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Understanding the Crisis in Indian Farm Sector

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Abstract

Agriculture dictates the trajectory of economic growth. The secondary and tertiary sectors, which have enormously grown in past decade, are relied on primary sector, of which agriculture is main component, for its robust growth. Farming and allied activities provides the necessary momentum required for economic growth. Agriculture is the prime source of livelihood to millions of Indians who are scattered across the vast rural hinterland of the country. However, Indian agricultural economy is at crossroads. It has been passing through a phase of stagnant productivity, increasing costs, declining returns and squeezing employment. Trade liberalization and globalization has further worsened the state of agricultural sector. The deepening agricultural crisis, failure of formal credit institutions and growth of non-formal credit sources has lead to increase in incidence and extent of indebtedness among farmers across states in India. Increasing indebtedness has been cited as one of the important risk factors associated with suicide of farmers (Bhalla et al, 1998; Dandekar et al, 2005; Mishra, 2006). According to NSSO (2005) data, as many as 48.6 percent of farmer households are indebted in the country. Households with 1 hectare or less land accounted for 66% of all farmer households and about 45% of them were indebted. According to an estimate, 2, 70,940 Indian farmers committed suicide in the last one and a half decades (from 1995 to 2011), and among the states, Maharashtra, Andhra Pradesh, Karnataka and Punjab have the undesirable distinction of being in the forefront (Sainath, 2010).. The major reasons behind the suicides in the state were indebtedness, economic hardship and crop failure (AFDR, 2000). The research paper analyses the crisis of indebtedness, suicides, economic liberalization and increasing feminization impacting the productivity and sustainability of Indian farm sector.

Key Words: Indebtedness, climate change, feminization, suicides, marginal farmers

Introduction:

The Indian economy is generally considered as agricultural economy. Agriculture dictates the trajectory of economic growth. The secondary and tertiary sectors, which have enormously grown in past decade, are relied on primary sector, of which agriculture is main component, for its robust growth. Farming and allied activities provides the necessary momentum required for economic growth. More than average monsoon in the country provides a green signal for normal growth and robust demand in the economy. The provision of sufficient amount of water for farming activities spurs agricultural growth increasing farmer's income by providing remunerative prices for agricultural goods. Credit is an essential aspect of farming. Farmer is in need of money for agricultural purposes, health, education and other socio-religious obligations. However, credit for agricultural needs is an important source of finance for the farmer. In an agricultural/farming cycle, the farmer needs constant finance, all through the year, to make provision for different farming activities. However, short supply of funds with the farmer makes it necessary for him to borrow money. Borrowing in the farming season and returning the principal with interest at the time of harvest is a routine activity most commonly followed by farmers over the years (NSSO, 2005). But to dismay of farmer, the credit system has undergone significant changes in past two decades. Formal credit institutions like commercial banks or cooperative banks have reduced their operations in rural areas by closing down rural branches. The new private banks are unwilling to do business in rural areas and are reluctant to have farmers as their client. This has provided apt opportunity for non-institutional agencies to fill the gap kept void by formal banking operations. The increasing reliance on private moneylenders, who charges usurious rates of interest, for credit need is an important reason for increased debt burden among farmers. Increasing indebtedness has been cited as one of the important risk factors associated with suicide of farmers (Bhalla et al, 1998; Dandekar et al, 2005; Mishra, 2006).

Objectives:

1. To explore the crisis in Indian farm sector.
2. To examine the different reasons for non-remunerative nature of Indian agriculture.
3. To analyze existing & emerging issues and challenges facing Indian farm sector.

Methodology:

The study is based on descriptive research design. The research is done by reviewing the secondary data collected from various sources like books, existing research studies, archives of government records and various bibliographical sources.

Government neglect, non-remunerative agriculture & indebtedness:

The increasing number of farmer's suicides in India is certainly a disturbing phenomenon. The gravity of situation made Prime Minister of India remarked that farmer's suicides are a national disaster. Across the states thousands of farmers have committed suicides. Both developed and under developed states have witnessed increasing trends in farmer's suicides. The specter of suicides points to deepening agricultural crisis in the country. Though there is difference of opinion among government and sections of intelligentsia about reasons for suicides, but there is consensus that the phenomenon is not less than a national calamity. However, increasing indebtedness is viewed as one of the most important reason for farmer's suicides. Debt burden refers to insufficient profitability of the farms, socio- economic conditions of the farmers, credit system and farmers incapability to repay the debt which causes the debt to accumulate and become a burden. The inability to repay past debt makes them ineligible for new loans thereby further worsening their economic hardship. There is close relationship between economic hardship, indebtedness and suicide. High interest rates charged on loans and diversion of loans for non-productive purposes or crop failure results into debt trap, generating economic hardships and thereby creating pressure for suicides (Gill, 2005). However, Indian farmer is not new to indebtedness. In fact, the concern about indebtedness of the farmers and their plight dates back to as many as nine decades when M.L. Darling (1925) quoted that "the Indian peasant is born in debt, lives in debt and dies in debt". However, the farmers had no respite since then instead their situation has worsened over a period of time (Singh & Bhogal, 2014). The major portion of outstanding debt is owed to institutional sources – the proportion varying from less than 35 per cent in three to four states to upwards of 70 per cent in eight states. Non-institutional sources (including moneylenders, larger farmers and traders) account for a little over two-fifths of total outstanding cash debt for the country as a whole but exceeds 50 per cent in some five states (Vaidyanathan, 2006). The debt burden and associated socio-economic situations take a heavy psychological toll on farmer's health and mental well-being. The sudden deterioration of economic status of farmers due to loss of agricultural income, combined with their alienation from the family, neighbourhood and community resulted in suicides (Mishra, 2006).

Unsustainable agricultural practices & farm crisis:

The agricultural distress that is pervasive across rural hinterland is handiwork of multi-factorial issues hounding the Indian farmers since advent of green revolution. Green revolution brought new ideology which lead to rapid and dramatic changes in Indian agriculture and its traditional farming techniques. The extensive Green Revolution modifications included “extensive use of farm machinery…hybrid (high yielding) seeds, energized well irrigation…[and the] use of high fertilizer does and pesticides” amongst other hitherto unutilized farming methodologies (Dhanagare,1981). In broad strokes, the Green Revolution on the whole has had a positive impact in decreasing worldwide food prices as well as in aiding development in impoverished countries, including India (Evenson & Gollin, 2003). According to the NCEUS report, after the green revolution, agricultural activities have become cash-based individual enterprises requiring high investment in modern inputs and wage labour as is evident from the list of states with high incidence of farmers’ suicides, which are not necessarily backward or predominantly agrarian or with low income,.

The ever increasing financial burden and lack of remunerative prices for agricultural goods has increased the debt burden of farmer. Fertilisers and pesticides are important inputs for increasing agricultural production. Their use has increased significantly since the mid-1960s. Serious problems have arisen because of unbalanced use of fertilisers. Nitrogen applications tend to be too high in relation to the amount of potassium and phosphate used. This is partly the result of price differentials, and partly due to lack of knowledge among farmers about the need for balanced fertiliser use. The consequence is soil nutrient depletion, which is a major cause of the stagnation of rice yields. A related serious problem emerging out of the use of fertilisers is nitrate contamination of groundwater from heavy nitrogen applications in rice and wheat crops. Nitrate cannot be removed once it has entered the underground water system. Other problems include deficiency of trace elements because of intensive cultivation. All these factors have combined together to reduce soil fertility (GoI, 2007). The increasing inefficiency in input use, low yields and decreasing profitability has become an unending cycle for Indian farmers contributing to his indebtedness, leading to debt burden, and eventual suicide.

Agriculture and availability of water are inextricably linked. There is a serious challenge with regard to availability of adequate water for irrigation which is further accentuated because of the growing demand for drinking water and other needs associated with rapid urbanisation and industrialization (GoI, 2007). Groundwater has emerged as the single largest source of irrigation, with all its accompanying problems of serious risks to farmers' investment and degradation of the environment. In rain-fed areas and areas with relatively low rainfall, groundwater is an important, and often, the main source of irrigation. As in most other parts of the country, rapid expansion of wells and pumpsets has led to a progressive fall in groundwater levels forcing farmers to deepen their wells and install more powerful pumps incurring high investment costs. The failure rates in such a situation are known to be high and investments turn out to be infructuous (Vaidyanathan, 2006). The high cost incurred for digging deep wells or new wells altogether is financially unviable for small a farmer, who somehow borrows to sustain his livelihood. This results in increased indebtedness and more debt burden.

