estimated) in Totality and percentage of indebted farm households to total farm household of Punjab and indicate ratio of indebted farm household as percent to total household in India is 65.4 and in India this ratio is 48.6. The main reason behind high indebtedness in Punjab is conveniently availability of loan in Punjab .This is because the more bank branches expansion in Punjab as compare to India.

Table 5 shows that share of government, Co-operative banks and Commercial banks (Including RRB) was 3.96,36.7 and 59.2 recent respectively in Farmer's indebtedness in the Punjab ,but in India share of government was 4.33,Co-operative banks was 33.96 and commercial banks including RRB was 61.69 Percent respectively in 2003. Further the contribution of agriculture professionals, traders ,relatives and friends, doctors and lawyers and other are 69.6,15.7,12.09,1.15 and 1.34 Percent respectively.(In case of informal indebtedness) in Punjab and in India the same ratio were 60.61, 12.26, 2.12 and 4.95 percent respectively in 2003.

Table 5
Farm Household's Indebtedness based on distinct origin

Origin of indebtedness	Punjab		India	
	Volume	%	Volume	%
Government	19	3.96	25	4.33
cooperative Banks	176	36.7	196	33.96
commercial banks including RRB	284	59.2	356	61.69
Formal total	479	100.0	577	100
Agricultural professionals	363	69.6	257	60.61
Traders	82	15.7	52	12.2
Relative and friends	63	12.09	85	20
Doctors and Lawyers	6	1.15	9	2.12
Others	7	1.34	21	4.95
Informal total	521	100.0	424	100

Source: Author's calculation from National sample survey Report No. 498

Note: Per 1000 rupees distribution of outstanding loan taken by farmer households in different States by distinct origin of loan.

Figure 4: Share of Different Source of Credit in Farmers Indebtedness

Depicts the share of government Co-operative banks along with regional rural banks, agriculture, professionals, traders, relatives and friends, doctors and Lawyers and others in farmer's Indebtedness was 69.6,36.7,59.2,3.96,1.34 and 12.09 percent respectively in Punjab and in case of India it is 60.61,61.69,33.96,4.33,4.95,2.12and 20.04 Percent respectively in same period.

