4.1 Agricultural Credit

4.1.1. Agricultural Credit and its Need

Agricultural Credit:

The credit needed by farmers to grow the agricultural sector is termed as Agricultural Credit. Credit is required in every type of business and agriculture is not exception to it. The need for agricultural credit, however, becomes all the more important when it moves from traditional agriculture to modern agriculture.

Need for Agricultural Credit:

The following point reveals the need for agricultural credit.

1. Purchase of new inputs: The farmers need finance for the purchase of new inputs which include seeds, fertilizers, pesticides etc. if the seeds of high yielding varieties and other modern inputs are made available to the farmers, they can increase productivity not only of the land but also of labour.

2. Purchase of Implements: Credit is required by the farmers for the purchase of water pumping sets, tractors, threshers etc. the use of appropriate machinery in land will increase production by growing more than one crop on the same piece of land at the same time.

3. Better Management of Risk: Credit enables the farmers to better to manage the risk of uncertainties of price. They can borrow money during bad years and pay back the loans during good years of crops.

4. Permanent Improvement in Land: Credit also helps the farmers to make permanent improvements in land like sinking of wells, land reclamation, etc.

5. Better marketing of Products: if timely credit is available to the farmers, they will not sell the produce immediately after the harvest is over. At that time the prices of agricultural goods were low in the market. Credit enables
the farmers to withhold the agricultural surplus and sell it in the market when prices are high.

6. To Face Crisis: The credit is required by the farmers to face crisis. The crisis can be caused by the failure of crop, drought or floods etc.

7. Purchase of Cattle: The farmer needs credit to purchase cattle. Because the farmers mostly remain free after cultivating the farm, therefore they want to start off-farm business by purchasing cattle.

8. Payment of ancestor’s Debt: Most of the farmers remain in debt due to their ancestors. Therefore to retire the ancestors’ debt, the farmers take loan from banks and other sources.

9. Consumption Expenditures: the farmers need loans for getting married their children etc. on which they spend a lot.

10. Civil and Criminal Suits: in order to civil and criminal suits, farmers need credit.

4.1.2 Types of Agricultural Credit and its Sources

Types of Agricultural Credit:

Agriculture requires the following three types of credit.

1. Short-term Credit: The short-term credit ranges up to one year. The farmers need short-term credit for meeting the working capital requirements of agriculture. For instance, they need short-term credit for the purchase of seeds, fertilizers, pesticides, bullocks and other casual expenses. The short-term credit is repaid after marketing the product of the next crop.

2. Medium-term Credit: Medium-term Credit extends from 1 to 5 years. The farmers require medium-term credit for the purchase of cattle, purchase of implements and improvement in water course. The loan is obtained on the security of movable or immovable wealth of the farmers.

3. Long-term Credit: The duration of long-term credit exceeds 5 years. The farmers need long-term credit for making improvement of permanent nature in land such as sinking of tube wells, purchase of machinery and implements etc.
4.1.3 Sources of Agricultural Finance:

The sources of agricultural finance are broadly classified into two categories: (A) Non-institutional Credit Agencies or Informal Sources and (B) Institutional Credit Agencies or Formal Sources. These are as follows.

A. Non-institutional Credit Agencies:

Money lenders: Despite rapid development in rural branches of different institutional credit agencies, village money lenders still dominate the scene. Money lenders are of two types- agriculturist money lenders who combine their money lending job with farming and professional money lenders whose sole job is money lending. A number of reasons have been attributed for the popularity of moneylenders such as:

(a) they meet demand for productive as well as unproductive requirement;
(b) they are easily approachable at odd hours; and
(c) they require very low paper work and advances are given against promissory notes or land. Money lenders charge a very high rate of interest as they take advantage of the urgency of the situation.

Over the years a need for regulation of money lending has been felt. But lack of institutional credit access to certain sections and areas had facilitated unhindered operation of money lending. Cooperative credit and self-help groups can play a major role in control of money lending.

Traders and Commission Agents: Traders and commission agents advance loans to agriculturists for productive purposes against their crop without completing legal formalities. It often becomes obligatory for farmers to buy inputs and sell output through them. They charge a very heavy rate of interest on the loan and a commission on all the sales and purchases, making it exploitative in nature. It's an important source of finance in case of cash crops like cotton, tobacco and groundnut.

Landlords: Mostly small farmers and tenants depend on landlords for meeting their production and day to day financial requirements.
Friends and Relatives: Farmers also borrow from their own friends and relatives in cash or kind. These loans are taken for the short period in order to tide over temporary difficulties. These loans are generally contracted in an informal manner as they carry low or no interest and they are returned soon after the harvest. But this source of finance is uncertain.

B. Institutional Credit Agencies:

Government: These are both short term as well as long-term loans. These loans are popularly known as "Taccavi loans" which are generally advanced in times of natural calamities. The rate of interest is low. But it is not a major source of agricultural finance.

Commercial Banks: The commercial banks in India have since long confined their operation to urban areas, receiving deposits from urban public and financing trade and industry, thereby failing to help the agricultural sector. Commercial banks are now extending financial support to agriculture both directly and indirectly. Direct finance is extended, for agricultural operations for short and medium periods. Indirect finance to farmers is made through providing advances for the distribution of fertilizers, other inputs, etc., and also through financing primary agricultural credit societies.

Regional Rural Banks (RRBs): Regional rural Banks play a vital role in the agriculture and rural development of India. The RRBS have more reached to the rural area of India, through their huge network. The success of rural credit in India is largely depends on their financial strength. RRBs are key financing institution at the rural level which shoulders responsibility of meeting credit needs of different types of agricultural credit in rural areas.

Cooperative Banks (CBs): Co-operative credit is available- to the cultivators, since the enactment of Co-operative Societies Act in 1904. The provision for short term, medium term and long term credit need is made under co-operatives. Its contribution to the total credit has gone up from 3.1 % to 36% in 1980-81. Co-operative credit has been regarded as the best solution to the problem of agricultural finance even today. Because it is considered as the cheapest and best source of rural credit. The rate of interest is quite low.
4.1.4 Problems of agricultural credit

The shortage of rural credit both in quantitative and qualitative terms continues to be a limiting factor in the modernization and growth of production in agriculture. The major problems which are being met by the farmers in the receipts of agricultural credit from the institutional sources are summarized below:

1. **Less Flow of Credit to Small Farmers:** There are millions of small farmers throughout the country. The gain has reached more to the big landlords. It is therefore, an urgent need that the credit should reach the small farmers who are the backbone of agricultural industry.

2. **Complicated Procedure for Advancing Loans:** The procedure for advancing loans by institutional sources is quite complicated. The loans are advanced to the farmers on the basis of pass books which contain the details of land owned by the farmers. The procedure is quite complicated.

3. **Delay in the disbursement of Credit:** The procedure involved for advancing loans to the farmers is cumbersome. Who-so-ever succeeds in completing the documents are entitled to receive loans. It has been observed that the disbursement of credit is delayed even after it has been approved. It is a serious problem which the farmers are facing these days.

4. **High Interest Rate:** The interest charted by the various institutions on farm credit is high. The low income farmers cannot bear it. As regards the interest-free loans, they are not reaching the small deserving farmers.

5. **Amount of bad debts is increasing:** The loans advanced particularly to the big landlords are not being repaid to the institutions. Since the big landlords have political influence, they, therefore, manage to get them written off.

- The credit agencies mostly do not take the risk of advancing loans to the farmers because heavy rains and droughts etc can destroy the crops and thus the repayment of loans may become difficult for the farmers.
Due to unstable prices of the agricultural products, there is instability in the income of the agriculturalists. The credit institutions, therefore, hesitate to finance the farmers.

Most of the agriculturists who live on subsistence farm units do not have the adequate information of the credit institutions which supply loans to the farmers.

The villagers do not know how to keep the records of the loans which is a necessary element of proper credit analysis.

4.1.5 Flow of Institutional Agricultural Credit

Institutional credit to agriculture and allied activities is mainly provided by cooperative banks, commercial banks and regional rural banks. Agricultural credit provided by various agencies has increased from ` 16484 crores in 1993-94 to ` 366919 crores in 2009-10. The share of commercial banks in total institutional credit to agriculture varying from 32.7 percent in 1993-94 to 74.9 percent in 2009-10. The share of cooperative banks in total institutional credit to agriculture is decreased from 61.3 percent in 1993-94 to 15.7 percent in 2009-10. The share of regional rural banks in total institutional credit to agriculture is increasing from 5.9 percent in 1993-94 to 9.4 percent in 2009-10.

The credit flow to agriculture increased from ` 2, 85,146 crore during the Ninth Plan (1997-2002) to ` 6, 85,146 crore (240%) during the Tenth Plan (2002-07). Credit disbursement during the Eleventh Plan (2007-12) is estimated at ` 19, 59,524 crore (286%), of which ` 9, 23,485 crore have already been disbursed between 2007-08 and 2009-10 and targets of ` 3, 75000 crore for 2010-11 would be surpassed. Bank credit can express its full potential to provide livelihood to rural households and food security to country’s population, alleviate the poverty and boost country’s GDP.²
The institutional credit given by the banks to the agriculture sector in 2009-10 may substantially exceed the last year’s level. The agency-wise share of credit flow to agriculture shows that the Commercial Banks accounted for the major share (74.9 per cent), followed by Cooperative Banks (15.7 per cent) and Regional Rural Bank (9.4 per cent). However, there is a declining trend in the share of cooperative banks in the flow of institutional credit over the years, which is indicative of the need for restructuring and reforming these banks.

