



ECONOMICS OF FARMERS' SUICIDES

(With Special Reference TO Banking and Financial Sector)

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Abstract: *Economic growth and development is regarded as the solution of all global problems faced by the human race in their day to day relations. Further, if the growth is skewed or in other words unbalanced than may not sustain forever as some segments of society and economy are ignored as a consequence. More market friendly policies have excluded many sections of the populations and at the very same time pro-inclusive growth advocacy, e.g. the N.G.Os; also exclude some people. (Chakravarty, 1989)(Mahendra Dev, 2011)*

Before Independence Agriculture was main occupation in India. People believe in traditional agriculture and are using those natural ways of cultivation. Those days, cattle's were used for ploughing the fields. Farmers used manual ploughing method, and natural manure for better fertility of crop. Thus whatever they earn out of it is sufficient for them. But with the advancements in technology, numbers of new techniques were started to be implemented in agriculture to increase the productivity. For all these, money is required, which the people in the sector lack. Hence, they opt for loan, and inability to repay the same ultimately leads to suicides. As per the recent updates, farmer suicides account for 11.2% of all suicides in India, as per the NCRB sources. (National Crime Record Bureau, 2014-2015)

In a humble attempt, it has been outlined as to how and why the incidents of farmers' suicides are happening in India and suggests that there exist policy-paralysis which corresponds to financial-system failure in attaining the goals for which such institutions formed. Agrarian changes having considerably lowered the level of economic achievements of farmers', as in this study it has been argued logically and factually; that the major cause of farmers' suicides is inability of the proper management and post lending assistance enabling the farmers to repay the loans.

The objective of study is to find out the root cause of farm suicides in India. For which study has been done on secondary data taken from some reliable Government data portals. Analysis is based on various variables, sourced as secondary data, and observed that that heavy indebt ness is the root main cause of farm suicides in India, therefore, a comprehensive action and policy reframing necessary at Government and other agencies level.

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Economic growth and development is regarded as the solution of all global problems faced by the human race in their day to day relations. Further, if the growth is skewed or in other words unbalanced then that may not sustain for ever as some segments of society and economy are ignored as a consequence. More market friendly policies have excluded many sections of the populations and at the very same time pro-inclusive growth advocacy, e.g. the N.G.Os; also exclude some people. (Mahendra Dev, 2011).

Although the extent and magnitude differ for different sectors and economies however the worst affected is the agriculture in the world. Economies whether regulated or market oriented, agriculture-activities are being harmed from many aspects due to lack of a Comprehensive policy and programme implementation point of view. Agriculture terms with other sector activities deteriorate with unnecessary or excessive govt. intervention, different way of output pricing in agriculture and industry as well as the service sector, and that is true for India too.

Agriculture is main occupation in India. Around 70% of Indians are occupied in agriculture profession. It is self sustained in Food production. In this way, India is an agrarian country, since 72% of the area is rural area and more than 60% of the people depend on this sector. But, the contribution of this sector to the nation's GDP is less than 17%. Agricultural sector has had low production due to a number of factors such as illiteracy, insufficient finance,



and inadequate marketing of agricultural produces. Also the growth rate of the agricultural sector in India the GDP has declined due to the fact that the sector has not adopted modern technology and agricultural practices and insufficient irrigation facilities.²(Raghavalu, 2013) Since India's independence the mass level illiteracy, lack of security due to none or tiny land holding state of the farmers dressed them in a state of miserable condition which is an alarming bell for the policy framing and planning agencies of the country. There is an urgent need for reappraisal of the agriculture sector not only from macro economic stability and development point of view but also from prudence of welfare state policies too.

The growth rates of GDP in general and the primary sector in particular has remained in a flip-flop state and the trend of the agriculture sector could not come out of the Raj Krishna's limit known as the 'Hindu-Rate of Growth'. Quite contrast the British growth story, Mahalanobis model was adopted for the second five year plan but it could not be followed by a comprehensive agriculture revolution and in this way the logic was severely criticized by C.N. Vakil and P.R. Brahmanand as well as N. Kaldor.³ (Chakravarty, 1989)

The growth experience of India in the very recent past reversed the initial trends however may not be regarded as out of the danger zone. As it is evident from the table as under that the share of Agriculture sector declined from 2/3 of GDP to merely 23.4% in the ninth and 19.0% in the tenth plan which was at bottom line with only 14.0% share.