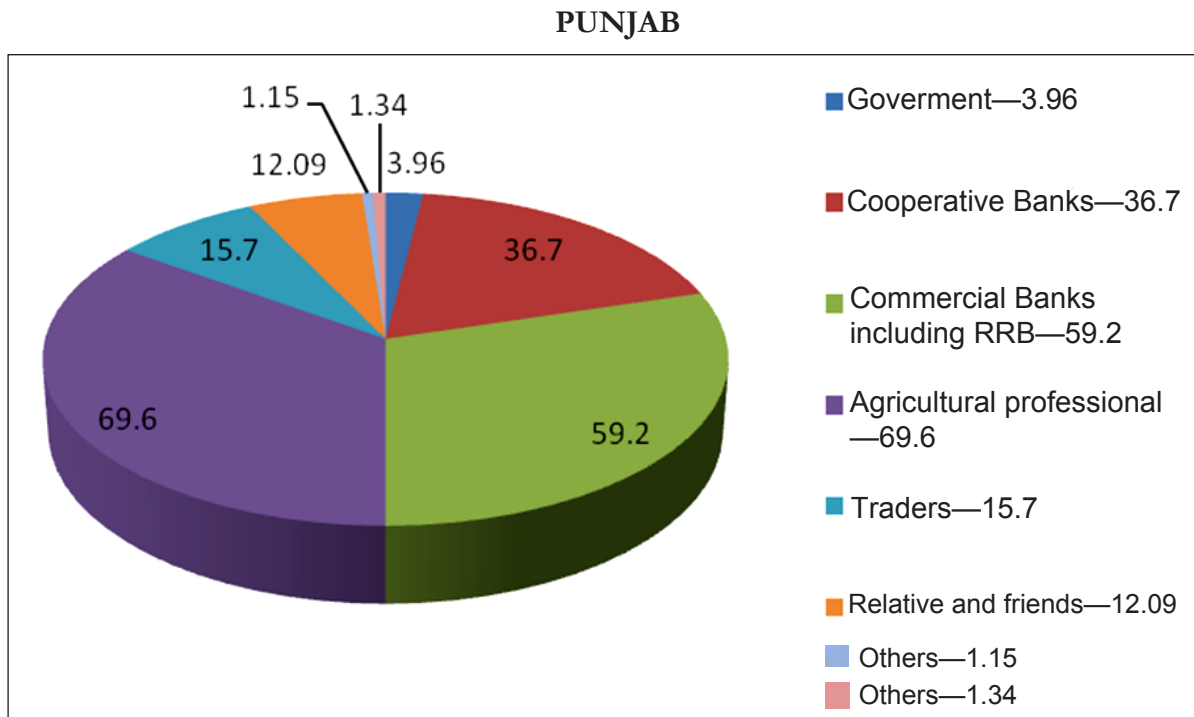


Figure 2

Source: Author's Calculations from National sample survey Report No. 498

INDIA

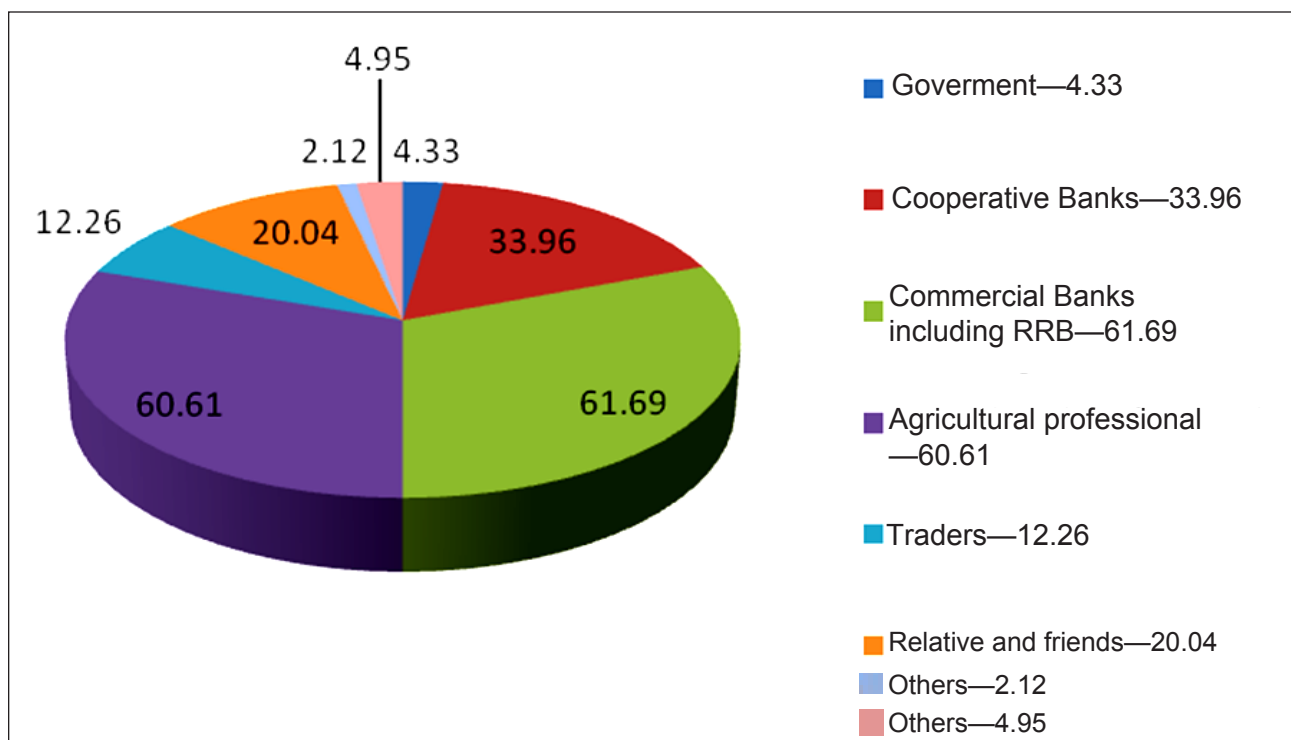


Figure 3

Source: Author's Calculations from National sample survey Report No. 498.