4.1.6 Ground Level Credit Flow in the District

Bank branches have sufficient network in the district. State Bank of India is the lead bank of the district. Agency wise detail of the ground level credit flow to priority sector in the district is given in the table no.4.2 and 4.3.
Table no. 4.2
Table 4.3
As on 31 March 2010, the credit flow under priority sectors in the district was `14614.29 lakh which was 87.95 percent of the total credit flow (`16615.12 lakh). And total disbursed loan to the agriculture sector in the district was `12830.37 lakh which was 77.22 percent of the total credit flow.

**Fig. 4.1: Achievements in Loan Disbursement**

Actual disbursement of total agriculture loan in the district has increased from `7332.82 lakh in 2005-06 to `12830.37 lakh in 2009-10 reporting 74.97 percent increase over a period of five years. (Table 4.3) crop loan and agriculture term loan are the key constituents of total agriculture loan. During the same period from 2005-06 to 2009-10 crop loan amount nearly doubled. The agriculture term loan also decrease by 13.78 in the five year time period.

At the same time a proportionate change in these two components is observed 62:38 in 2005-06 to 81:19 in 2009-10. However, during 2009-10 the proportion of crop loan and agriculture term loan exhibited a sudden decline in crop loan and rise in agriculture term loan.
4.2. Kissan Credit Card (KCC) Scheme

4.2.1 The Genesis

To give an impetus to the steady flow of adequate credit to agriculture, the RBI set up a one man High-Level Committee headed by Shri R.V. Gupta on “Agricultural Credit through Commercial Banks” in December 1997 to suggest measures for improving the credit delivery system as well as simplification of procedures for agriculture credit. The Gupta Committee (RBI, 1998) submitted its report on April 21, 1998 and recommended to launch the KCC scheme as an important means to assess comprehensively the credit needs of the farmers, taking into account track record, credibility, capability as well as technical viability of the proposal. The short-term credit needs of the farmers should include all requirements directly and indirectly related to production, post-harvesting and household expenses. Considering the requirements of the farmers, on the one hand, and major developments in the banking sector, on the other hand, the KCC scheme was introduced by the then Finance Minister Sri Yashawant Sinha in his (1998-99) budget speech and accordingly, NABARD was asked to formulate a model scheme for issue of KC card to farmers on the basis of their landholdings for uniform adoption by the banks so that the farmers may use them to readily purchase agricultural inputs such as seeds, fertilizers, pesticides, etc. and draw cash for production purpose, as and when they require. The timely credit to farmers in a flexible and cost effective manner was the main aim of the KCC scheme. Accordingly, a model kissan card scheme was formulated by NABARD and was circulated among the banks in August 1998.³

The KCC scheme covers all the short-term credit needs of the farmers, including crop loan and other items of production credit/ working capital/ short-term requirements for non-farm activities. The predominant idea behind this approach was to ensure farmers to get adequate credit to meet all of their short-term credit needs through the single window of kissan card. The provision of timely and adequate credit for development of rural economy, in general, and agriculture, in particular, has been a major worry of the formal banking institutions in India since their nationalization.
Objectives of the KCC Scheme

The scheme aims at providing adequate and timely credit for the comprehensive credit requirements of farmers under single window, with flexible and simplified procedure, adopting whole farm approach, including the short-term credit needs and a reasonable component for consumption needs, through Kissan Credit Card.

Contents of Credit Card

- Beneficiaries covered under the scheme are issued with a credit card and a pass book or a credit card cum pass book incorporating the name, address, particulars of land holding, borrowing limit, validity period, a passport size photograph of holder etc., which may serve both as an identity card and facilitate recording of transactions on an ongoing basis.
- Borrower is required to produce the card cum pass book whenever he/she operates the account.

Eligibility

Borrowers with good track record over the past 2 years would be the prime customers. New borrowers could also be included if they could get proof of operational land holding from Patwari.

Salient features of the Kissan Credit Card (KCC) Scheme

- Eligible farmer to be provided a Kissan Credit Card and Pass Book or a Card-cum Passbook.
- Revolving cash credit facility involving any number of drawals and repayments within the limit.
- Entire production credit need for fully year plus ancillary activities related to crop production to be considered while fixing limit.
- Limit to be fixed on the basis of operational land holding, cropping pattern and scales of finance.
- Sub limits may be fixed at the discretion of banks.
- Card valid for 3 years subject to annual review.
As incentive for good performance, credit limit could be enhanced to take care of increase in costs, change in cropping pattern, etc.

Each drawal to be repaid within a maximum period of 12 months.

Conversion/rescheduling of loans also permissible in case of damage to crops due to natural calamities.

Security, margin, rate of interest, etc. as per RBI norms.

Operations may be through issuing branch (and also PACS in the case of Cooperative Banks) through other designated branches at the discretion of bank.

Withdrawals through slips/cheques accompanied by card and pass book.

Personal Accident Insurance of ` 50,000 for death and permanent disability and ` 25,000 for partial disability available to Kissan Credit Card holder at an annual premium of ` 15/- per annum.

Advantages of Kissan Credit Card Scheme

(A) Advantages to farmers

- Access to adequate and timely credit to farmers
- Full year’s credit requirement of the borrower taken care of.
- Minimum paper work and simplification of documentation for drawl of funds from the banks.
- Flexibility to draw cash and buy inputs.
- Assured availability of credit at any time enabling reduced interest burden for the farmer.
- Sanction of the facility for 3 years subject to annual review and satisfactory operations and provision for enhancement.
- Flexibility of drawals from a branch other than the issuing branch at the discretion of the bank.

(B) Advantages to Banks

- Reduction in work load for branch staff by avoidance of repeat appraisal and processing of loan papers under Kissan Credit Card Scheme.
• Minimum paper work and simplification of documentation for drawl of funds from the banks.
• Improvement in recycling of funds and better recovery of loans.
• Reduction in transaction cost to the banks.
• Better banker-Client relationship.

Major Steps Taken by Nabard

- Co-op Banks and RRBs were advised to enlarge the scope of the KCC Scheme to cover term loans for agriculture and allied activities, including a reasonable component to meet the consumption needs, besides the existing facility of providing crop loan limit.
- The coverage of KCC was extended to landless laborers, oral lessees, tenant farmers including defaulters.
- The concept of KCC has been extended to the borrowers of the long term cooperative structure.
- A Brochure on KCC Scheme highlighting the salient features, advantages and other relevant information about the Scheme was brought out by Head Office and ROs were asked to circulate the brochure to State govt. departments, Commercial Banks, Cooperative Banks, RRBs and other concerned agencies/officers so as to generate wider awareness about the Scheme.
- Minimum Floor limit of ` 5000/- for issue of KCC stands withdrawn.
- Studies on KCC Scheme have been conducted by NABARD periodically to facilitate feedback on the ground level issues/problems so that changes, where necessary, could be considered.
- On the lines of instructions of RBI to Commercial Banks, Cooperative Banks and RRBs have been advised that they may, at their discretion, pay interest at a rate based on their perception and other relevant factors on the minimum credit balances in the cash credit accounts under the Kisan Credit Cards of farmers during the period from 10th to the last day of each calendar month.
- RRBs were advised to initiate innovative publicity campaign in each area of operation in order to cater all eligible farmers under KCC.
Credit Limit

Initially, while circulating the model scheme on KCC among the banks, RBI and NABARD had recommended KCC for the farmers where requirement of crop loan was `5,000 and more. However, this ceiling was subsequently waived and all the banks were advised that they could work out their own loan limits/ceiling.

Fixation of Credit Limit

The credit limit under the KCC may be fixed on the basis of the operational land holding, cropping pattern and the scale of finance (SoF) by the District Level Technical Committee (DLTC) and State Level Technical Committee (SLTC). If the limit has not been fixed by the DLTC/SLTC or the limit in the opinion of the bank is low, appropriate scale of finance for the crop may be fixed by the bank.

Monitoring and Review

The issue of KCC is to be closely monitored at block level in BLBC Meetings, at district level in DCC/DLRC meetings and at state level in SLBC/SLMRC Meetings. It is also reviewed in Board Meetings of respective Banks and in State Level Coordination Committee Meetings. Apart from the above, the progress is also reviewed at regular intervals in the meetings of Branch Managers of the banks.

At the State Level, State Level Monitoring and Review Committee (SLMRC) may be constituted under the Chairmanship of the Secretary (Cooperation) of the State for closer monitoring and review of the progress in implementation of the scheme by the cooperatives and to sort out the operational problems, if any. The Registrar of Cooperative Societies, Managing Director of the State Cooperative Bank and CEOs of select District Central Cooperative Banks besides the Regional Office-in-Charge of NABARD are the other members of the Committee.

At the National Level, NABARD is reviewing the progress in the Implementation of the KCC Scheme in respect of Cooperative Banks and RRBs at
various National / State level for like the meeting of CEOs of SCBs, Chairmen of RRBs, and Board Meetings of NAFSCOB etc. The RBI does monitoring of progress in respect of Commercial Banks. GOI and RBI are regularly kept apprised of the progress achieved and steps taken to ensure success of the KCC Scheme.