Growth Rate Of Agriculture And Allied Sectors			
<i>Period</i>	<i>Share of agriculture in GDP (%)</i>	<i>Growth rate of agriculture and allied sectors (%)</i>	<i>Growth rate of GDP (%)</i>
Ninth Five-Year Plan	23.4	2.5	5.7
Tenth Five-Year Plan	19.0	2.4	7.6
Eleventh Five-Year Plan (2007–08 to 2011–12)			
2007–08	16.8	5.8	9.3
2008–09	15.8	0.1	6.7
2009–10	14.7	1.0	8.4
2010–11 (quick estimate)	14.5	7.0	8.4
2011–12 (revised estimate)	14.0	2.8	6.5
Eleventh Five-Year Plan (average)	15.2	3.3	7.9
All figures based on 2004–05 prices			
Source: Planning Commission of India, Twelfth Five-Year Plan, Vol II, Ministry of Finance, Government of India			



Another regarding aspect of the scenario is there is continuous zigzags exist in the growth path of agriculture in spite of stable and buoyancy in growth of the overall GDP of the country which is an indication that there is a scope to do a lot for the sector in order to attain a firm support from agriculture.

Since, agriculture in India is mainly an activity by the resource-scarce people and having almost non-barrier industry characteristics without price and output decision-power which deprives it to balanced bargaining with industries of other sectors having forward or backward linkages. Agriculture-finance resource scarcity is resulted by allocation of large portion of land for subsistence, low marketable produce, risk aversion, more demand for consumption demand for customary, demonstrative and unproductive expenditures. Farmers do need finance for development activities which are met from institutional as well as non-institutional sources.⁴ (Subba Reddy, 2008) As per the IFPRI-2014 sources the disbursement of credit to the agriculture sector continuously declining in most of the developing economies which is evident from table as under. The share of Agriculture credit to the Total Credit, table as on the next page; was as high as in the range 8.5% to 36.5% in 1990 which sharply decreased to merely 5% to 19.1% in 2014 and that is an alarming situation as a sector which not has higher level of employability but also a major source of growth with equity.

The worst is the condition in China and Mauritius however remaining other countries also reduced their credit responsibilities.

Agriculture Credit As % of Total Credit						
Rank	Country	1990	1995	2000	2005	2014
1	Mauritius	8.3	7.6	6.7	6.0	5.0
5	China	13.6	10.7	8.5	6.8	5.4
22	Indonesia	20.5	17.8	16.1	15.2	10.3
39	Sri Lanka	22.2	20.2	17.6	16.8	15.1
44	Nepal	28.4	26.8	25.2	22.2	16.4
55	India	31.2	26.9	25.5	24.2	17.8
57	Bangladesh	36.6	34.4	24.0	19.8	19.1
57	Pakistan	26.7	23.3	22.1	21.0	19.1

Source: IFPRI, 2014.



