



## AGRARIAN DISTRESS IN INDIA

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### ABSTRACT :

Indian economy has become world's 6<sup>th</sup> largest economy leaving behind France in 2017 and is expected to pipe United Kingdom by becoming 5<sup>th</sup> largest economy in 2019, according to the report of global firm PwC. It has remained a closed economy until the economic reforms of 1991 were introduced. It has changed itself from closed economic system to mixed system of economy. All the three sectors viz. agriculture sector, industry, and service sector contribute a significant part in overall GDP. Despite of such structural transformation, it has been dominated by agriculture. A large part of population is indulged in agriculture to earn its livelihood. It contributes in employment generation, provision of raw material to manufacturing sector, contributing to exports, thus contributing in economic growth. Despite of such a significant role played by this sector, agriculture sector is suffering from various issues. Its growth rate has been declining from a couple of decades. This may be attributed to declining investment in agricultural research, and development along with inefficiency of formal credit institutions to provide appropriate credit facilities to the rural areas, specifically farmers. This paper makes attempt to indentify role of agriculture in economic growth and development, role of agricultural credit in agriculture and the issues pertinent to Indian agriculture.



**KEYWORDS :** agriculture, India, credit, farmers, economic growth.

### INTRODUCTION

Agriculture is at the heart of both the developing and developing countries. It is and will remain mainstay of livelihood of the rural population. A large population in India resides in rural areas and approximately 58% of rural households earn their living through agriculture. For them, agriculture is activity of subsistence. Apart from this, agriculture sector plays multidimensional role in Indian economic growth. "Increase in agricultural production and the rise in the per-capita income of the rural community, together with the industrialisation and urbanisation, lead to an increased demand in industrial production"-Dr. Bright Singh.

Indian economy is the fastest growing economy of the world with the growth rate more than 7%. Leaving behind France in 2017, it has become world's 6<sup>th</sup> largest economy. It is expected to become 5<sup>th</sup> largest economy in 2019 by piping United Kingdom, according to the report of global firm PwC. It has one of the strongest financial system in the world which plays important role in its growth process. Having large natural resources base, human resources and efficient policies, it has successfully transformed itself to fastest growing economy from poor and miserable country. The economic growth and development process

undoubtedly depends on equal regional as well as sectoral development. The New Economic Policy introduced in 1991 has marked the most significant step which changed the 40 years old economic regime of the mixed economy. The planned economic development in India has changed the course of sectoral and regional development. Popularly known as LPG, the economic reforms have paved the path of development of the Indian economy. Though it was introduced in the times when the economy was suffering from deep economic crises, balance of payment issues etc, it was systematically introduced based on the experiences of mixed economic system.

Now the Indian economy is growing the rate of approximately 7%. Its total gross domestic product or GDP is of USD 2.6 lakh crores. All the sectors play vital role in growth of Indian economy. The service sector contributes 54.40%, industry sector 29.73% where as 15.87% is contributed by agriculture sector. role of agriculture in Indian economy cannot be denied. The facts behind this statement have been presented as below:

- First and the foremost, agriculture sector is the largest employer bringing under its perimeter approximately 43 percent labour (World Bank, 2017).
- Survival of industry sector is quite difficult in absence of agriculture sector as agricultural output is uses as input for industry sector. According to Schultz and Throdore (1970) “agriculture sector can even provide much labor at zero marginal opportunity costs because a considerable part of the labor force in agriculture is redundant in the sense that its marginal productivity is zero.”
- Prosperity of agriculture sector makes possible for the government to increase its buffer stock for hard time and provide food grains to those who strive for it or live below poverty line.
- Linkage with the rest of the world make any economy to run its functions smoothly like importing such products which are not available or very costly in home country, technology adoption, importing foodgrains etc. for India, agriculture sector earned Rs 1,18,819.26 (2017-18) crore from exporting foodgrains and related crops. According to Ministry of Agriculture, Government of India 2004, “Indian agriculture has made great strides in the last fifty years of the twentieth century. From chronic hunger and abject dependence on the import of foodgrains, the country has achieved self-sufficiency not only in the production of foodgrains, but has emerged a net exporter of foodgrains consecutively for the last six years, despite the trebling of the country’s population in the last six years.” **State of the Indian Farmer — A Millennium Study**

The table presented below shows exports by Indian agriculture sector:

**TABLE: Exports of Principal Agricultural Commodities from India.**

ProductName	Rs. Crore (2017-18)	Rs. Crore (2016-17)	Rs. Crore (2015-16)
Basmati Rice	26841.19	26303.16	26681.55
Buffalo Meat	25988.45	21605.13	22714.37
Non-Basmati Rice	22927.06	17121.08	15085.38
Fresh Vegetables	4997.49	5718.69	4762.62
Fresh Fruits	4746.31	5453.18	4038.57
Guargum	4169.56	4966.63	3918.41
Processed Fruits & Juices	4164.78	3904.98	3759.38
Misc Processed Items	3701.82	3569.15	3310.52
Cereal Preparations	3558.36	3131.74	3612.97
Groundnut	3384.42	3069.9	2897.7
Alcoholic Beverages	2106.96	2013.68	2027.19
Dairy Products	1954.33	1773.56	1695.82
Processed	1823.25	1711.64	1681.51

Vegetables			
Other Cereals	1596.39	1424.19	1588.92
Pulses	1467.51	1281.63	1655.44
Cocoa Products	1143.41	1089.99	1260.37
Milled Products	874.11	875.86	837.76
Sheep/Goat Meat	863.97	803.85	1075.38
Fruits / Vegetable Seeds	665.25	544.78	477.76
Poultry Products	551.85	530.29	766.71
Floriculture	507.26	527.75	485.03
Wheat	431.74	444.3	972.33
Animal Casings	327.44	13.84	17.02
Other Meat	16.44	4.58	6.19
Processed Meat	9.91	0.91	0
<b>Total</b>	<b>1,18,819.26</b>	<b>1,07,884.49</b>	<b>1,05,328.90</b>

Source: <http://agriexchange.apeda.gov.in>.

The above table shows exports of various principal crops and agri-products from India for the periods 2015-18. There is continuous growth in exports. The total amount of exports was Rs 1, 05,328.90 crores (2015-16) which rose to Rs 1, 07,884.49 crores in 2016-17. It was 102.7% of previous year. It rose to Rs 1, 18,819.26 crores in 2017-18 which was 110.13% of 2016-17. Thus agriculture contributes in generating foreign exchange for India.

#### CONTRIBUTION OF AGRICULTURE SECTOR TO GDP:

For balanced and sustainable growth of any economy, it is imperative that all the sectors viz-a-viz agriculture sector, industry sector and service sector contribute in equal proportion. Agriculture occupies a significant place in the Indian economy; it contributes directly as well as indirectly to the GDP. The table presented below shows the sector-wise contribution to GDP:

Sector	GVA (Rupees in Crore) at current prices (2016-17)	Percentage share
<b>1.0 Agriculture Sector</b>	<b>2,382,289</b>	<b>17.32 %</b>
1.1 Agriculture, forestry & fishing	2,382,289	17.32 %
<b>2.0 Industry Sector</b>	<b>3,989,791</b>	<b>29.02 %</b>
2.1 Mining & quarrying	309,178	2.25 %
2.2 Manufacturing	2,278,149	16.57 %
2.3 Electricity, gas, water supply & other utility services	338,396	2.46 %
2.4 Construction	1,064,068	7.74 %
<b>3.0 Services Sector</b>	<b>7,378,705</b>	<b>53.66 %</b>
3.1 Trade, hotels, transport, communication and services related to broadcasting	2,538,162	18.46 %
3.2 Financial, real estate & prof servs	2,896,300	21.06 %
3.3 Public Administration, defence and other services	1,944,243	14.14 %
<b>GVA at Current Prices</b>	<b>13,750,786</b>	<b>100.00 %</b>

Sources: Economic Survey of India, 2016-17

The table presented above shows the contribution of all the sectors towards GDP. GDP of India stood at Rs 13,750,786 crores for the FY 2016-17. Service sector has been playing strongest role in GDP growth since the economic reforms. It has added 53.66% to the total GVA followed by industry sector. 29.02% is contributed by the industry sector and agriculture sector contributed just 17.32% to total GVA. Despite of numerous efforts made by the government for bringing agriculture back on its path of growth but contribution of agriculture is continuously declining. This may be attributed to declining investment in agricultural research, and development along with inefficiency of formal credit institutions to provide appropriate credit facilities to the rural areas, specifically farmers. The table presented below shows total credit disbursed or provided to agriculture sector from various institutional agencies:

**Table: Direct institutional credit for agriculture and Allied activities -total (Short-term and Long-term)  
(Rs billion)**

Year	Co-operatives	State Govern-ments	SCBs	RRBs	Total (2 to 5)
2000-01	272.95	4.87	164.40	39.66	<b>481.87</b>
2001-02	305.69	4.43	186.38	45.46	<b>541.95</b>
2002-03	340.40	-	252.56	58.79	<b>651.75</b>
2003-04	400.49	-	362.03	71.75	<b>834.27</b>
2004-05	450.09	-	483.67	119.27	<b>1053.03</b>
2005-06	481.23	-	805.99	153.00	<b>1440.21</b>
2006-07	540.19	-	1152.66	202.28	<b>1895.13</b>
2007-08	576.43	-	1134.72	238.38	<b>1949.53</b>
2008-09	587.87	-	1606.90	264.99	<b>2459.76</b>
2009-10	634.97	-	1882.53	346.40	<b>2863.90</b>
2010-11	781.21	-	2227.92	439.65	<b>3448.78</b>
2011-12	879.63	-	3128.77	544.50	<b>4538.98</b>
2012-13	1112.03	-	4844.99	636.81	-
2013-14	1199.64	-	-	826.52	-
2014-15	1384.69	-	-	1024.82	-
2015-16	1532.94	-	-	1192.60	-
2016-17	1427.58	-	-	1232.16	-

Source: RBI, NABARD

The above table shows the total direct credit disbursement by all the institutional agencies including co-operatives, SCBs, RRBs and the state governments. The empty columns show either non-disbursement or non-availability of data. The total direct credit disbursement has been increasing since 2000-01. It was almost thrice of 2000-01 in 2005-06. It was 1440.21 (Rs billion) in 2005-06 whereas 481.84 (Rs billion) in 2000-01. It kept on increasing and rose to 4538.98(Rs billion) in 2011-12. Co-operatives were leading in providing direct agricultural credit till 2003-04 after which Scheduled Commercial Banks (SCBs) took over the rival. Since then Scheduled Commercial Banks are the largest purveyor of agricultural credit.

Although the flow of credit both in terms of direct and indirect form has been increasing over the time, share of agriculture in total GDP is continuously declining. There may be a number of factors responsible for such circumstances.

Indian agriculture is dominated by small and marginal farmers constituting approximately 80% of total farmers' population. According to agricultural statistics 2016, 52% of agricultural households were indebted with average amount of Rs 47000. The various problems which are being faced by the Indian farmers have been briefly explained as under:

**1. Small landholding size:** A large population out of farmer households belongs to smallholder farmers who dominate the agriculture sector. As per agriculture census 2011, out of 138 million farming households, 117 million are small and marginal farmers. According to vadera committee report, 2015, they have 85% ownership of total landholding and 44% cultivated area. If it is taken in more deep terms they possess less than one hectare of land. It is increasingly basic issue in thickly populated regions and seriously developed states like Kerala, Bihar and West Bengal.

**2. Storage offices:** in the provincial territories, storerooms are either absolutely missing or insufficient or wrong. The ranchers are constrained to sell their yield following the collect because of such deficiency. Such misery deal denies the ranchers of what they ought to have really gotten for their harvest. The Parse Committee assessed the post-reap misfortunes at 9.3 percent of which about 6.6 percent happened because of poor stockpiling conditions as it were. Logical capacity is, subsequently, essential to keep away from misfortunes and to profit the ranchers and the shoppers alike.

**3. Soil erosion:** one of the most critical issues in agriculture is soil erosion. Most of the area for farming or cultivation suffers from the problem of soil erosion by wind and water. Proper emphasis should be accorded in this direction so as to ensure its original fertility.

**4. Agricultural Marketing :** Agricultural promoting still keeps on being basic issue in development of farming in India. Without proficient promoting offices, the ranchers need to rely on neighborhood merchants and mediators for the selling their harvests at discard cost. In the vast majority of little towns, the ranchers pitch their produce to the cash bank from whom they for the most part acquire cash. As per a gauge 85 percent of wheat and 75 percent of oil seeds in Uttar Pradesh, 90 percent of Jute in West Bengal, 70 percent of oilseeds and 35 percent of cotton in Punjab is sold by ranchers in the town itself. Such a circumstance emerges because of the reason that the poor rancher needs to hang tight for long in the wake of reaping their harvests. So as to meet his commitment of obligation reimbursement, poor people rancher is compelled to sell the yield at whatever cost is offered to him. The Rural Credit Survey Report properly commented that the makers when all is said in done sell their produce at a negative spot and at a horrible time and for the most part they get ominous terms.