In order to facilitate close monitoring of the scheme at the ground Level, banks are required to report the progress at monthly/ quarterly intervals to NABARD. Banks are also required to report progress of coverage of KCC holders under the Personal Accident Insurance Scheme along with the monthly progress reports under KCC Scheme.

Validity and repayment schedule

A card once issued would be valid for a period of 3 years. The facility may be extended, the amount enhanced or cancelled, depending on the performance of the farmer. Repayments are to be made within 12 months of taking the credit.

Flexibility in use of credit

The borrowers would be eligible to avail of any or all credit facilities given under KCC, as per their requirement. Term credit limit provided under the card may be allowed to be utilized by the card holder of acquiring one or more assets at his convenience as also need. Similarly, card holder may also be given flexibility to utilize the term credit limit in one or more installment as per asset acquirement plan/phasing of the scheme. Banks may monitor proper end use of credit.

Renewal of working capital limit

No change is envisaged in the existing guidelines for the crop loan component. In respect of working capital credit limit for agriculture and allied activities, Banks, on satisfactory operations on the limit, may enhance the limit, where necessary, at the time of renewal, keeping in view the increase in costs and additional activities, if any, undertaken by the borrower. Similarly, banks may also sanction additional term credit limit to the borrower, at the time of annual review/renewal of credit limits under the card.
Documents and Charges

The documents collected for sanction of loan by most of the banks were:

- Copy of land patta (local name) indicating the ownership of the land and the liabilities, land map, land records, cropping pattern, etc. issued by Revenue department (₹ 200).
- ‘Non-Encumbrance Certificate’ for loan > ₹ 50,000 (₹ 200).
- Although ‘No Dues Certificate’ (NOC) has been dispensed with, many banks/PACS asked for it from nearby Bank branches (varied from ₹ 10 to ₹ 100 per branch) normally ₹ 50-100 per loan.
- For loan amount above ₹ 50,000, which involves legal opinion by the borrower, involving an expenditure of ₹ 500 across agencies.
- For loan amount above ₹ 50,000, which involves mortgage of land, a declaration in a Form signed by the borrower and with two witnesses (copies sent to Sub registrar and Tahasildar) in stamp paper (of ₹ 100)
- Mortgage of land for loan above ₹ 25,000 for immovables and ₹ 15,000 for movables (0.5%).
- For 10 ha. and above and loan amount of > ₹ 5,00,000, registered mortgage (stamp duty @3% of loan amount)
- Affidavit declaring about the ownership of land and utilization of loan amount.
- Valuation certificate (actually ₹ 200), but farmers are paying a minimum of ₹ 1,000).
- Other costs involved included processing charges, inspection charges (mostly by commercial bank), share capital (10% of loan in case of Cooperative Bank), crop insurance (varying depending on crops), Personal Accidental Insurance, etc. Various expenditures on documentation/service charges for availing credit limit under KCC from Cooperative Bank, RRB & CBs is as presented in Table -
Table No. 4.4
Various Documentation/Service Charges by Cooperative Bank, RRB and CBs for availing Credit Limit under KCC

<table>
<thead>
<tr>
<th>No.</th>
<th>Particulars</th>
<th>Cooperative</th>
<th>RRB</th>
<th>CBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost of the card</td>
<td>10</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>2</td>
<td>Service charges@</td>
<td>----</td>
<td>250</td>
<td>----</td>
</tr>
<tr>
<td>3</td>
<td>VRO certificate</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Encumbrance Certificate*</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>5</td>
<td>Legal opinion*</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>6</td>
<td>Valuation report$</td>
<td>1000</td>
<td>1000</td>
<td>1000</td>
</tr>
<tr>
<td>7</td>
<td>Hypothecation (Stamp duty) (%)*</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>8</td>
<td>Mortgage (%)*</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>9</td>
<td>Registered mortgage (%) #</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

# for loan amount of > ` 3,00,000, @ for loan amount of > ` 25,000, *for loan amount of > ` 50,000, $ actually it is ` 200. However, farmers are paying minimum of ` 1,000.

Rate of Interest

Rate of interest charged for loans varied from 7.0 per cent to 12.5 per cent in case of both commercial banks and RRBs depending upon the loan amounts / slabs. Commercial banks charged 7.0 per cent for loan up to ` 3 lakh and for >3.00 to 5.00 it was BPLR + 0.50 per cent and for >5.00, it was BPLR + 1.00 per cent. However, it varies from bank to bank. Cooperative Bank charged interest rate @ (7.0 +) per cent as mentioned in the register. However, if loan is repaid in time and is not overdue they charged @ 7.0 per cent.

i) Up to ` 3,00,000/- = 7 % p.a.
ii) Above ` 3,00,000/- = as applicable to limit amount.

Margin

i) For Cash Credit component: - Nil
ii) For Term Loan: - a) upto ` 1,00,000/- Nil

b) Above ` 1,00,000/- 15 to 25% depending upon the capacity of the farmer.
Security

i) Upto `1,00,000/-: Hypothecation of crops and movable assets.
ii) Above `1,00,000/:-

Primary: Hypothecation of crops & movable assets created out of loan.
Collateral: Mortgage of land where only immovable assets are created / charge over land where movable assets are created.

Kisan Credit Cards from leading banks in India

Allahabad Bank - Kisan Credit Card (KCC)
Andhra Bank - AB Kisan Green Card
Bank of Baroda - BKCC
Bank of India - Kisan Samadhan Card
Canara Bank - KCC
Corporation Bank - KCC
Dena Bank - Kisan Gold Credit Card
Oriental Bank of Commerce - Oriental Green Card (OGC)
Punjab National bank - PNB Krishi Card
State Bank of Hyderabad - KCC
State Bank of India - KCC
Syndicate Bank - SKCC
Vijaya Bank - Vijaya Kisan Card

4.2.2 Review and Progress of Kissan Credit Cards

Given the enormity of the credit requirements on the one hand and the vagaries of nature on the other, financing for agriculture has always been a gigantic task for banks. The access to institutional credit for a large number of farmers, particularly small/marginal farmers, continued to be a challenge to the banking industry. The process of financial reforms also highlighted the need for innovative credit interventions (ICIs) from institutional agencies to support
farmers. Any credit facility to the farmers should not only be timely, but also be available in adequate quantum besides ensuring an inbuilt flexibility.

Against this backdrop, Kissan Credit Card (KCC) emerged as an innovative credit delivery mechanism (ICDM) to meet the production credit requirements of the farmers in a timely and hassle free manner. Realizing its potential in terms of simplification of loan procedures and reducing the drudgery of cumbersome documentation, Hon’ble Union Finance Minister in his Union Budget Speech for the year 1998-99 announced that NABARD would formulate a model scheme for issue of Kissan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that the farmers may use it to readily purchase agricultural ‘inputs such as seeds, fertilizers, pesticides, etc., and draw cash for their production needs. As a sequel to this, NABARD, in consultation with RBI and major banks, formulated a model scheme for issue of Kissan Credit Card.

The credit card mechanism was not altogether new to the sphere of agricultural banking in India. In fact, some leading public sector banks as well as DCCBs in some States had introduced agricultural credit cards even earlier. However, such schemes were not much access to small and marginal farmers. Further, there was also no uniformity in respect of such schemes implemented by different banks. Similarly, several commercial banks and cooperative Banks have already been extending cash credit facilities to farmers with a view to improving their access to credit.

**Progress of Kisan Credit Card Scheme in India**

**Year wise Review of Progress**

The scheme was initiated in the year 1998-99. Only 784165 Kissan Credit Cards could be issued in the initial year and it progressed consistently in subsequent years. Putting an emphasis on increasing credit flow to the agricultural sector, NABARD advised the banks to identify and cover all farmers including defaulters,
oral lessees, tenant farmers and share croppers, who were left outside the hold of the KCC scheme for any reason so that all farmers are covered under the scheme. As a result of this there was a drastic increase in the issue of cards in the year 1999-2000. Further, banks were advised to issue KCCs in a hassle free manner, extend crop loans only through KCCs and renew them so as to ensure quality in operations which resulted again in the increase in the number cards issued in the year 2000-2001. In accordance with the announcement in the GOI budget 2001-02, Personal Accident Insurance Scheme (PAIS) has been introduced as a “add-on benefit” and all the Kissan Credit Card holders would be insured for ` 50,000 at a nominal premium of ` 15/- per annum as agreed to by General Insurance (Public Sector) Association, so this led the scheme to become popular both amongst farmers and bankers and as a result there was an increasing trend in the issue of cards in 2001-2002. To cater to the comprehensive credit requirements of farmers under the single window, NABARD enlarged the scope of KCC and was broadened by from time to time. NABARD broadened the scheme by introducing Term loan financing in August 2004 and witnessed further increase in the issue of cards. In addition to short-term credit needs and term loans for agriculture and allied activities, a certain component of loans through KCC also covers consumption needs of the farmers. Keeping in view the Government of India’s emphasis on increasing credit flow to the agriculture sector, it has been the constant endeavor of NABARD to cover all the farmers under the KCC. About 93672827 Kissan Credit Cards have been issued up to end of 2009-10 by the banks throughout the country and the overall cumulative sanctioned amount was ` 427748 crores. The Commercial Banks have issued the total highest number of KCCs amongst the three agencies. Maximum KCC issued by Commercial Banks (CBs) are 42363847 followed by Co-operative Banks 37887761, and minimum issued by RRBs 13421219.

