Dynamics of farm indebtedness in the agriculturally developed regions of India: a case of Cauvery Delta Zone across Tamil Nadu and Puducherry

A. Pouchepparadjou[1], R. Jayakumara Varadan[2,*], S. Parthasarathi[1], M. Umamageswari[1] and D. Cathrine[1]

[1]Pandit Jawaharlal Nehru College of Agriculture and Research Institute, Karaikal 609 603, India
[2]ICAR-Central Institute for Cotton Research, Nagpur 441 108, India

Tamil Nadu is one of India's most agriculturally developed states, but has high-income inequality and indebtedness among its farmers. This study explores the dynamics of farm indebtedness among farmers in the Cauvery Delta Zone of combined Tamil Nadu state and Puducherry Union Territory. Resonating with the state-level trend, income inequality among the sampled farm households is significantly high, with a Gini coefficient of 0.56, and it decreases with an increase in farm size. Similarly, 80% of farmers are indebted, with the incidence of indebtedness, extent of indebtedness and proportion of institutional loanees increasing with farm size. Though all categories of farmers have considerable access to institutional credit, large farmers can fulfil all their credit needs through institutional sources, while small landholders have to fulfil almost 30% of their credit needs through non-institutional sources. Elderly farmers, large landholders and farm households with more dependent members are more prone to indebtedness than their counterparts, while farm households earning more income and possessing more assets are less prone to indebtedness. Various production, weather, market and institutional constraints deter farmers from repaying their outstanding loans, resulting in a vicious cycle of indebtedness. Therefore, farmers and youth of small farm households should improve their alternative employment opportunities by utilizing the state-sponsored skill development programmes and enhance their financial accessibility by availing Kisan Credit Cards.

Keywords: Agrarian crisis, farm indebtedness, income inequality, institutional credit, skill development.

The agrarian crisis currently unfolding in India is exemplified by decelerating growth of agricultural production and Gross Domestic Product (GDP)[2], marginalization of land holdings[3], increasing poverty gap with marginalization[4], agriculture becoming unremunerative with increasing expenditure and decreasing commodity prices[5], declining public investment in rural infrastructure[6], growing irrelevance of price support policies[7], widening income disparity between rural and urban households as well as between cultivators and non-cultivators[8], non-occurrence of classical agrarian transition[9], and predatory commodity prices in the international market[2].

This agrarian crisis is linked to the neoliberal policies implemented by the Government of India (GoI) since 1991, after taking a US$ 4.8 billion loan from the International Monetary Fund (IMF)[2]. As a part of the financial sector restructuring measures to tide over the twin problems of inflation and the difficult balance of payments position, GoI reduced the tariff barriers on agricultural commodities, public support for small-scale farming, input subsidies, incentive prizing, public expenditure on agricultural research and extension services, institutional credit to agriculture, and universal public distribution system[10,11].

Many developing countries across Africa, Latin America and Asia which implemented loan-conditioned deflationary policies, viz. cuts in Central Government expenditure, limits on credit expansion, reduction in budget deficit/GDP ratio, wage restraint and currency devaluation during the 1980s have faced similar consequences – per capita real GDP declined, food security was adversely affected due to increased cash-crop production for exports at the