

Rural indebtedness and farmer suicide in Punjab

Arun Kumar Thatai

Assistant Professor in Economics, Head of Department, D A V College, Abohar

Abstract

Punjab is known as the bread basket of India. Punjab is also known for rich farmers, but the reality is far away. Farmers who have a big land live a luxury life, but the position of small and marginal farmers is not good. Most of the small farmers are under indebtedness. Punjab witnessed a high growth during Green Revolution, but after that position of farmers' starts deteriorate. Punjab government always tries to hide the problem and always show incorrect data regarding farmers' suicide. No serious efforts from government to solve the problem. As a result problem continues to prevail.

Keywords: Agriculture, Punjab Farmers, Farmers' suicide, Rural indebtedness.

Introduction

Punjab is called India's bread basket because the region is ideal for growing wheat crop, rice, sugarcane, fruits and vegetables. The total area of Punjab is just 1.4% of the total area of India, but it produces roughly 12% of the cereals, 17% of wheat, 11% of rice. Punjab seems to be one the royal state of India but the reality is far away. A big portion of Indian farmers consist small farmers and their position is pathetic.

The state of Punjab has been showcased as an Indian agricultural success story since the Green Revolution, which was the parcel of development initiatives undertaken by developed countries in the late 1960s and 1970s to aid developing countries in increasing their crop yield. Yet, since this time there has been a steady increase in the number of economically-related suicides by Punjabi farmers. During the Green Revolution, production was improved with the use of modified seeds that increased yield only when combined with expensive chemical fertilizers and irrigation. Unable to afford sufficient amounts of these expensive inputs, small farmers found their holdings becoming progressively less profitable. Meanwhile, grain prices remained comparatively low even as input costs increased. Now, three decades later, the small and marginal farmers of Punjab, in trying to pursue environmentally and economically unsustainable agrarian practices, are accumulating high debt while lacking alternative sources of income

Profile of suicide victims

A look at the profile of the farmers who committed suicide due to unseasonal rains reveals they are mostly marginal and small farmers, with land holdings up to five acres, who had taken additional land on lease at the rate of Rs 30,000-40,000, a well-established practice in Malwa region of Punjab. This is the same category of small and marginal farmers which accounts for 70 to 80 per cent of farmer suicides in general in government's long term farmer suicide data. In fact, the geographical concentration of suicides in the recent months is also in the same districts of Malwa, with the major reason behind their suicide being debt.

Agriculture in Punjab suffers from mono-crop culture of mainly wheat and paddy. With this cropping pattern, farming

itself is becoming an unviable occupation, due to rising fixed and variable input costs, and low remuneration leading to falling profit margins. Variable costs increase due to rising prices of inputs like fertilizers, pesticides, weedicides, diesel etc. And further fixed costs like installation and deepening of submersible pumps due to the dipping water table increase the financial woes of farmers. For a small and marginal farmer, it is economically unviable to make such investments, especially by borrowing from informal sources at high rates of interest (18 to 36 per cent). Production levels in the state have already touched the saturation point and productivity cannot be increased further by intensive use of inputs.

Already intensive use of inputs along with cultivation of water-intensive crop like paddy has led to ecological crisis in terms of depleting water table and increasingly micronutrient-deficient soil. The National Sample Survey Organization has pointed out that farming has now become unremunerative for small and medium farmers. According to the Ludhiana-based Punjab Agricultural University (PAU), almost 64 per cent of the farmers own less than 10 acres. The above two facts imply that these 64 per cent small farmers will soon be the victims of the worsening agrarian crisis. Poor marketing and unavailability of proper prices for the produce of other crops has made the farmers dependent on the current unviable cropping pattern.

Problem of Farmers' suicide

Punjab's farming sector is in crisis and showing signs of sickness as it suffers from falling productivity and shrinking returns. Farmers are reeling under debt, and owing to low profitability, small farmers, in particular, are quitting farming. In the past few years, around 28 per cent of them have entered the labour market

In a report sent to the Centre, the state government had confirmed 2116 cases of suicide by farmers 1988-2005 in the entire state. However, Mr Inderjit Singh Jaijee, convener of the MASR, says the state government is deliberately underplaying such suicides. MASR estimates 50,000 suicides across Punjab from 1988 to 2006. Independent estimates by farmer unions' are less conservative than MASR's. In 2006 Of the 3,507 farmers who committed suicide in Punjab between 2000 and

2011, about 80 per cent were marginal and small farmers (up to 2 hectares). These farmers had an average debt of Rs. 2, 35,000 per household and they earned only Rs. 30,420 a year, which indicates the miserable condition of marginal and small farmers, says the study.

