Half of farm households indebted: NABARD study

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Highlights

- Their annual income may just be enough to repay what they borrowed; Telangana, A.P., Karnataka top the list with over 70% indebted families
- More than half the agricultural households in the country have outstanding debt, and their average outstanding debt is almost as high as the average annual income of all agricultural households, according to a recent survey by the National Bank for Agriculture and Rural Development (NABARD).
- Only 48% of these are defined as agricultural households, which have at least one member self-employed in agriculture and which received more than Rs.5,000 as value of produce from agricultural activities over the past year, whether they possessed any land or not.
- NABARD found that 52.5% of the agricultural households had an outstanding loan on the date of the survey, and thus were considered indebted.
- For non-agricultural households in rural India, that figure was 10 percentage points lower, at only 42.8%.

Higher liability

- Agricultural households reporting any outstanding debt also had a higher debt liability compared with non-agricultural ones.
- According to the survey, the average annual income of an agricultural household is Rs.1.07 lakh. That is barely Rs.2,500 more than the average outstanding debt of indebted farm households.
- The survey found that only 10.5% of agricultural households were found to have a valid Kisan Credit Card at the time of the survey.
- Households who had the card utilised 66% of the sanctioned credit limit, the report said.
- The biggest reason for taking loans among agricultural households was capital expenditure for agricultural purposes, with a quarter of all loans taken for this purpose.
- While 19% of loans were taken for meeting running expenses for agricultural purposes, another 19% were taken for sundry domestic needs.
- Loans for housing and medical expenses stood at 11% and 12%, respectively.

State figures

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

(54%).

- Looking at loans taken between July 2015 and June 2016, the survey found that farm households took less than half their loans from commercial banks.
- While 46% of the loans were taken from commercial banks, and another 10% from self-help groups, almost 40% were taken from non-institutional sources such as relatives, friends, moneylenders and landlords.
- While loans from relatives and friends may be free of interest and reflective of social integration in communities, the survey noted that “a sizeable 11.5% households exhibited dependence on local moneylenders and landlords, which exposes them to exploitation by having to pay exorbitant interest.

The persons resorting to local moneylenders often include, either the illiterate or extremely poor ones which are not eligible for loans from formal institutions, or the households that do not have social networks that can help them in times of need

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