Table 6
Percentage of Different range of Landholdings and Indebtedness based on Source

Range of Land Holding	Punjab			India	
	Formal	Informal	Total	Formal	Informal
<0.01	24.8	75.2	100	22.60	77.4
0.01 to 0.40	29.2	71.0	100	43.30	56.7
.40 to 1.00	65.6	34.5	100	52.80	47.2
1.01 to 2.00	49.1	50.9	100	57.60	42.4
2.01 to 4.00	61.2	38.8	100	65.10	34.9
4.01 to 10.00	47.5	52.4	100	68.80	31.2
Above 10.00	30.1	70	100	67.60	32.4

Source: Author's calculations from National sample survey Report No. 498

Percentage of debt taken by farm households having different range of land by different origin is shown by above table. Table 6 clearly depicts that in Punjab the informal system of credit supply plays an important role from the farm households having size of landholding up to .40 acres and similar situation happens in India also.

Simple linear regression is used model is used to estimate the effect of average range of land holding on Indebtedness considering Informal sources. The model is $Y = \alpha + \beta X + E$ where Y= (percentage of Informal borrowing to total borrowing) X = average range of landholding E = error term.

Box: 1 Relation between Informal Borrowing and Size of Landholding

Ratio of informal borrowing is taken as Dependent variable			
Size of landholding in Punjab is taken as Independent Variable			
Time Period: Year 2003, Types of Cross-sectional Sample:7 ranges of land Size			
Details	Coefficient	t-Statistics	p-value
Value of Constant	1.982	77.882	.000
R-Square	.425/42.5		
Adjusted -R-Square	.467/46.7		
F-statistics	4.98	.038 SE of the Estimate	.17702

The results reveal the negative relationship between average sizes of landholding with informal borrowing in Punjab. The value of R square is .467 or 46.7 percent. It means 46.7percent variation in informal borrowing is arising due to the average size of landholding.

Table 7
Percentage of Loan utilization pattern of Farm Households in Punjab

<i>Range of Land Holding</i>	<i>Formal</i>	<i>Informal</i>	<i>Total</i>	<i>Productive</i>	<i>Unproductive</i>
0.01	24.8	75.2	100	28.5	71.5
0.01 to 0.40	29.2	71	100	27.7	72.3
.40 to 1.00	65.6	34.5	100	77	23
1.01 to 2.00	49.1	50.9	100	68.5	31.5
2.01 to 4.00	61.2	38.8	100	82.2	17.8
4.01 to10.00	47.5	52.4	100	77.2	22.8
Above 10.00	30.1	70	100	98.6	1.4
Average	43.92	53.8	100	65.6	34.3
Minimum	24.8	34.5	100	27.7	1.4
maximum	65.6	75.2	100	98.6	72.3

Source: Author's calculations from National sample survey Report No. 498: Indebtedness of Farmer Households, 2003.

Note: * Percentage of amount of formal loan outstanding of total amount of loan outstanding.

** Percentage of total amount of loan used for income generating purposes out of total loan Amount outstanding

Table 8
Percentage of Loan utilization pattern of Farm Households in India

<i>Size of Land Holding</i>	<i>Source of credit</i>		<i>Purpose of usage</i>	
	<i>Formal</i>	<i>Informal</i>	<i>Productive</i>	<i>Unproductive</i>
<0.01	22.6	77.40	28.5	71.50
0.01 to 0.40	43.3	56.70	35.1	64.90
.40 to 1.00	52.8	47.20	57.1	42.90
1.01 to 2.00	57.6	42.40	69.2	30.80
2.01 to 4.00	65.1	34.90	78.2	21.80
4.01 to 10.00	68.8	31.20	83.2	16.80
Above 10.00	67.6	32.40	81.4	18.60
Average	53.97	46.03	61.81	38.19
Minimum	22.6	31.20	28.5	16.80
Maximum	68.8	77.40	83.2	71.50

Source: Author's calculations from National sample survey Report No. 498: Indebtedness of Farmer Households, 2003.

Note: * Percentage of amount of formal loan outstanding to total amount of loan outstanding.

** Percentage of total amount of loan used for income generating purposes out of total loan amount outstanding. The level of debt of a household based on the utilization pattern of debt. Loan utilization pattern of farmers in Punjab is shown in table 7 and 8. Tables show that on an average 43.2 percent loan amount was used in farm activities by the households in the Punjab. Amount of loan used in farm activities by the farm households in case of India was 61.8 percent in 2003. It could be observed from table that range of landholding is positively related to the productive use of loan in Punjab and India.

Further, NSSO report reveals that amount of loan used by farmers of Punjab in consumption, marriage and for other ceremonies was 19.80 percent and in case of India the same was 18.10 percent.