The governments figures are, however, significantly lower. The Punjab Government Status Report in 2004 stated that there were 2,116 suicides from 1986-2005.

One various groups are reporting a significant number of farmer suicides in Punjab. Movement against State Repression (MASR), an NGO working in Southern Punjab for the past two decades, has recorded 1,738 suicides in 91 Punjabi villages between 1988 and 2014. These 91 villages are from two sub-subdivisions of District Sangrur, one of the 22 districts of Punjab. MASR estimates at least 50,000 suicides have occurred across Punjab over the last two decades, though not all districts are equally affected.

Sukhpal Singh, senior economist and head of the Department of Economics and Sociology at Punjab Agricultural University (PAU) conducted a study on the indebtedness and suicide among farmers. The study reveals that among the samples surveyed, the average debt on the household was Rs 218000 per household. Small farmers are more affected than large farmers. It was the highest among marginal farmers at Rs.1, 70,184, followed by small farmers at Rs.1, 04,155 and for other farmers at Rs.44, 069.

The study reveals small farmers are in crisis, both economically and socially, as their traditional source of livelihood has become unviable because of rapidly increasing input costs. "In a census-based study of farmers' suicides in six districts of Punjab during 2011, it was found that the largest number who took their own lives belonged to the category of small farmers,"

Of the 3,507 farmers who committed suicide in Punjab between 2000 and 2011, about 80 per cent were marginal and small farmers (up to 2 hectares). These farmers had an average debt of Rs. 2, 35,000 per household and they earned only Rs. 30,420 a year, which indicates the miserable condition of marginal and small farmers, says the study.

Causes of Farmers' suicide

The cause of the suicides is basically hopelessness of the poverty stricken masses. They see no way out of their spiraling debt. They see no future for their children except to be born into debt and die in greater debt. It is this horrifying scenario that is pushing many a farmer to the brink. The suicides in Punjab are the result of mental stress and this mental stress is most often caused by poverty and especially by indebtedness. Indebtedness and the inability to earn enough income to relief the debt will assault the farmers feeling of self-esteem and respect. In many cases the individuals who committed suicide where responsible for the income and this debt created the feeling that they we incapable of taking care of their loved ones and themselves. This feeling has brought shame upon them and might even have confirmed for them the idea of being backward or underdeveloped. Once this has entered their minds it accumulates and creates a heavy mental burden. It is important to note that it is most likely that most farmers who committed suicide probably blamed themselves for their poverty and indebtedness. The main causes of Farmers' suicide are

1. Indebtedness

The major reason for the suicides is the heavy indebtedness that the cultivators find themselves. This heavy indebtedness is not an overnight phenomenon that has occurred suddenly. It has its roots in the credit policy that has been followed over a number of years. The indebtedness itself results from a mismatch in the cost of production and the support price and the market price that the cultivators are receiving at the end of every cropping cycle. *Debt is never ending*: The financial struggles associated with these deaths do not end with the farmer's suicide. In many cases, the surviving family must shoulder the debt, often forcing children to leave school in order to further support the family. Even more reliant on the farm than ever, these young farmers begin buying even more seeds in the hopes of a successful harvest, and become trapped in debt themselves.

2. Exploitation by arhtiyas/Moneylenders

Farmers with no auxiliary source of income except agriculture have to rely on credit to fulfill the significant amount of investment required for farm infrastructure, machinery and quality inputs and also their daily expenses. Cooperative societies provide short-term formal loans for seasonal agricultural expenses, but for expenses like motor burn-outs, installation of a submersible pump (which may cost up to Rs 3 lakh), and even various household expenses farmers have to depend upon arhtiyas. Farmers have become heavily dependent on commission agents (arhtiyas) because of urgent need and easily availability of loans at any time of the day. In such conditions, even seemingly routine needs like providing a good education to their children; emergency medical expenses etc. become huge burdens which break the farmer's back. Further failure of public education and health institutions such as schools and hospitals to provide efficient services of reasonable quality forces the farmer, like anyone else in general, to look for private alternatives which are costlier.