Agency-wise and period wise progress of kissan credit cards in India given in the table no. 4.5
Table No. 4.5
Agency-wise progress of KCC Scheme

Commercial banks, Regional Rural Banks (RRBs) and Co-operative banks are the agencies to implement the kissan credit card scheme. All the three agencies, up to 31 March 2010, had issued 93672827 cards. Agency-wise progress of the cards issued has been shown in the table 4.5

Fig. 4.2: Distribution of KCCs across the Banking Agencies (% Share)

![Pie Chart]

Commercial banks had a lion share in the number of cards issued in 1998-99 (79.4%) in the total as against 19.8% of cooperative banks. However, in 1999-2000 commercial banks’ share phenomenally declined to 26.6% in the total and that of cooperatives shot up to 70%, but in the following year’s commercial banks and RRBs progressively improved their share to 59% & 21.6% respectively in 2009-10 whereas cooperatives’ share gradually declined to 19.4%. In the aggregate total, commercial banks had a share of 45.2% in cards issued and 54.5% share in the loan amount sanctioned, as compared with cooperatives’ share of 40.5% and 32.9% respectively, followed by 14.3% and 12.6% share by RRBs.
Loan amount sanctioned per card by commercial banks was the highest (₹55,044), followed by RRBs (₹40,208) and cooperatives (₹37,108).

**Fig. 4.3: Share of Bank Groups in the Number of KCCs Issued**

![Graph showing share of bank groups in KCCs](image)

**State-wise Position of Kissan Credit Cards**

The State-wise progress in implementation of KCC scheme, as at end-March 2010, Uttar Pradesh, accounted for the maximum 18 per cent of the total cards issued followed by A.P. (17 per cent), Maharashtra (10 per cent), Tamil Nadu (10 per cent), and Karnataka, Madhya Pradesh, Odisha and Rajasthan, (6 per cent each.) The progress was, however, tardy in Goa, Himachal Pradesh, Jammu and Kashmir, Sikkim and the States in North-Eastern Region. *(Appendix Table- I).*

**Kissan Credit Card Scheme in Madhya Pradesh**

Banks are providing Kissan credit card to farmers of the state to certain their easy supply of credit facility. Details of Kissan Credit Card are given in the table no. 4.6
Table No. 4.6

Position of Kissan Credit Cards in Madhya Pradesh

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Years</th>
<th>Goal</th>
<th>No. of KCC</th>
<th>Distribution against goal (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2005-06</td>
<td>6,05,720</td>
<td>5,03,986</td>
<td>83.20</td>
</tr>
<tr>
<td>2.</td>
<td>2006-07</td>
<td>5,33,172</td>
<td>4,39,187</td>
<td>82.37</td>
</tr>
<tr>
<td>3.</td>
<td>2007-08</td>
<td>7,33,941</td>
<td>4,37,271</td>
<td>59.58</td>
</tr>
<tr>
<td>4.</td>
<td>2008-09</td>
<td>7,83,795</td>
<td>5,10,167</td>
<td>65.09</td>
</tr>
<tr>
<td>5.</td>
<td>2009-10</td>
<td>8,18,697</td>
<td>6,32,859</td>
<td>77.30</td>
</tr>
</tbody>
</table>

Source: Economic survey of Madhya Pradesh 2009-10, 2010-11

Table indicates that 503986, 439187, 437271, 510167 and 632859 kissan credit cards provided by banks in the state to the farmers in the year 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 respectively, which is near to the target.

Kissan Credit Card Scheme in Ashoknagar District

The Kisan Credit Card Scheme formulated by NABARD aims at adequate and timely support from the banking system to the farmers for their cultivation needs including purchase of inputs in a flexible and cost effective manner. Since the year 1999-2000 Kissan credit card scheme is implemented in the district to make easy availability of agricultural credit to farmers in an easy and cooperative way. NABARD puts much importance to Kissan Credit Card scheme and aspects from the banks that provide cards to the farmers on the basis of their land holdings so that farmers can get enough credit at prior time for insurance, fertilizer, insecticide etc. and other production purpose.

The details of Agency wise position of Kissan Credit Cards as on 31 March are in the table no. 4.7
Table No. 4.7
Agency wise Position of Kissan Credit Cards as on 31 March
Amount in ` Lakhs

<table>
<thead>
<tr>
<th>Agency</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KCC</td>
<td>Amount</td>
<td>KCC</td>
<td>Amount</td>
<td>KCC</td>
</tr>
<tr>
<td>CoB</td>
<td>10947</td>
<td>795702</td>
<td>12065</td>
<td>764523</td>
<td>14345</td>
</tr>
<tr>
<td>Coop.</td>
<td>10682</td>
<td>88531</td>
<td>11802</td>
<td>119346</td>
<td>22238</td>
</tr>
<tr>
<td>RRBs</td>
<td>4904</td>
<td>163317</td>
<td>6817</td>
<td>369700</td>
<td>10340</td>
</tr>
<tr>
<td>Total</td>
<td>26533</td>
<td>1047550</td>
<td>30684</td>
<td>1253569</td>
<td>46923</td>
</tr>
</tbody>
</table>

Source: Lead Bank of District Ashoknagar (State Bank of India)

Regarding growth in the issue of KCC in the study area, the secondary data was collected from the respective district lead banks (State Bank of India). The year wise data on number of KCC issued and amount sanctioned was not available with the District Lead Bank (DLB). However, the data was available for recent years. This led to analyze only recent few years (only 2007 to 2010) data. Table 4.2 revealed that the KCC issued in the district were 50679 and the amount sanctioned through KCC was ` 2113759 lakh. Out of the total KCC issued, the Co-operative banks were issued 22238 (43.88 %) where as the Commercial banks and Regional Rural Banks were issued 16525 and 11916 (32.61 % and 23.51 %) respectively. The growth in KCC issued by the Regional Rural Banks was 142.98 percent during the period 2007 to 2010, while in the case of Cooperative Banks it was 108.18 and in Commercial Banks it was 50.95 per cent. The growth in KCC issued by all agencies in the district was 91.00 per cent.

Agency Wise Position of Kissan Credit Cards as on 31.03.2010

The details of Agency wise position of Kissan Credit Cards as on 31.03.2010 are given in the table no. 4.8
Table No. 4.8
Agency Wise Position of Kissan Credit Cards as on 31.03.2010

<table>
<thead>
<tr>
<th>Agency</th>
<th>No. of KCC</th>
<th>Credit Amount (in Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>16525</td>
<td>13962.85</td>
</tr>
<tr>
<td>Cooperative banks</td>
<td>22238</td>
<td>1757.34</td>
</tr>
<tr>
<td>RRBs</td>
<td>11916</td>
<td>5417.40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50679</strong></td>
<td><strong>21137.59</strong></td>
</tr>
</tbody>
</table>

Source: Office Lead bank (SBI), Ashoknagar District (M.P.)

Commercial Banks, Cooperative Banks and RRBs are implementing the scheme in the district. All the agencies issued 50679 KCCs as on 31 March 2010. There are about 1.28 lakh land holdings in the district but against it 50679 Kissan Credit Card has been issued that is 39.59 per cent of total land holdings, which is very less.

**Bank wise Position of Kissan Credit Cards in the District**

Bank wise position of of Kissan Credit Cards in the district is given below in the table-

Table No. 4.9
Bank wise Position of Kissan Credit Cards as on 31.03.2010

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of Bank</th>
<th>Branches</th>
<th>No. of KCC</th>
<th>Credit Amount (in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>3</td>
<td>1291</td>
<td>129280</td>
</tr>
<tr>
<td>2</td>
<td>State Bank of Indore</td>
<td>8</td>
<td>7357</td>
<td>569686</td>
</tr>
<tr>
<td>3</td>
<td>Punjab National Bank</td>
<td>5</td>
<td>3608</td>
<td>343795</td>
</tr>
<tr>
<td>4</td>
<td>Punjab and Sind Bank</td>
<td>1</td>
<td>166</td>
<td>13500</td>
</tr>
<tr>
<td>5</td>
<td>Oriental Bank of Commerce</td>
<td>1</td>
<td>895</td>
<td>61700</td>
</tr>
<tr>
<td>6</td>
<td>Union Bank of India</td>
<td>2</td>
<td>1656</td>
<td>149000</td>
</tr>
<tr>
<td>7</td>
<td>UCO Bank</td>
<td>2</td>
<td>752</td>
<td>40872</td>
</tr>
<tr>
<td>8</td>
<td>Central Bank of India</td>
<td>1</td>
<td>560</td>
<td>60844</td>
</tr>
<tr>
<td>9</td>
<td>Bank of India</td>
<td>1</td>
<td>240</td>
<td>27608</td>
</tr>
<tr>
<td>10</td>
<td>Madhya Bharat Gramin Bank</td>
<td>14</td>
<td>11916</td>
<td>541740</td>
</tr>
<tr>
<td>11</td>
<td>Co-operative Bank</td>
<td>6</td>
<td>22238</td>
<td>175734</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>44</strong></td>
<td><strong>50679</strong></td>
<td><strong>2113759</strong></td>
</tr>
</tbody>
</table>

Source: Office Lead bank (SBI), Ashoknagar District (M.P.)
Table no. 4.9 indicates that according to the year 2010, there are 44 bank branches in the district. These bank branches provided total 50679 kissan credit cards and amount of `2113759. Cooperative banks provided maximum 22238 kissan credit cards in the district and Punjab and Sind banks provided only 166 kissan credit cards. In the case of credit amount, State Bank of India and Madhya Bharat Gramin banks provided maximum amount of `698966 and `541740 respectively.