LPG reforms & agricultural distress:

The economic reforms embarked upon in 1991 opened up India's economy and transformed its staunch protectionist policies into a burgeoning market for foreign investment. However, after the economic reforms of 1991, India's financial sector also experienced extensive changes. The initiative advocated for a discontinuation of rural bank expansion in order to emphasize profitability as a priority; this ideological re-focusing was intended to encourage foreign investment (Shah et.al, 2007) Rural banks were given permission to relocate branches that had been "consistently making losses for three years," and as a result, between 1996-2003 over 450 rural bank branches had closed or re-located to more profitable urban or semi-urban regions (Bose, 2005). Similarly, lending to non-target group was increased to 60 %, thereby cutting the very source of credit that Indian farmers were relying upon for their farming operations. This invariably forced the farmers to take recourse to non-institutional sources of credit. The farmers have turned to unofficial and oftentimes expensive sources of funds in order to keep themselves afloat, regardless of debt they may incur. Furthermore, informal lending systems have disproportionately targeted the poorest of India's rural farmers, creating an even heavier burden of debt. While 44% of large-scale farmers have access to formal credit, 87% of small or landless farmers do not (Basu & Srivastava, 2005). The steady decline in government's investment in agriculture, the ever increasing prices of inputs required for technologically advanced farming process, concurrence of government to new foreign policies impacting agricultural exports-imports, non-remunerative prices for agricultural goods and lack of access to institutional sources of credit has resulted in high indebtedness among farmers. With the liberalization of Indian economy farmer debt became a ubiquitous issue in rural farming communities.

Feminization of agriculture:

With increasing number of suicide deaths and migration of rural youths to urban areas in search for jobs, the mantle to carry out agricultural activities has fallen on the women. More and more women, as compared to previous decades, are involved in agriculture. The trend towards the increased number of women and agricultural production appears to be linked with a variety of factors, such as male rural out migration, the growing number of households headed by women and the development labor-intensive cash crops. Women are left behind to take care of agriculture and land (a kind of insurance for migrant workers), children and the elderly. Thus, they have the compounded burden of productive and reproductive work (Kelkar, 2009). The feminization of agriculture has affected the agricultural practices in general and farm income in particular. All of these have lead to change in the traditional gender division of farm work: women taking up at lower wages the tasks formerly did only by men, such as land preparation, cultivation of crops, spraying pesticides, harvesting, post-harvesting and marketing of the produce.

In India, close to 33 percent of cultivators and nearly 47 percent of agricultural workers are women (Vepa, 2005). This feminization of agriculture is caused by increased “casualization” of work, unprofitable crop production and distress migration of men “for higher casual work in agriculture and non-agriculture sectors”, leaving women to take up low paid casual work in agriculture (Sujaya, 2006: 5). Recent study of gender and agriculture in Maharashtra region in India (Parikh, Acharya and Krishnaraj, 2004) noted the increase in the number of women working in the capacity of laborers, while most of the cultivators were men. In some states, there are more women than men cultivators. In others, women are engage more as agricultural labour than men. In the states of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Tamil Nadu, more than 50 per cent of agricultural labourers are women. In these states, the percentage of female cultivators is also high at about 30 to 40 per cent. (Vepa, 2005). This has impacted both the traditional labour practices and productivity of farming impacting the socio-economic relations in rural areas and burdening the women with both household and farm work thereby impacting her physical and mental well-being.

Conclusion:

The agricultural distress that is pervasive across rural hinterland is handiwork of multi-factorial issues hounding the Indian farmers since advent of green revolution. According to P.Sainath, the corporate hijacking of Indian agriculture, which has transferred credit and other resources to the elite, is responsible for farmer's suicide. Although they are the largest group of landed small farmers in the world, Indian farmers have no control over the prices of the seeds, pesticides, fertilizer and water that they need to operate their farms, or over the markets to which they sell. The neo-liberal state policies have encouraged corporatization of agriculture at the cost of farmer's interest and his livelihood. Fall in income and increase in farm investments were the two most important factors, which caused an economic squeeze in farming households. In earlier times the community support mechanisms during the period of economic/ social distress were strong to prevent occurrence of such events, which had weakened over time under the influence of commercialization of agriculture and cross-culturalism between rural and urban areas. Further, there are no state institutional mechanisms to address these issues. Institutional or social support for the rehabilitation of such families is found to be missing. Families of deceased farmers are fighting with poverty, access to health and education facilities and are looking for financial and livelihood support from the state. There is urgent need to tackle the impending agricultural crisis and rural distress through pro-farmer policies of state and active support by community and different social organizations so as to halt the specter of farmers suicide.

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