STATE OF INDIAN AGRICULTURE HOUSEHOLDS

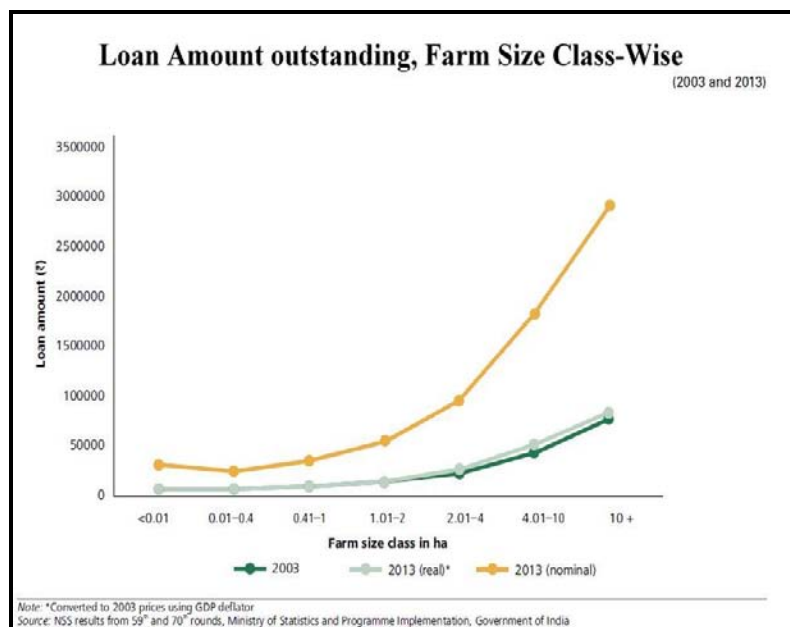
The financial condition of the Agriculture Households in India, as per the 70th round of the survey by Min. of Stats. Govt. Of India, the expenditures of lower land holding peasants are higher than their income from Agriculture produce. The net deficit condition is up to the below 1 acre land holding households where as the above to 1 acre land there is state of surplus. Therefore the condition of the below 1 acre land holding households is more vulnerable in this way which in greater number.

Income and Expenditure of Agriculture Households, All India									
Particulars	Farm size classes								
	< 0.01	0.01 – 0.4	0.41 – 1	Up to 1	1.01 – 2	2.01 – 4	4.01 – 10	10 +	All sizes
Income (₹)	4561	4152	5247	4718	7348	10730	19637	41388	6426
Total consumption expenses (₹)	5108	5401	6020	5701	6457	7786	10104	14447	6223
Net surplus/(+) deficit (–) (₹)	–547	–1249	–773	–983	891	2944	9533	26941	203

Source: Key Indicators of Situation of Agricultural Households in India, NSS, 70th Round (January–December 2013), December 2014, Ministry of Statistics and Programme Implementation, Government of India.

OUTSTANDING LOAN AMOUNT IN INDIA

The state of Agriculture Households deteriorates due to excess of agriculture expenditure over income among the lower land holders which leads to cumulative piling of loan outstanding. The outstanding of Agriculture further increases the NPA of the financial intermediaries.

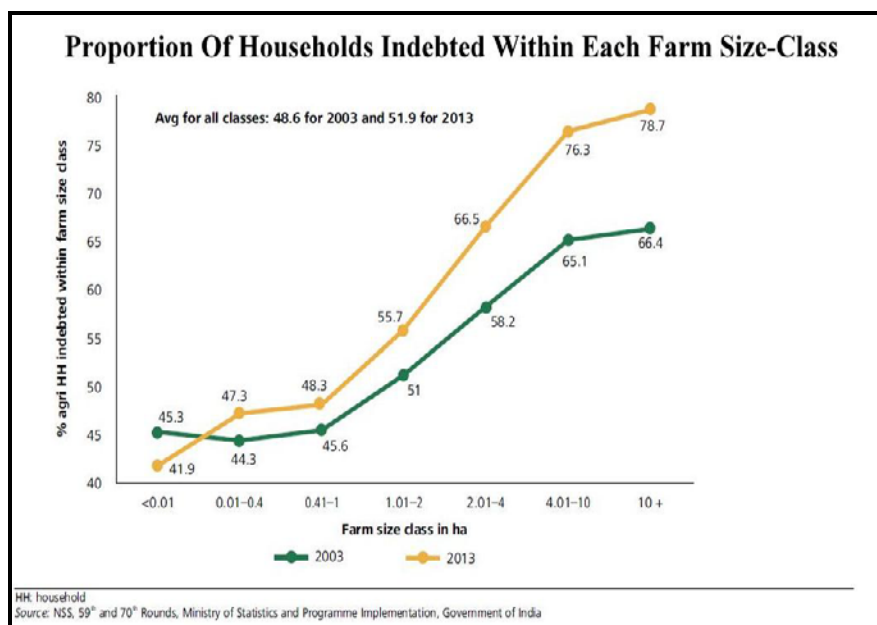




It is explicit from the above diagram that the outstanding loan by the agriculture households continuously increases between the eras 2003-2013. The fact which is worth to be mentioned here is that the magnitude of loan outstanding is positively associated with the size of the agriculture farms which that more land a farmer has more loan –outstanding is observed and that due to non-payment of more expenditure on agriculture activities incurred by the farmers.