4.2.3 Insurance coverage and financial support to KCC Holders

Rashtriya Krishi Bima Yojana

Crop loans disbursed under KCC Scheme for notified crops are covered under Rashtriya Krishi Bima Yojana (RKBY). All farmers (both loanees and non-loanees irrespective of their size of holdings) including sharecroppers, tenant farmers growing insurable crops are covered. 50 per cent subsidy in premium allowed to small and marginal farmers, to be shared equally by the Government of India and State Government/Union Territory.

Objectives of the Scheme:

- To provide insurance coverage and financial support to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases.
- To encourage farmers to adopt progressive farming practices, high value inputs and higher technology in agriculture.
- To help stabilize farm incomes, particularly in disaster years.
- To support and stimulate primarily production of food crops and oilseeds.
- Farmers to be covered: All farmers (both loanee and non-loanee irrespective of their size of holdings) including sharecroppers, tenant farmers growing insurable crops covered.
- Sum insured: The sum insured extends up to the value of threshold yield of the crop, with an option to cover up to 150% of average yield of the crop on payment of extra premium.
- Premium subsidy: 50% subsidy in premium allowed to Small and Marginal Farmers, to be shared equally by the Government of India and State Government/Union Territory. Premium subsidy to be phased out over a period of 5 years.

**Personal Accident Insurance Scheme**

A Personal Accident Insurance Scheme (PAIS) is attached with KCC, which covers risk of KCC holders against accidental death or permanent disability up to a maximum amount of ` 50,000 and ` 25,000, respectively, resulting from accidents caused by external, violent and visible means.9

**Salient features of the scheme**10

- **Scope of Cover** - This scheme covers all the Kisan Credit Card Holders against death or permanent disability within the country.
- **Persons Covered** - All KCC holders up to the age of 70 years.
- **Risk coverage** - The benefits under the scheme are as under;
  - Death due to accident caused by outward, violent and visible means: ` 50,000/-
  - Permanent total disability: ` 50,000/-
  - Loss of two limbs or two eyes or one limb and one eye: ` 50,000/-
  - Loss of one limb or one eye: ` 25,000/-
- **Period of Master Policy** - Valid for a period of 3 years.
- **Period of Insurance** - Insurance cover will be in force for a period of one year from the date of receipt of premium from the participating Banks in cases where annual premium is paid. In case of three year cover, the period of insurance would be for three years from the date of receipt of premium.
- **Premium** - Out of the Annual premium of `15/- per KCC holder, Bank has to pay `10/- and `5/- has to be recovered from KCC holder.

- **Operational procedure** - The servicing of the business will be undertaken by the four Insurance Companies on zone-wise basis-

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Companies</th>
<th>Zone</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>National Ins. Co. Ltd.</td>
<td>Eastern</td>
<td>Assam, Bihar, Jharkhand, Manipur, Meghalaya, Nagaland, Orissa, Sikkim, Arunachal Pradesh, Tripura, West Bengal</td>
</tr>
<tr>
<td>2.</td>
<td>The new India Assurance Co. Ltd.</td>
<td>Western</td>
<td>Gujarat, Madhya Pradesh, Chattisgarh, Maharashtra, Dadra &amp; Nagar Haveli, Goa, Daman &amp; Diu</td>
</tr>
<tr>
<td>4.</td>
<td>United India Ins. Co. Ltd.</td>
<td>Southern</td>
<td>Andhra Pradesh, Karntaka, Kerala, Andaman and Nicobar, Pondicherry, Tamil Nadu, Lakshadweep</td>
</tr>
</tbody>
</table>

- The New India Insurance Co Ltd covers Gujarat, Madhya Pradesh, Chhattisgarh, Maharashtra, Dadra and Nagar Haveli, Goa, Daman & Diu.

- Implementing branches have to remit the Insurance premium on a monthly basis along with the list of farmers to whom KC cards have been issued during the month.

- **Claims Procedure - In case of death, disablement claims & death due to drowning:** Claim administration will be done by the designated office of the Insurance Companies.
4.3. Agricultural Productivity

4.3.1 Introduction

Agricultural credit plays an important role in enhancing the agricultural production, productivity and mitigating the distress of farmers. A key measure of agriculture’s economic performance is its productivity, that is, how well the agricultural sector uses the resources that are available to turn inputs into outputs. Productivity measures are based on the ratio of the volume of outputs and volume of inputs. Productivity is the key measure of the economic sustainability of a country’s farming and food. It is an important driver of farm incomes and it is an essential foundation for the environment and social contributions which farming and food make.

In general productivity is a ratio of output to input, this ratio shows the actual performance of a unit. It is concerned with efficiency and effectiveness.

Although productivity is a concept which is used with some ambiguity, we accept the general notion that productivity has increased when output from a given level of input has increased. Such increase in productivity might have occurred either because of an improvement in technical efficiency with which the inputs are used or because of innovations in technology.11

Agricultural productivity is measured as the ratio of agricultural outputs to agricultural inputs. While individual products are usually measured by weight, their varying densities make measuring overall agricultural output difficult. Therefore, output is usually measured as the market value of final output, which excludes intermediate products such as corn feed used in the meat industry. This output value may be compared to many different types of inputs such as labour and land (yield). These are called partial measures of productivity. Agricultural productivity may also be measured by what is termed total factor productivity (TFP). This method of calculating agricultural productivity compares an index of agricultural inputs to an index of outputs. This measure of agricultural productivity was established to remedy the shortcomings of the partial measures of productivity; notably that it is often hard to identify the factors cause them to change. Changes in TFP are usually attributed to technological improvements.12
4.3.2 Conceptual Framework of TFP

The total factor productivity concept which implies an index of output per unit of total factor input, measures properly these shifts or increases in output, holding all inputs constant. Solow first proposed a growth accounting framework in 1957, which attributed the growth in TFP to that part of growth in output which cannot be explained by growth in factor inputs viz. land, labour and capital. TFP is a simpler concept for measurement of technical progress which has two components: technical change and improvement in technical progress. The former represents improvements in best production practices whereas the latter occurs when actual production practices move closer to the existing best practice.\textsuperscript{13}

4.3.3 Measurement of Agricultural Productivity

The measurement and analysis of productivity at different levels of aggregation has 3 approaches for the measurement viz. (i) the parametric approach, models the state of technology by including a time trend in the production or cost function s and the partial differentiation with respect to time to get estimates of technological changes; (ii) the accounting approach, approximates technological change by the computation of factor productivity indices, mainly the rate of change of total factor productivity indices; and (iii) a resent approach, termed as “non-parametric” which identifies a group of implied linear inequalities that profits maximizing (or cost minimizing) firm must satisfy and estimates the rate of technological change using linear programming. However, the accounting approach is popular because it is simple to calculate and requires no econometric estimation and the data requirement is minimal.

Agricultural productivity indicates the efficiency with which the inputs have been utilized. It indicates how much production has been obtained from a given amount of inputs. While computing productivity two terms are used, one is total factor productivity (TFP) and second is partial factor productivity (PFP).

When we talk of productivity in general then it should be referred as TFP not PFP. It is recommended that total factor productivity is the best tool of measurement.
Total factor productivity shows the joint effect of the entire factor on total output. If we consider the effect of any one factor on total output then it is termed as partial factor productivity. Generally it is assumed while computing partial factor productivity that other factors remain the same. But it is impractical that over a period of time only one factor changes, other remains constant.

How can we say that rainfall or climatic conditions of two periods will remain the same? Therefore it is a joint effect of all factors.

Some important theories have been made on the basis of marginal productivity of a factor of production. In which partial factor productivity has been considered not total factor productivity. These theories are again criticized on the ground that how productivity of one factor can be measured easily assuming that other factors remain the same. When we know that other factors are uncontrollable and cannot remain constant.\(^\text{14}\)

Formula for measuring Total Factor Productivity (TFP)

4.3.4 Importance of Agricultural Productivity

If productivity measurement is correct and it shows that productivity has improved then it would shows the region’s prospect for growth and competitiveness on the agricultural market, income distribution and savings. In increase in region’s agricultural productivity implies a more efficient distribution of scarce resources. It also indicates that farmers have adopted new techniques in their process of farming. If productivity increases certainly cost of production decreases. Therefore region becomes more competitive on the world market.