Table 9
Monthly per Capita Expenditure Classes and farm household Indebtedness

<i>MPCE Class</i>	<i>Punjab</i>	<i>India</i>	<i>Col. (2)-Col. (3)</i>
Col. (1)	Col. (2)	Col. (3)	Col. (4)
0-225	35077	4446	30631
225-255	9009	6127	2882
255-300	12287	8591	3696
300-340	6845	8544	-1699
340-380	24045	9100	14945
380-420	14086	9510	4576
420-470	33254	12873	20381
470-525	37699	15178	22521
525-615	28649	16529	12120
615-775	41333	20537	20796
775-950	71187	27630	43557
950+	77797	39058	38739

Source: Author's calculations from National sample survey report No. 498

Shown in table % = Indebtedness in /Average MPCE and Rank also assigned and shown in brackets.

Indebtedness on farm households according to monthly per capita Expenditure (MPEC) classes of farmers in Punjab as well as of India is shown by table 9. Low indebtedness on farmers who belonged to '225-255' and '300-340' Monthly per capita expenditure class was observed as match to India.

Indebtedness as high on farmers who belong to '255-300' and '340-380' in Punjab and minimum on classes 225-255'. Indebtedness as high on farmers in India on 950 + followed by '775-950' and minimum on '0-255' Monthly per capita expenditure class in 2003.

In order to find the association between huge debt burden on farmers and huge Monthly Per capita Expenditure classes' Correlation coefficient was determined and found to be positive and significant in India as well as Punjab. T- Test is calculated to match up the class of farmers in debt burden in Punjab and in India. The calculated value of T-test is 2.362 while tabulated value is 2.09. So result shows that there is no deviation in Debt burden among different Monthly per capita expenditure classes in Punjab and India, but the issue of debt of Punjab farmers is very much serious in comparison to India.

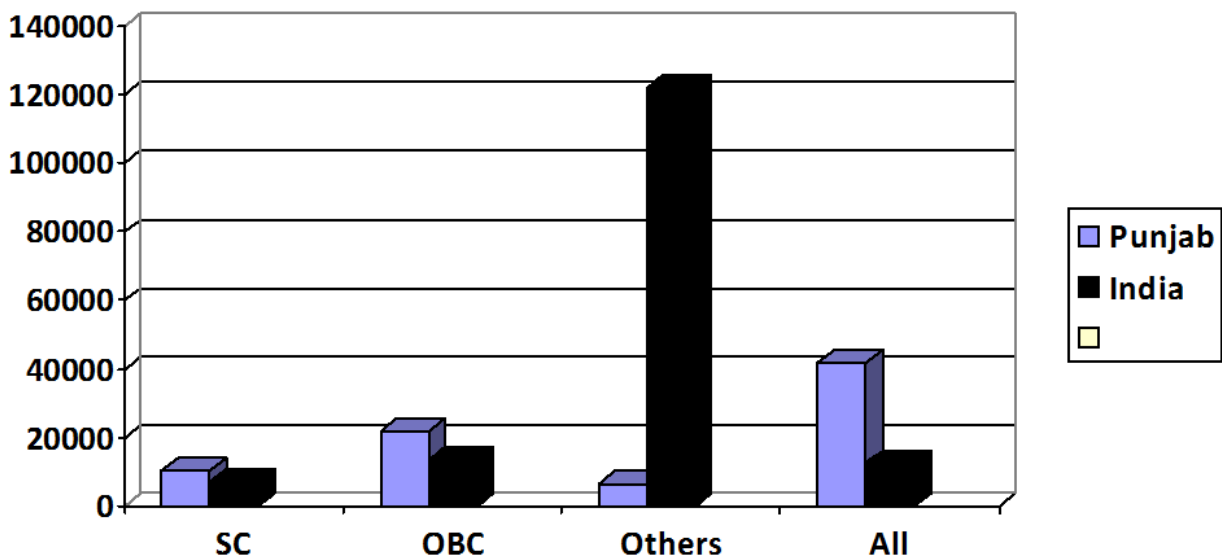


Figure 4: Burden of debt on farm households based on social group

Table 10
Burden of debt on farm households based on social group

Category	Punjab	India
SC	10399	7167
OBC	21862	13489
Others	6614	122014
All	41576	12585

Figure 4 shows the picture of average Indebtedness of farmers belongs to different social group such as SC, OBC and others of the Punjab as well as comparison is made with India. It clearly shows that in Punjab the status of SC and BC family are not desirable, but on the other hand others class farmers are holding a satisfactory position. Misusage of the loan was considered the main reason behind worst status of schedule and back ward farmers in India.