The farmers who take land on lease for cultivation also have to bear the extra cost of rent of land. Since loans cannot be obtained from formal sources against land obtained on lease, once again these farmers have to rely on informal sources like arhtiyas for the expenses of cultivation along with the lease rent. This vicious cycle of taking more costly loans just to carry on cultivation in the hope of turning around their finances and repaying previous loans with high interest pushes farmers in to accepting informal lending at exorbitant rate of interest (18 to 36 per cent) on exploitative conditions like the having to sells their produce only through their lenders.

Unemployment and low auxiliary non-farm income opportunities are the other main issues in the state. Mechanization of agriculture means only one family member can manage the agriculture operations, relieving the rest for the state has failed spectacularly in providing alternate employment. The unemployed rural educated youth constitute approximately 54 per cent of the aggregate rural unemployed in the state. Absence of the manufacturing industry is the main reason of unemployment and the fledgling Information Technology (IT) industry is unable to provide jobs to rural educated youth. With such meager non-farm income opportunities, the farmers are solely dependent on agricultural income which is also very low and unreliable. It is very difficult to lead a minimum quality life with such low income for the Punjabi farmers who have traditionally enjoyed a relatively higher standard of living even prior to the heyday of

Green Revolution. It should be noted that these farmers have rather munificent socio-cultural norms and traditions, inherited from a plentiful, prosperous past, making the current economic adversity appear more depressing.

3. *Inactive governments*

All the relief programs from the governments includes waiver of loans from banks. But they do not address the issue of moneylenders. So most farmers get very little help. The unwillingness of the Indian government to invest in irrigation, to improve the availability of rural credit, or provide farmers with more seed purchasing options is an indication of a broader concern which is lack of adequate investment in agriculture. The Indian government's (intentional?) withdrawal from the agricultural sector has led to increased corporatization of the sector and to farmers incurring greater and greater debt. The tragedy is that, except for a few journalists, the bulk of the media and intellectuals are silent on this horrifying tragedy unfolding in rural India.

4. Our policy decisions are totally driven towards creating inequality and driving our farmers to the coffin, For example:

1) If you try and get a car in India, even say the most expensive one, and assuming you can buy a car, the interest rate at which you get a loan is 7% from a public sector bank, like say the State Bank of India. When businessmen from Aurangabad bought 150 Mercedes Benz at a single shot, they were charged an interest rate of 7% by SBI, and most of them are big-shots and they will never even pay the loan back, and the loan will be written off by the government against a Non-Performing Asset.

If you try and get a tractor though using a loan from the very State Bank of India, the interest rate charged is nearly the double. For a loan of 4 lakh rupees, the rate of interest is 12.5%, while for a loan of Rs. 5 lakh it's 13.25% and for a loan of Rs. 6 lakh rupees it is 14%.

2) Worse is the way our banks behave. Many of them refuse to give loans to farmers, unless say the Panchayat intervenes. Sometimes, the head of the Panchayat (Mukhiya/Sarpanch) colludes with the banks to ensure that people have to pay bribes to get loans, sometimes the bank officials ask for bribes on their own. Because most rural areas just have one bank, it is difficult to get loans at lower interest rates in many cases without paying bribes.

If our farmers are not able to get loans from banks, whom they can go to? Moneylenders, who are generally the big landlords in most villages. The rate of interest charged can be as high as 40-50% for the year, and in only lenient cases can it be 30% or so. Our farmers depend mostly on rains for water, any changes in rain patterns lead to issues with crops, and in many cases the crop gets destroyed either due to lack of water or too much water.

5. *Unfavourable price structure for crops and inputs.*

Decades of unrealistically low government-set minimum support prices (MSP) and high input costs. The cost recovery from agriculture is just 80% of the investment. Consumers of other states have been subsidized at Punjab

farmers' cost over many years. Punjab and Haryana combined contribute approximately 67% of all wheat procured in India. Overall contribution (all grains) comes to around 60%. The largest producers are automatically the largest sufferers.