PROPORTION OF OUTSTANDING LOAN AMOUNT IN INDIA

As it is evident from the below diagram that proportion of Outstanding Loan by each farm size land holding category increased in 2013 as compared with the proportion of 2003. Another fact regarding the outstanding of the loan by the Agriculture households is its positive slope which is quite paradoxical. The increasing proportion of loan outstanding is a matter of great concern and requires due attention of the concerned agencies.



SWOT ANALYSIS OF INDIAN AGRICULTURE

Agriculture in India is still extremely crucial for rapid growth of not only GDP but it is also for the equitable distribution and it's Trickle-Down Effect. India is endowed in natural resources, favorable climate around the year and have a strong land, labour and technical support compared to many countries. However, there are many weaknesses which threat the Agriculture sector and act as obstacle for reaping the fruits of higher growth rates of GDP by the country.



SWOT Analysis of Agriculture	
Strengths <ul style="list-style-type: none">• Major areas blessed with natural resources and rich diversity• High proportion of cultivable land• Climate suitable to variety of agricultural production• Strong research and extension system• Government programmes and developmental initiatives with various stakeholders• Availability of enterprising farmers in several pockets	Weaknesses <ul style="list-style-type: none">• Average yields below world averages• Technology adoption not up to the mark due to small holdings• Access to resources, like institutional credit for small farmers, restricted• Irrigation facilities not adequate compared to demand• Growing competition for land, water and other resources with other sectors• Depletion of natural resources• Socio-economic profile and literacy levels of farmers poor
Opportunities <ul style="list-style-type: none">• Huge market for agricultural commodities—domestic and international• Involvement of corporates in value chains• Growth in organized retail and online retail markets• Scope for promoting producer companies/ organizations, JLGs and activity groups	Threats <ul style="list-style-type: none">• Reluctance of farmers and their children to continue farming• Distress and suicide among farmers• Frequent extreme climate events• Adverse climate change• Unsustainable resource use• Rising costs of production, making agriculture unviable• Growing quality concerns, raised especially by conscious consumers

Source: NABARD Annual Report 2014-2015, (India, 2014-2015)

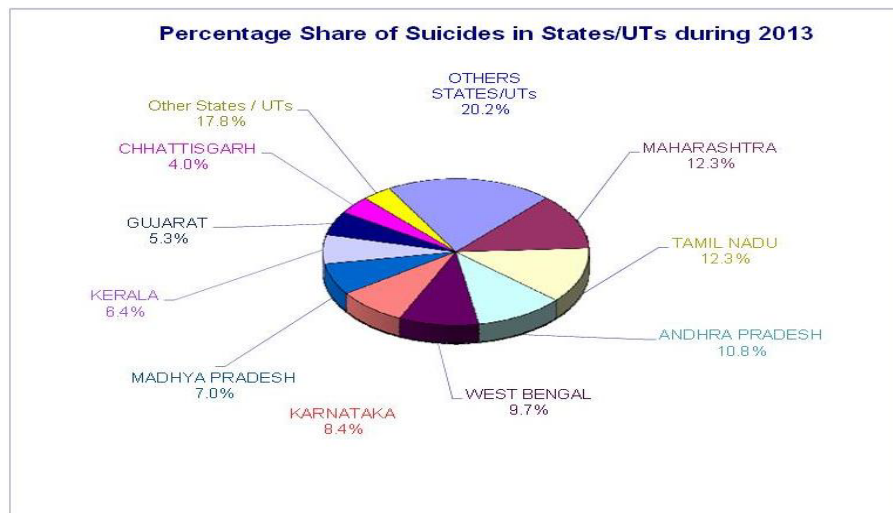
As a consequence, the farming communities across India trapped in the debt-cobweb and many times the incidents of suicides happens even in the rich states of the country e.g. Punjab too. Before Independence Agriculture was main occupation in India. People used to believe in traditional agriculture and were using those natural way of cultivation. Those days, cattle's were used for ploughing the fields. Farmers used manual ploughing method, and natural manure for better fertility of crop.