5. RESULTS OF THE STUDY

1. In this paper we have analyzed the problem of Farmer's indebtedness in the state of Punjab with the help of situation of Assessment Survey (2003) data by applying different tools and technique make comparison of status of farmer's of Punjab with the Indian Farmer's
2. High Indebtedness was found in farmers who are having land between 0.01to .40 in Punjab.
3. This study also shows that due to heavy population pressure and tendency of single family, range of land holding and informal credit lending are negatively related with each other.
4. Farmer's who are having land size above 10 hectare in Punjab was using the maximum loan. If we consider the case of India then farmers who are having land size between 4.01 to 10 hectare are using maximum loan for productive activities.

5.1. Suggestions

1. Strict actions should be taken by RBI against banks that don't provide the loan to the farmer's .Every year banks are given the target of providing certain amount of loan to farmers even they don't achieve that target.
2. In rural areas there is need of expansion of credit counseling centers for advising public.
3. In order to improve the efficiency of financial institutions banks should introduce the low cost financial products.
4. Government of Punjab should maintain regular surveillance over informal source of credit.
5. Lack of information among rural households is also the cause of farmer's indebtedness. They must be informed that source of loan amount should be used for productive purposes.
6. Government should take the initiative to promote the SHG (Self help group) campaign in the Punjab.
7. Financial literacy should be spread among farmers.
8. Dairy farming should be boosted in the state so that it will provide additional sources of income to the farmer's especially small and land less farmers.
9. Non farming activities should also be promoted by government for enhancing the Income of the farmers.
10. Through this study it was highlighted that people are not aware about crop insurance so crop insurance facilities should be provided to the farmers.

11. The government should also boost animal husbandry in the state .Through providing health protection for animals, providing knowledge of animal husbandry etc. Income generated from this profession can help the farmers for removing their debt burden.
12. Reserve bank of India along state government should make efforts for reducing the values of collateral security.
13. Results of the study also showed that there exists inverse relationship between size of landholding and informal lending so government should encourage the farmers to join the join Liability Groups.

6. CONCLUDING REMARKS

The present situation of Punjab's farmers is very poor. Farmer's of Punjab are facing the problem of debt, high cost of cultivation, insufficient supply of money. The need of the hour is to make improvement in agriculture credit system to check on institutional source of finance .Government should also provide the off-farm employment opportunities to the farmers. Government should check and monitor the non institutional source of finance available in the Punjab .Credit availability should be made within the reach of the farmers.

References

- Census of India and Punjab (various issues)
- Chhika, Kuldeep S and kodan, Anand S (2011)' Financial Inclusion, Development and its Determinants: An Evidence of Indian States.'Vol.No, April2011, Asian Economic Review, Andhra Pradesh (India).
- Johnson, Susan and Max Nino Zarazua (2011) 'financial Access and Exclusion in Kenya and Uganda', Journal of Development Studies, vol.47, 475-496, March 2011.
- Singh Sukhpal, Kaur Manjeet and Kingra, HS (2008) 'Indebtedness among farmers in Punjab 'EPW, June 28, 2008
- Singh, harkawaljit and Amnisha (2015)'Crisis in Agricultural Heartland: Farmers Suicides in Malwa region of Punjab, India', Volume 4, Issue 2, Feb-2015, International journal of Advancements in Research and Technology.
- Situation Assessment Survey of Farmers (2003),'Some Aspects of Farming' ,Nss59th Round,(January-December 2003), National Sample survey organization, Ministry of statistics and Programme Implementation ,Government of India, July 2005,Report No.496(59/33/3)
- Situation Assessment Survey of Farmers (2003),'Some Aspects of Farming' ,Nss59th Round,(January-December 2003), National Sample survey organization, Ministry of statistics and Programme Implementation ,Government of India, July 2005,Report No.498(59/33/1)
- Situation Assessment Survey of Farmers (2003),'Some Aspects of Farming' ,Nss59th Round,(January-December 2003), National Sample survey organisation, Ministry of statistics and Programme Implementation ,Government of India, July 2005,Report No.497(59/33/5)
- Chhika, Kuldeep S and kodan, AnandS (2013)'Farmer's Indebtedness in Haryana: A Study, Journal of Rural Development, Vol 32, No (4), pp.347-365 NIRD, and Hyderabad.