Suggestions for reducing Farmers' Suicide

1. **Formal/institutional credit sources (government and private) should be increase:** A dearth of formal sources vests immense power in the hands of the informal money-lenders. This power allows for the vicious system of abuse that contributes to the suicides. While informal money-lenders cannot be replaced quickly, more formal lending sources will help create healthy competition for the money-lenders as well as alert their borrowers to fair practices

2. **The Punjab water dispute must be resolved:** This is a priority long-term solution. The water dispute fuelled unrest and militancy in Punjab in the 1970s and 1980s, which may possibly resurge if the issue is not resolved. This issue is at the heart of existing Tensions between the Centre and the State, and is also associated with memories of violence, militancy, and counterinsurgency. Even relying on the Supreme Court to decide this matter is not advisable, since the Supreme Court's involvement in the issue has been seen by Punjab as discriminatory and unconstitutional (see previous discussion). In accordance with international riparian laws, the Central government must resolve this dispute together with the people of Punjab. The current system adversely affects the farming industry in the state and has brought catastrophic long-term effects on the state's water table. The Central government must reassess its policies towards the redirection of Punjab's water in light of the current water deficit in Punjab, which will likely only worsen in the future. It needs to reopen negotiations with Punjab state officials to come to a mutually amenable accord.

3. **Alternate source of income for farmers:** Small farmers should be encouraged to develop alternative sources of income and the government should take up the responsibility for providing training to the farmers to acquire new skills. In drought affected areas, the government should start alternative employment generation programs to reduce the dependence on agriculture as the sole source of income. Such programs should be standardized. Farmers should be enabled to divide their activities into three parts. One for regular crop production, one for animal husbandry or fisheries and another for timber production. These activities complement each other and also alternate sources of income of farmers can be ensured.

4. **Families of farmers who have committed suicides should be provided compensation.** Given the plight of the surviving family members and the disturbing phenomenon of multiple suicides within one family (where the accumulation of debt leads to successive family members committing suicide), the Central Government must provide short-term compensation packages to Punjabi families of farmers who have committed suicides,

as it has done for other states. Some critics allege that such compensation might encourage suicides. Not only do villagers find such logic contemptuous of the value they place on their lives and dismissive of the deep desperation that leads to suicides, but such an argument also ignores how compensation can help in alleviating pressures that lead to various disturbing trends in the deceased's family, including multiple suicides.

Conclusion

In India the marginal and small farmers are being passively sacrificed in the name of progress. And policymakers with their lack of creativity and their narrow economic thinking are unable or maybe unwilling to resolve this major crisis although it is happening right underneath their eyes. There need not be a one track solution to the agrarian crisis and steps should be taken that fit the profile of the diverse needs of small and large farmers. Modern farming and focus on marketing might bring prosperity to a few farmers but it is not the solution for all farmers. The first and utmost important step to take at this stage of the crisis is to reduce the costs of production of farmers and a good method of doing this is to have farmers switch to organic farming which can if properly guided, bring down the costs to zero furthermore in the Western world there is fast growing market for organic produce and fair trade agriculture.

References

1. <http://fletcher.tufts.edu/Praxis/Archives/~media/DD8E2DF1EA6C47028EB789DCD7ED5D37.pdf>
2. <http://www.thehindu.com/news/national/other-states/punjab-farming-sector-in-crisis/article7815262.ece>
3. <http://www.tribuneindia.com/news/comment/why-punjab-farmers-are-driven-to-suicide/92098.html>
4. <https://www.quora.com/Why-do-Indian-farmers-commit-suicide#!n=12>
5. <http://www.ijoart.org/docs/CRISIS-IN-AGRICULTURAL-HEARTLAND-FARM-SUICIDES.pdf>
6. <https://www.sagepub.in/repository/binaries/CriticalAcclaim/Sidhu/Oneworld%20South%20Asia,%2017%20Dec%202011.pdf>
7. <http://www.newsgram.com/the-farmer-question-6-main-problems-of-indian-agriculture-and-9-solutions-to-fix-them/>
8. http://www.global.ucsb.edu/punjab/sites/secure.lsit.ucsb.edu.gisp.d7_sp/files/sitefiles/journals/volume12/no2/12.2_Gill.pdf