Increase in productivity leads to agriculture growth and can help to alleviate poverty in country like India where majority of population rely on agriculture. When farm become more productive the wages earn by those who work in agriculture increase, on the other hand as a consequence, food price would decrease and food supply become more stable. Its impact can be seen on other sectors also which are related to agriculture.\(^\text{15}\)
4.4. Agricultural Indebtedness

4.4.1 Introduction

One of the serious and unrelenting problems faced by the Indian farmers’ households has been indebtedness. Despite substantial improvement in agricultural output as well as distribution of credit through institutional sources since the introduction of the new agricultural technology, indebtedness among the farmers’ households is found to be widespread even today. While studying the Punjab’s peasants, Darlinng (1925) wrote “the Indian peasant born in debt, lives in debt and dies in debt”. Though this was written about eight decades back, the problem of indebtedness not only remains true today but it has been aggravated further in recent years.

Indebtedness, in particular farmers’ indebtedness, has long been treated as a distress phenomenon. It is indeed so if the debt taken is not used for productive purposes like purchase of inputs that augment output or creation of assets that augment the earning base of the borrowers and instead is used for consumption purposes or marriages and social ceremonies. Debt can also become a distress phenomenon if the borrower’s crop fails due to natural calamities, drought, use of spurious inputs, in fructuous investments or other unforeseen reasons, or if production becomes uneconomic because of high input costs, stagnant technology and lack of remunerative prices which make it impossible for the farmer to repay his capital and interest. Finally, and this is quite common, interest becomes a heavy liability if the loan is taken from non-institutional sources like moneylenders at high rates of interest. The accumulated liability of principal and compound interest can sometimes become crippling, and the borrower is forced to mortgage or sell his land losing thereby his only means of livelihood. In some cases, indebtedness and failure to pay can become one of the important causes for farmers’ suicides. 16

4.4.2 Causes of Agricultural Indebtedness

There are many reasons for the persistence of indebtedness among the farmers’ households in India. First, since the agricultural activities are typically
seasonal and heavily depends upon monsoon rainfall, the return from the crop cultivation is not assured most of the time which affects the repaying capacity of the farmers. **Second**, though the distribution of institutional credit for agricultural purpose has increased manifold in India since the nationalisation of banks, substantial number of farmers still rely on non-institutional sources (money lenders and others), where the rate of interest is not only exorbitant but the terms and conditions of the loan are often exploitative. **Third**, the domination of middlemen in agricultural produce market, which prevents the farmers from getting remunerative prices for their produce, is also considered to be one of the main reasons for the indebtedness. **Four**, majority of the farmers also take loans for consumption as well as for a variety of social obligations, which are unproductive and do not help to generate income. As the surplus income generated through crop cultivation is not assured and often inadequate, the farmers are unable to repay the loan in time and thus the burden of debt goes on increasing.\(^ {17} \)

**4.4.3 Characterises of Agricultural Indebtedness**

In the Indian rural and agricultural contexts, indebtedness characterizes: (i) unproductive usage of loan, (ii) usurious ensnaring of the borrower (iii) captivation of productive resources (iv) exercise of coercive and exploitative economic and social powers by the lender, (v) compulsion, plight, misery and feeling of guilt and helplessness, and (vi) erosion of social status of the borrower.\(^ {18} \)

**4.4.4 Consequences of Agricultural Indebtedness**

There are harmful economic, social and political consequences of heavy rural indebtedness, affective adversely the interest of country. The consequences of mounting indebtedness on farmers are very serious indeed. It is this indebtedness that is responsible for low standard of living and worsening poverty amongst in cultivating classes. As started earlier, due to heavy debts, the farmers are unable to properly market their product. The farmers are compelled to sell their produce in an isolated market for the advantage of the traders.
As a result of debts, the income of the farmers is mostly spent for repayment and agricultural improvements tend to get neglected. There is thus, little scope for the farmers to improve their economic status.

In countries like Japan, even the small farms are managed most efficiently by adopting the latest farm practices. The small farms need not be inefficient and they need not suffer from low productivity. In India, small farms also became unviable as they do not have access to crucial inputs like credit and irrigation.

If the small and marginal farmers are in debt, they will not be in a position to adopt modern farming practices. This would cripple their capacity to increase their income levels. This would also mean that they cannot repay the loans taken. Mostly the small farmer loses both ways gets a low price while selling his produce, but has to pay high prices while buying inputs. Indebtedness is, therefore, the causes as well as the effect of the growing poverty of the Indian farmers.

Indebtedness creates a class of landless labourers and tenants in the place of independent farmers. In some cases, where the landless labourer does not have anything worthwhile to pledge to landlords and money-lenders, they are forced to pledge their own person and become bonded slaves to the landlords and money-lenders. In many parts of the country, the small peasants, who have lost their land to the money-lenders and the large landlords, have risen against the latter in a violent manner. The problem is particularly serious in parts of Bihar, Orissa and Andhra Pradesh where the high caste money-lenders have fraudulently deprived the simple and illiterate adivasis of their meager land ownership. This has been direct causes of Naxalite movements in these areas.

The political consequences too are serious and harmful. The farmers under debt are related as mere Votes or commodities which the moneylenders use as their private property. For these farmers freedom of vote is a mirage. In fact their political status is- nothing but a reflection of their low economic position. It is clear from the above that indebtedness is an evil from every angle.
4.4.5 Remedies to the problem of Agricultural Indebtedness

The problem of indebtedness has two aspects and, therefore, the solutions are also two fold. In the first instance, measures may be devised for cancelling old debts. Secondly, measures should be devised to see that fresh borrowing is limited to the minimum necessary and to the productive type. At the same time it is necessary to control the money-lender and regulate his activities.

1. Settlement of old debt - Most State Govt. and Union Territories have enacted appropriate legislation to scale down the debts of small farmers and to discharge non/institutional debt of weaker sections like landless labourers and rural artisans. In most States, legislation exists for compulsory reduction of ancestral debt and in few cases, even for the liquidation. The difficulty with such legislation is that the farmers and the landless labourers may not take-advantage, either because they are ignorant of such legislation or because they are afraid of the money-lender.

2. Reduce dependence on money-lender- In order to reduce the dependence of the rural people on local money-lenders, the network of institutional credit structure, comprising cooperatives, commercial banks and RRBs, is being rapidly expanded throughout the country to provide timely and adequate credit support to the small farmers and artisans.

3. Control of new loans- It is not sufficient to help in the settlement of old debts. It is necessary to see that the farmers resort to borrowing only for the most essential and productive purposes. Non-productive loans should be avoided.

4.4.6 Incidence of Indebtedness

According to Situation Assessment Survey of Farmers (SAS) out of the 89.33 million farmer households 43.42 million or 48.6 per cent were indebted. In other words, more than half - 45.91 million or 51.4 per cent were not indebted either from institutional or non-institutional sources. A large proportion of them might have been financially excluded. The average outstanding debt per farmer household was at Rs.12,585 and per indebted farmer household was at ` 25,902. The incidence of indebtedness was highest in Andhra Pradesh (82.0%), followed by Tamil Nadu (74.5%), Punjab (65.4%), Kerala (64.4%), Karnataka (61.6%) and Maharashtra (54.8%). Moreover, Haryana, Rajasthan, Gujarat, Madhya Pradesh and West Bengal each had about 50 to 53% farmer households indebted. States with very low proportion of indebted farmer households were Meghalaya, Arunachal Pradesh and
Uttaranchal. In each of these States less than 10% farmer households were indebted. In absolute terms, out of an estimated 43.4 million indebted farmer households, 6.9 million belonged to Uttar Pradesh, 4.9 million to Andhra Pradesh, 3.6 million to Maharashtra, 3.5 million to West Bengal and 3.2 million to Madhya Pradesh. More than half of the indebted farmer households belonged to these five States.19

Table No. 4.10

Incidence of Indebtedness in Major States

<table>
<thead>
<tr>
<th>State</th>
<th>Estimated Number of Indebted Farmer Household</th>
<th>Percent of Indebted Farmer Household</th>
<th>Average Loan Per Household, `</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>49493</td>
<td>82.0</td>
<td>23965</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>28954</td>
<td>74.5</td>
<td>23963</td>
</tr>
<tr>
<td>Punjab</td>
<td>12069</td>
<td>65.4</td>
<td>41576</td>
</tr>
<tr>
<td>Kerala</td>
<td>14126</td>
<td>64.4</td>
<td>33907</td>
</tr>
<tr>
<td>Karnataka</td>
<td>24897</td>
<td>61.6</td>
<td>18135</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>36098</td>
<td>54.8</td>
<td>16973</td>
</tr>
<tr>
<td>Haryana</td>
<td>10330</td>
<td>53.1</td>
<td>26007</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>27828</td>
<td>52.4</td>
<td>18372</td>
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<tr>
<td>Gujarat</td>
<td>19644</td>
<td>51.9</td>
<td>15526</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>32110</td>
<td>50.8</td>
<td>14218</td>
</tr>
<tr>
<td>West Bengal</td>
<td>34696</td>
<td>50.1</td>
<td>10931</td>
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<td>Orissa</td>
<td>20250</td>
<td>47.8</td>
<td>5871</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>69199</td>
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<td>7425</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>3030</td>
<td>33.4</td>
<td>9618</td>
</tr>
<tr>
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<td>23383</td>
<td>33.0</td>
<td>4476</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>3003</td>
<td>31.8</td>
<td>1903</td>
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<tr>
<td>Assam</td>
<td>4536</td>
<td>18.1</td>
<td>813</td>
</tr>
<tr>
<td>All India</td>
<td>434242</td>
<td>48.6</td>
<td>12585</td>
</tr>
</tbody>
</table>


Indebtedness of Farmer Households in Different Social Groups

The percentage share of estimated all farmer households in different social groups was 13.3% in ST, 17.5% in SC, 41.5% in OBC and 27.7% in others. At all-India level, 48.6% farmer households were indebted. The prevalence rate of indebtedness of farmer households in different social groups was 36.3% in ST, 50.2% in SC, 51.4% in OBC and 49.4% in others. Thus, excluding farmer households belonging to ST, around half of the households in all other social groups were indebted. Among 100 indebted farmer households, it was observed that 10 households belonged to ST, 18 households to SC, 44 households to OBC and 28

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households to others. Between the two states, namely, Andhra Pradesh and Tamil Nadu where, as already mentioned, a vast majority of farming community was indebted, it was observed that in Andhra Pradesh 11% belonged to ST, 17% to SC, 47% to OBC and 25% to Others, whereas the percentages were 4%, 22%, 73% and 1% respectively in Tamil Nadu.