**5. Lack of mechanization:** Agrarian actualizes and hardware are essential contributions for proficient horticultural tasks, encouraging different editing and in this manner expanding generation. Regardless of the expansive scale motorization of horticulture crosswise over different conditions of the nation, a large portion of the rural tasks are carried on by human hand utilizing basic and ordinary devices and actualizes like wooden furrow, sickle, and so forth. Practically no utilization of machines is made in furrowing, sowing, watering, diminishing and pruning, weeding, collecting sifting and transporting the yields. This is exceptionally the situation with little and peripheral ranchers. It prompts gigantic wastage of human work and in low yields per capita work constrain.

**6. Shortage of funds:** Agriculture plays important in the growth of industry also. Like all other industries it also needs capital. The role of finance is becoming more and more important with the advancement of farm technology. Since the farmers' capital is invested in his land and stocks, he is bound to borrow money for carrying on his agricultural operations. The principle providers of cash to the rancher are the banks, RRBs, Co-agents, dealers and commission specialists, and cash moneylenders. The casual loan specialists charge high rate of intrigue and purchase the horticultural produce at low cost. All India Rural Credit Survey Committee demonstrated that in 1950-51 the offer of cash banks remained at as high as 68.6 percent of the complete country credit and in 1975-76 their offer declined to 43 percent of the credit needs of the ranchers.

### MEASURES TAKEN FOR REVIVAL OF AGRICULTURE SECTOR:

Agriculture is mainstay for more than 50% of Indian population. Recognizing the importance of agriculture in India and negative impacts of economic reforms on this sector, the government has taken various steps for its revival. The measures adopted for revival of agriculture sector have been given as:

1. **Minimum support price (MSP):** There are being made efforts to increase the minimum support price of farm produce. The agriculture minister Radha Mohan Singh said "Some states are not doing enough for procurement and giving support prices. The Centre will keep putting pressure that farmers should get MSP."
2. **Imposing import duty:** For protecting domestic farmers, the government with immediate effect, has imposed 30% import duty on importing chana and masoori dal. Thereafter hike in import duty was introduced for palm oil and soybeans also.
3. **Seven point strategy:** Under this strategy, the central government has shifted focus to raising the farmers' income from merely targeting agricultural output. It prepares a 7-point strategy to double farmers' income by 2022 so as to make farming a sustainable economic activity. The seven points includes improving irrigation efficiency to increase production with a motto of 'Per Drop More Crop', reducing the cultivation cost of farmers by recommending a balanced use of fertilizers, Large investments in warehousing and cold chains, promoting value addition through food processing, creation of new farming market, e-platforms at 585 stations, crop insurance scheme, and promotion of ancillary activities.
4. **Availability of funds:** Easy availability of finance through a well organised network of rural banking system and co-operative societies at a low rate of interest have been ensured to free the farmers from clutches of private moneylenders.
5. **Improved schemes:** There have been introduced various schemes to ensure welfare of farmers. These are:
  - a. Rs 6000 to be given to every farmer.
  - b. National Agriculture Market (e-NAM) introduced on 585 stations of agriculture produce market committee.
  - c. Pradhanmantri fasal bima Yajna (PFBY) to cover losses of crop destruction.
  - d. The government has doubled the corpus of irrigation funds to Rs 40000 crore.

### CONCLUSION:

The Indian economy is the fastest growing economy in the world. All the sectors contribute a significant part in overall GDP but despite of numerous efforts, share of agriculture to overall GDP is declining. The farmers are suffering from enormous problems e.g. small land holding, poor monsoon, indebtedness towards both formal and informal lenders, use of traditional inputs for production, illiteracy and lack of financial education. They cannot be both the producer and marketer or seller simultaneously. They fail to find any market to sell their crop at reasonable price. The policy formulation agencies has come up with various steps to cope up with these issues but still these arrangements are somewhere insufficient to achieve the desired results. There is need of a comprehensive policy which covers all the areas of concern like formal credit availability, food processing, marketing, crop insurance, farm mechanization etc and the center of these sub-parts of the policy shall be economic viability of agricultural operations, and welfare of farmers.

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