FARMERS SUICIDES IN INDIA:

Thus whatever they used to earn out of that were sufficient for them. But with the advancements in agro-technology, numbers of new agro-techniques were started to be implemented in agriculture to increase the productivity. For all these, money is required, which the people in the sector lack. Hence, the farmers opt for loan, and inability to repay they are forced in a state of indebt ness and poverty. Although the poverty eradication has been advocated by both e.g. the Classical Liberalism as well as Distributive Egalitarianisms⁵ (Lal, 1999) very little is observed in most of the economies including India. The same



ultimately leads to suicides. As per the recent updates, farmer suicides account for 11.2% of all suicides in India, as per the NCRB sources.



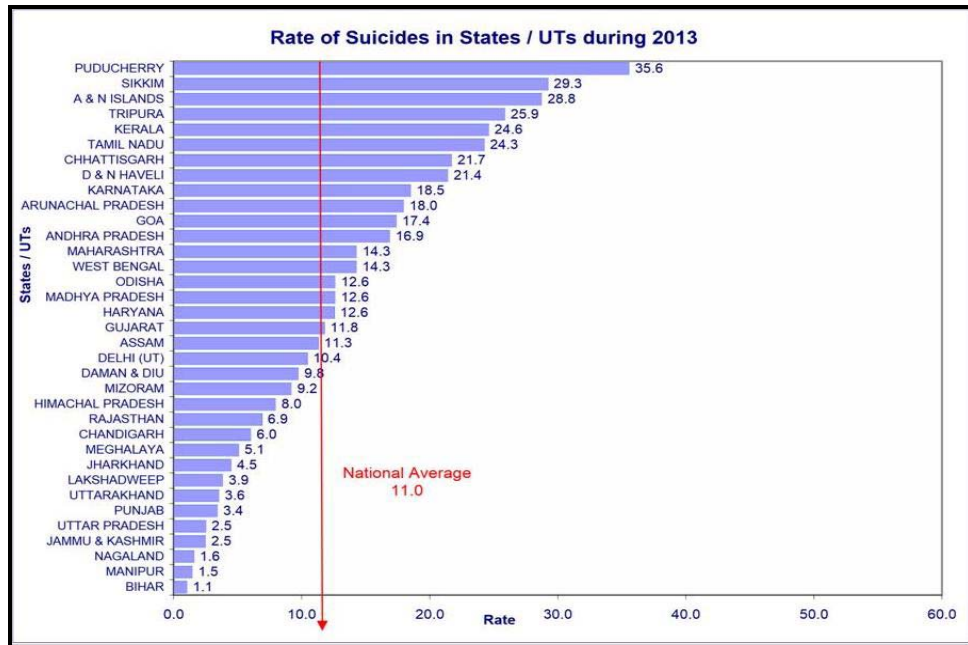
Source: NCRB Data (National Crime Record Bureau, 2014-2015)

Suicide is emerging as a new threat which seems to be extremely complex as the rate and magnitude of that has been not been uniform at all India level. As is evident from the below diagram that the suicide rate is above the national average in the 14 states and 3 union territories where as in the remaining 15 states and 4 UTs it is below. As a matter of fact, the suicide rate is high in states with good literacy rate, with a few exceptions, which indicate a positive correlation between the both.

States/UTs with Higher Suicide Rate during 2011 to 2013					
		Year			
2011		2012		2013	
Puducherry	44.8	Puducherry	36.8	Puducherry	35.6
A & N Islands	35.8	Sikkim	29.1	Sikkim	29.3
Sikkim	30.3	Tamil Nadu	24.9	A & N Islands	28.8
Chhattisgarh	26.5	Kerala	24.3	Tripura	25.9
Kerala	25.3	A & N Islands	23.6	Kerala	24.6
National Rate	(11.2)	National Rate	(11.2)	National Rate	(11.0)

Source: NCRB Data

While observing annually, the higher incidence of suicide cases have been mainly in the Puducherry, Sikkim, A & N Islands, and Kerala however previously it had been in the Chhattisgarh, Tamilnadu and recently in Tripura.

