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HALF OF FARM HOUSEHOLDS INDEBTED: NABARD STUDY

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

More than half the agricultural households in the country have outstanding debt, and their average outstanding debt is almost as high as the average annual income of all agricultural households, according to a recent survey by the National Bank for Agriculture and Rural Development (NABARD).

The NABARD All India Rural Financial Inclusion Survey 2016-17 covered a sample of 1.88 lakh people from 40,327 rural households. Only 48% of these are defined as agricultural households, which have at least one member self-employed in agriculture and which received more than Rs. 5,000 as value of produce from agricultural activities over the past year, whether they possessed any land or not.

NABARD found that 52.5% of the agricultural households had an outstanding loan on the date of the survey, and thus were considered indebted. For non-agricultural households in rural India, that figure was 10 percentage points lower, at only 42.8%.

Higher liability

Agricultural households reporting any outstanding debt also had a higher debt liability compared with non-agricultural ones.

The average debt of an indebted agricultural household stood at Rs. 1,04,602 in comparison to Rs. 76,731 for indebted non-agricultural households.

According to the survey, the average annual income of an agricultural household is Rs. 1.07 lakh. That is barely Rs. 2,500 more than the average outstanding debt of indebted farm households.

The survey found that only 10.5% of agricultural households were found to have a valid Kisan Credit Card at the time of the survey. The scheme aims to give farmers credit from the banks with a simplified and flexible single-window procedure. Households who had the card utilised 66% of the sanctioned credit limit, the report said.

The biggest reason for taking loans among agricultural households was capital expenditure for agricultural purposes, with a quarter of all loans taken for this purpose.

While 19% of loans were taken for meeting running expenses for agricultural purposes, another 19% were taken for sundry domestic needs. Loans for housing and medical expenses stood at 11% and 12%, respectively.

While all classes of farmers had debt, the highest incidence of indebtedness came from those owning more than two hectares of land. In that category, 60% of households are in debt.

Among small and marginal farmers owning less than 0.4 hectares, slightly less than 50% of the households were in debt. Those with more land were more likely to have multiple loans.

“This may be attributed to the fact that these economically better-off households are more eligible for taking loans as they have enough assets to serve as security against the loans taken,” the survey report said.

State figures

The southern States of Telangana (79%), Andhra Pradesh (77%), and Karnataka (74%) showed the highest levels of indebtedness among agricultural households, followed by Arunachal Pradesh (69%), Manipur (61%), Tamil Nadu (60%), Kerala (56%), and Odisha (54%).

Looking at loans taken between July 2015 and June 2016, the survey found that farm households took less than half their loans from commercial banks. While 46% of the loans were taken from commercial banks, and another 10% from self-help groups, almost 40% were taken from non-institutional sources such as relatives, friends, moneylenders and landlords.

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