**Indebtedness of Farmer Households by Source of Income**

Total debt of farmer households was estimated at `1.12 lakh crore in 2003; of which `65,000 crore was from institutional agencies and `48,000 crore from non-institutional agencies. Private moneylenders accounted for `29,000 crore and traders `6,000 crore. About `18,000 crore of debt from non-institutional sources, a major portion of which was from moneylenders carried an interest rate greater than 30 per cent. Clearly, there is an urgent need to relieve the farmers from private debt carrying high interest rate by transferring it to institutional agencies.

**Table No. 4.11**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional</td>
<td>7.3</td>
<td>18.7</td>
<td>31.7</td>
<td>63.2</td>
<td>66.3</td>
<td>61.1</td>
</tr>
<tr>
<td>Cooperative Societies/Banks, etc</td>
<td>3.3</td>
<td>2.6</td>
<td>22.0</td>
<td>29.8</td>
<td>30.0</td>
<td>30.2</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>0.9</td>
<td>0.6</td>
<td>2.4</td>
<td>28.8</td>
<td>35.2</td>
<td>26.3</td>
</tr>
<tr>
<td>Non-Institutional</td>
<td>92.7</td>
<td>81.3</td>
<td>66.3</td>
<td>36.8</td>
<td>30.6</td>
<td>38.9</td>
</tr>
<tr>
<td>Moneylenders</td>
<td>69.7</td>
<td>49.2</td>
<td>36.1</td>
<td>16.1</td>
<td>17.5</td>
<td>26.8</td>
</tr>
<tr>
<td>Unspecified</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.1</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


The share of institutional sources in cultivators’ debt improved considerably in the years following bank nationalisation, from about 32 per cent in 1971 to 66 per cent in 1991, but in the 1990s, there was a loss of momentum and the share declined to 61 per cent in 2002. In the post-nationalisation period, the increase in the share of commercial banks was rapid and sizeable. The cooperative sector’s share increased from 22 per cent in 1971 to about 30 per cent by 1981 and stagnated since then. In the 1990s, while cooperatives sustained there, albeit low, share at 30 per cent, the share of commercial banks slipped from 35 per cent in 1991 to 26 per cent in 2002. The decline in the share of institutional agencies in the 1990s could be attributed to the decline in the share of commercial banks.
Table No. 4.12
There are wide variations across states in the share of institutional and non-institutional sources of farmers’ debt. In a majority of states, the outstanding debt of the farmers was financed more by the institutional agencies than by non-institutional agencies. However, in a few states such as Andhra Pradesh, Rajasthan, Assam, Bihar and Punjab the financing of the debt was more by the non-institutional sources.

Credit cooperative societies were an important source of finance only in the five states of Maharashtra, Gujarat, Kerala, Haryana and Tamil Nadu. At all-India level the share of cooperatives in the total outstanding debt of farmers was only 19.6 per cent, whereas these five states had shares in the range 23-49 per cent. Another set of six states (Chhattisgarh, West Bengal, Orissa, Punjab, Karnataka and Madhya Pradesh) had shares in the range of 17-21 per cent. In Maharashtra and Gujarat, the share of cooperative societies was higher than that of commercial banks. In Jammu and Kashmir, Bihar, Assam, Jharkhand and Uttaranchal the share of cooperatives in farmers’ outstanding debt was negligible at less than 5 per cent.

The share of moneylenders in the farmers’ outstanding debt was higher in Andhra Pradesh (53 per cent), Tamil Nadu (40 per cent), Rajasthan (37 per cent), Punjab (36 per cent) and Bihar (33 per cent). In all these states, except Bihar, the share of moneylenders in farmers’ outstanding debt was higher than that of commercial banks. Traders were a significant source of financing debt in Rajasthan, Jammu & Kashmir, Assam and West Bengal.

**Debt by Land Size**

The incidence of indebtedness and the share of institutional finance in outstanding debt for all-India increased with the size of land holding. The incidence of indebtedness increased from 46 per cent for marginal and small farmer households to 66 per cent for large farmers and the share of institutional agencies in the debt increased from 51 to 68 per cent. The average size of loan per farmer also increased with the landholding size. Small and marginal farmer households, which accounted for 80 per cent of indebted farmer households, absorbed 51 per cent of the total outstanding credit from institutional agencies.
The dependency of marginal and small farmers was more on non-institutional agencies than of large farmers. As against large farmers, one-third of whose debt was from non-institutional sources, one-half of the debt of small and marginal farmers was from non-institutional sources. The marginal farmers received a relatively smaller share even from cooperatives and had to depend more on private moneylenders.

Table No. 4.13

<table>
<thead>
<tr>
<th>Size of land possessed (Hectares)</th>
<th>Total Households (%)</th>
<th>Total Indebted Household (%)</th>
<th>Incidence of Indebtedness (%)</th>
<th>Amount Outstanding per Farmer Household ((\text{`}))</th>
<th>Loans From Institutional Agencies (%)</th>
<th>Non Institutional Agencies (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;0.01</td>
<td>1.4</td>
<td>1.3</td>
<td>45.3</td>
<td>6121</td>
<td>22.6</td>
<td>77.4</td>
</tr>
<tr>
<td>0.01-0.40</td>
<td>32.8</td>
<td>30.0</td>
<td>44.4</td>
<td>6545</td>
<td>43.3</td>
<td>56.7</td>
</tr>
<tr>
<td>0.41-1.00</td>
<td>31.7</td>
<td>29.8</td>
<td>45.6</td>
<td>8623</td>
<td>52.8</td>
<td>47.2</td>
</tr>
<tr>
<td>1.01-2.00</td>
<td>18.0</td>
<td>18.9</td>
<td>51.0</td>
<td>13762</td>
<td>57.6</td>
<td>42.3</td>
</tr>
<tr>
<td>Upto 2.00</td>
<td>83.9</td>
<td>79.9</td>
<td>46.3</td>
<td>8870</td>
<td>51.3</td>
<td>49.7</td>
</tr>
<tr>
<td>2.01-4.00</td>
<td>10.5</td>
<td>12.5</td>
<td>58.2</td>
<td>23456</td>
<td>65.1</td>
<td>35.0</td>
</tr>
<tr>
<td>4.01-10.0</td>
<td>4.8</td>
<td>6.4</td>
<td>65.1</td>
<td>42532</td>
<td>68.8</td>
<td>31.1</td>
</tr>
<tr>
<td>10+</td>
<td>0.9</td>
<td>1.2</td>
<td>66.4</td>
<td>76232</td>
<td>67.6</td>
<td>32.4</td>
</tr>
<tr>
<td>All</td>
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<td>100.0</td>
<td>48.6</td>
<td>12595</td>
<td>57.7</td>
<td>42.4</td>
</tr>
</tbody>
</table>


Sources of financing outstanding debt varied across the land holding size groups. The outstanding debt of the sub-marginal land holder (land possessed less than 0.40 hectares) households was financed mostly by non-institutional agencies. In a large number of states, more than 70 per cent of their outstanding debt was from non-institutional agencies. In Andhra Pradesh and Rajasthan, non-institutional agencies accounted for as high as 80 per cent of their outstanding debt. In Kerala and Maharashtra, dependency of very sub-marginal landholding households on non-institutional sources was much less. This could be attributed to the spread of commercial bank and cooperative banks/societies in the rural areas of these states.
Table No. 4.14
Non-institutional Debt for each Size Class of Holding across States
(In Percentages)