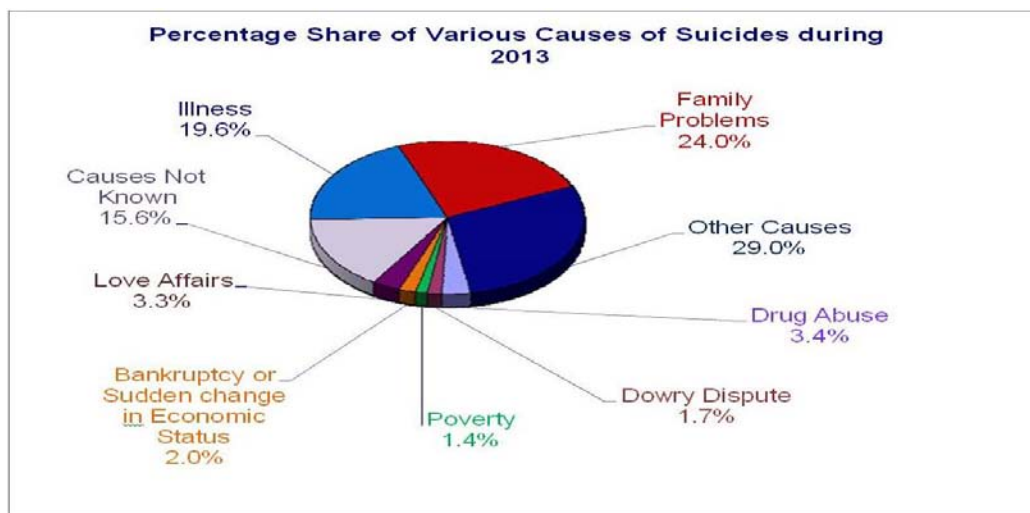


Source: NCRB Data (National Crime Record Bureau, 2014-2015)

As a matter of fact, there exists low positive correlation between educational attainment and suicide; it becomes a matter of utmost importance to observe factors behind the unfortunate happenings all over India.

MAJOR CAUSES OF SUICIDES IN INDIA

As per the studies by the NCRB sources a number of factors are responsible for most of the suicides in India as illustrated in the diagram as below. People committed suicides in the recent past on account of a number of reasons prominent among them are family problems, illness, drug abuses, dowry disputes, poverty, bankruptcy, love affairs etc.



Source: NCRB Data (National Crime Record Bureau, 2014-2015)



Though there may be a number of factors responsible for suicides in India however the suicides which are committed by the farmers are more or less economic reasons in form of crop failure due to monsoon adversity, inappropriate agriculture produce-prices, Bankruptcy etc.

CAUSES OF FARMER SUICIDE

1. The major reason for the suicides is heavy indebtedness, which does not occur suddenly. It has its roots in the credit policy followed over a number of years.
2. The indebtedness itself results from a mismatch in the cost of production and the support price and the market price.
3. There has been repeated crop failure every year. This crop failure has resulted in a reduction in the productivity of the land due to a variety of reasons. These reasons could be due overuse of fertilizer, pesticides and reliance on HYV(High Yielding Variety) seeds and now to some extent on the genetically modified seeds such as the Bt. Cotton. Thus, the crop failure becomes a cyclical phenomenon and not a onetime occurrence.
4. This heavy indebt ness is spread all over. The small and the medium sized cultivator is the most affected of the lot, though the large land holder in the rain fed areas of the state too are coming under strain.
5. The access to information base that the cultivators have largely comes from the agents of the fertilizer and seed companies. The government extension machinery is not visible in the sense that it can provide an objective data base in information to the cultivators.
6. Availability of credit through organised sector is still difficult due to ignorance among farmers, even after many years of Independence; private money lending remains the single largest sources of credit to small and marginal farmers.

SUGGESTIONS

1. Organic Farming
2. Some necessary changes in APMC Market policy of Government
3. Education
4. Proper utilization of resources
5. Government policies of tax relaxation, and increase in subsidy.



6. Financial inclusion.
7. Easy availability of loans at subsidised rates.
8. Providing loans as per the paying capability of the farmer (not just to accomplish the target)
9. Awareness among farmers to not to take extreme step.
10. Special training to farmers, regarding which crop should be grown in which area, so that more and more profit can be drawn.

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