<table>
<thead>
<tr>
<th>State/Region</th>
<th>Size Class of Land Possessed</th>
<th>&lt;0.01</th>
<th>0.01-0.40</th>
<th>0.40-1.00</th>
<th>1.01-2.00</th>
<th>2.01-4.00</th>
<th>4.01-10.00</th>
<th>10.00+</th>
<th>All Sizes</th>
</tr>
</thead>
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<tr>
<td>Andhra Pradesh</td>
<td></td>
<td>83.1</td>
<td>80.7</td>
<td>74.9</td>
<td>73.4</td>
<td>58.5</td>
<td>51.4</td>
<td>50.5</td>
<td>68.6</td>
</tr>
<tr>
<td>Assam</td>
<td></td>
<td>100.0</td>
<td>70.9</td>
<td>62.2</td>
<td>54.8</td>
<td>53.6</td>
<td>77.0</td>
<td>100.0</td>
<td>62.5</td>
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<td>Bihar</td>
<td></td>
<td>63.5</td>
<td>79.2</td>
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<td>36.6</td>
<td>80.4</td>
<td>29.9</td>
<td>58.3</td>
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<td>73.4</td>
<td>49.9</td>
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<td>29.3</td>
<td>11.5</td>
<td>0.0</td>
<td>27.6</td>
</tr>
<tr>
<td>Gujarat</td>
<td></td>
<td>89.9</td>
<td>65.2</td>
<td>59.3</td>
<td>34.8</td>
<td>15.1</td>
<td>19.8</td>
<td>0.0</td>
<td>30.5</td>
</tr>
<tr>
<td>Haryana</td>
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<td>75.4</td>
<td>53.5</td>
<td>29.0</td>
<td>13.6</td>
<td>40.6</td>
<td>25.3</td>
<td>32.4</td>
<td></td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td></td>
<td>0.0</td>
<td>49.2</td>
<td>22.2</td>
<td>20.6</td>
<td>45.2</td>
<td>7.7</td>
<td>100.0</td>
<td>34.7</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td></td>
<td>0.0</td>
<td>39.1</td>
<td>38.4</td>
<td>26.1</td>
<td>11.1</td>
<td>99.9</td>
<td>100.0</td>
<td>32.4</td>
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<td>Jharkhand</td>
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<td>35.5</td>
<td>29.2</td>
<td>65.5</td>
<td>12.4</td>
<td>39.5</td>
<td>2.0</td>
<td>0.0</td>
<td>35.9</td>
</tr>
<tr>
<td>Karnataka</td>
<td></td>
<td>84.4</td>
<td>66.6</td>
<td>37.9</td>
<td>41.3</td>
<td>26.6</td>
<td>13.0</td>
<td>3.0</td>
<td>31.1</td>
</tr>
<tr>
<td>Kerala</td>
<td></td>
<td>35.2</td>
<td>23.9</td>
<td>13.2</td>
<td>7.1</td>
<td>3.6</td>
<td>32.7</td>
<td>29.7</td>
<td>17.7</td>
</tr>
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<td>Madhya Pradesh</td>
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<td>89.6</td>
<td>64.6</td>
<td>56.6</td>
<td>47.3</td>
<td>53.2</td>
<td>26.9</td>
<td>16.1</td>
<td>43.1</td>
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<td>11.3</td>
<td>8.9</td>
<td>16.2</td>
</tr>
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<td>Orissa</td>
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<td>35.3</td>
<td>37.6</td>
<td>22.9</td>
<td>27.9</td>
<td>11.6</td>
<td>3.1</td>
<td>86.8</td>
<td>25.2</td>
</tr>
<tr>
<td>Punjab</td>
<td></td>
<td>75.2</td>
<td>70.8</td>
<td>34.4</td>
<td>50.9</td>
<td>38.8</td>
<td>52.5</td>
<td>69.9</td>
<td>52.1</td>
</tr>
<tr>
<td>Rajasthan</td>
<td></td>
<td>93.8</td>
<td>80.8</td>
<td>77.6</td>
<td>67.1</td>
<td>59.9</td>
<td>58.1</td>
<td>61.8</td>
<td>65.8</td>
</tr>
<tr>
<td>Tamil Nadu</td>
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<td>62.6</td>
<td>54.0</td>
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<td>34.8</td>
<td>25.7</td>
<td>17.1</td>
<td>46.6</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
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<td>79.8</td>
<td>70.2</td>
<td>43.3</td>
<td>31.5</td>
<td>20.2</td>
<td>11.5</td>
<td>1.8</td>
<td>39.7</td>
</tr>
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<td>100.0</td>
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<tr>
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<td>57.3</td>
<td>36.9</td>
<td>19.9</td>
<td>24.6</td>
<td>78.7</td>
<td>100.0</td>
<td>42.0</td>
</tr>
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<td>All-India</td>
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<td>77.4</td>
<td>56.7</td>
<td>47.2</td>
<td>42.4</td>
<td>34.9</td>
<td>31.2</td>
<td>32.4</td>
<td>42.3</td>
</tr>
</tbody>
</table>


**Debt by Interest Rates**

Table 4.15 shows that interest rates charged by the non-institutional agencies were much higher than those charged by institutional agencies for outstanding debt as on end June 2002. About 85 per cent of outstanding debt of cultivator households from institutional agencies was in the interest range of 12 to 20 per cent per annum. On the other hand, 36 per cent of cultivator households’ outstanding debt from non-institutional agencies was at the interest range of 20 to 25 per cent and another 38 per cent of outstanding debt at high interest rate of 30 per cent and above. This shows the exploitative nature of non-institutional credit market.
Table No. 4.15

Distribution of Debt by Interest Rates and Source for Cultivator Households: 2002

<table>
<thead>
<tr>
<th>Interest Rates</th>
<th>Institutional</th>
<th>Non-Institutional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nil</td>
<td>0.5</td>
<td>17.4</td>
</tr>
<tr>
<td>0-6</td>
<td>1.8</td>
<td>2.3</td>
</tr>
<tr>
<td>6-10</td>
<td>3.0</td>
<td>0.3</td>
</tr>
<tr>
<td>10-12</td>
<td>7.4</td>
<td>0.6</td>
</tr>
<tr>
<td>12-15</td>
<td>50.0</td>
<td>1.6</td>
</tr>
<tr>
<td>15-20</td>
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<tr>
<td>20-25</td>
<td>1.4</td>
<td>36.2</td>
</tr>
<tr>
<td>25-30</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>&gt; 30</td>
<td>0.3</td>
<td>38.2</td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Indebtedness by Purpose

The debt surveys provide information regarding the distribution of credit by purpose. The purposes of the loans do matter. Broadly, loans are classified into two categories- productive and unproductive.

(a) Productive purposes- farm and nonfarm business for current as well as capital expenditure. These loans are expected to accelerate the economic activity of the household and ultimately promote their welfare. Large share of productive loans is a sign of flourishing economic activity.

(b) Unproductive purposes are taken for meeting household expenditure, costs of litigation and other loans for various personal needs. Money spent on these loans neither results in the production of goods and services nor brings economic prosperity to the households. Such loans, if large or frequent, may lead to perpetual debt or misery.

A substantial proportion of cultivator households’ debt was for productive purposes at the all-India level. However, debt for productive purposes as a percentage of total debt declined from 72 per cent in 1981 to 63 per cent in 2002. Similarly the share of debt incurred for farm business declined from 64 per cent in 1981 to 53 per cent in 2002. Within farm business expenditure, the share of capital expenditure declined from 45.3 per cent to 34.3 per cent. The increase in
capital expenditure for non-farm business could not fully compensate the fall in farm business expenditure, which resulted in a fall in the share of overall productive expenditure between 1981 and 2002.

There were substantial inter-state variations in the purposes for which debt was incurred. Outstanding debt for productive purposes varied from 40 per cent in Assam, 44 per cent in Kerala and 47 per cent in Bihar to 80 per cent in Maharashtra, 78 per cent in Karnataka and 75 per in Gujarat. The outstanding debt in the states which reported suicides (Andhra Pradesh, Karnataka, Maharashtra and Punjab) was incurred largely for productive purposes.

Table No. 4.16
Distribution of Debt by Purpose among Rural Cultivator Households: 1961-2002
(In Percentages)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive</td>
<td>40.1</td>
<td>54.0</td>
<td>71.6</td>
<td>62.9</td>
</tr>
<tr>
<td>Farm-Business</td>
<td>36.6</td>
<td>49.7</td>
<td>63.8</td>
<td>52.5</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>26.8</td>
<td>34.7</td>
<td>45.3</td>
<td>34.3</td>
</tr>
<tr>
<td>Current Expenditure</td>
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<tr>
<td>Non-Farm Business</td>
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<td>4.3</td>
<td>7.8</td>
<td>9.4</td>
</tr>
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<td>Capital Expenditure</td>
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<td>6.3</td>
<td>7.4</td>
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<td>60.0</td>
<td>46.0</td>
<td>28.4</td>
<td>38.1</td>
</tr>
<tr>
<td>Household Expenditure</td>
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<td>37.8</td>
<td>20.0</td>
<td>27.7</td>
</tr>
<tr>
<td>Other Purposes</td>
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<td>7.2</td>
<td>8.4</td>
<td>10.4</td>
</tr>
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<td>Repayment of Debt</td>
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<td>1.5</td>
<td>0.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Expenditure on Litigation</td>
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<td>0.7</td>
<td>0.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Financial Investment</td>
<td>0.2</td>
<td>0.2</td>
<td>1.0</td>
<td>0.6</td>
</tr>
<tr>
<td>All Purposes</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Indebtedness for productive purpose was generally high in states with high incidence of indebtedness and low in states with low incidence of indebtedness. Debt incurred by farmers for marriages and social ceremonies was also very significant in some states. Though Bihar had low level of debt per farmer household, 23 per cent of the outstanding debt was for marriages and ceremonies. This was much higher than the all-India average of 11 per cent.
| Table No. 4.17 |
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REFERENCES


