

# Farm Uneasy | Generational gift for farmers of Haryana & Punjab: Debt

Farmers of both Punjab and Haryana remain weighed under heavy debts as it rises many folds from one generation to another. Moneycontrol went to several districts of the two states and spoke to a host of farmers to get an assessment of the situation on ground.

PALLAVI SINGHAL | APRIL 26, 2023 / 07:18 PM IST



Several farmers of Govindpura village in Bhatinda continue to remain under significant debt as climate woes pile on to their pain.

Fifteen years ago, Chamkaur Singh (45) inherited not just his father's farmland but also the family debt. The debt, which had initially stood at Rs 25,000, has ballooned to Rs 8.9 lakh as Chamkaur took out loan after loan to keep the farming going.

He pays more than Rs 75,000 a year as interest on these loans on top of other expenses of at least Rs 3 lakh, which go into buying seeds, fertilisers, pesticides, wages for labourers, machine rentals, and leasing land for farming. Owner of only 3 acres of land, Chamkaur had rented an additional 14 acres at Rs 17,000 per acre, per year this year.

"Last season had been bad for farmers but the winters looked promising and so I rented an additional 14 acres hoping to earn greater profits from the harvest," he says.

"I was happy with the produce but the hailstorm that lashed the area one night took away all hope from me," he says. Chamkaur's farms were destroyed on the night of March 29 when heavy rains lashed the Punjab belt.

For Chamkaur and many others like him, it was already difficult to make ends meet with a heavy debt to repay. But with the destruction of his crop, payments look even more difficult this year. "Almost 80 percent of my produce was destroyed. What little I have left I will use to feed my family for the year," Chamkaur says as he contemplates either taking out another loan or selling an acre of his land.

### **A crushing burden**

For millions of cultivators across the country, successive crop failures due to rising temperatures and unseasonal rain and hail are adding to the crushing debt burden as climate change wreaks havoc on farm economics.

"Farmers' capacity to earn is less than what they end up spending, thus keeping them trapped in debt year on year, decade on decade," says Sucha Singh Gill, economist and former director of the Centre for Research in Rural and Industrial Development in Chandigarh. "They have been unable to escape the debt trap."

According to a recent survey by the National Statistical Office (NSO), over 50 percent of agricultural households in the country are in debt with the average outstanding loan per household at Rs 74,121.



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Chamkaur, having spent about Rs 2 lakh as inputs costs, now looks at a complete wipe-out of his harvest.

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My wheat crop this year has been destroyed due to rains. I have a loan of Rs 4 lakh from banks and Rs 5 lakh from Arhtiya. I will not be able to earn any money from the harvest this year, my input costs have not been met. We have faced heavy losses," says farmer Chamkaur Singh...



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What's worse, these loans have been taken from not only formal sources, such as banks and financial institutions but also moneylenders and arhtiyas (commission agents), who charge high-interest rates.

An NSO survey from 2018-19 points out that formal sources accounted for 69.6 percent of the outstanding loans taken by farmers, while 20.5 percent had been taken from professional money lenders, and the rest from friends and family.



### **Loss of land**

Chamkaur owes about Rs 3.9 lakh to a Canara Bank branch where he pays about 4 percent interest per year, including subsidies. The rest he owes to a local arhtiya, who is charging him around 1 percent a month. Chamkaur has been lucky to get this at 1 percent per month simple interest or 12 percent a year. Arhtiyas generally ask for an interest of 1.5 to 2 percent per month.

The payments of these debts in villages of Haryana and Punjab are made biannually, soon after the harvest of the rabi and kharif crops.

"The farmers generally don't repay in money but the amount is deducted from the harvests they give to their arhtiyas," says Govindpura village sarpanch Namtesh Singh.

Arhtiyas take all the produce from farmers, sell it, receive a payment plus a commission, and then forward farmers the earnings after deducting outstanding loans.

"Small and marginal farmers of the village have nothing but land or some jewellery to their names. When crops fail year after year, they are forced to sell the only possessions they have to continue farming, the only livelihood they are skilled at. Many go out to work as labourers but the wages are mostly not enough to sustain them as well as their families," says Singh.

As a result of getting trapped in the debt cycle, many small and marginal farmers get pushed into poverty and end up losing their most precious asset, land.

“These farmers generally don’t have the skills or the will to go out of agriculture. Arhtiyas happily give loans to these farmers till the farmers have taken out a loan big enough for the arhtiya to extract farmer’s land from them,” says economist Gill.



The Kisan Credit Card scheme is unable to fulfil the needs of the farmers as they demand the credit given on a per-acre holding be at least doubled.

#### **Access to formal credit via banks**

The government has launched several schemes to weed out the issue of farmer indebtedness but the measures have not been enough, complain farmers.

The Kisan Credit Card (KCC) scheme was introduced in 1998 to provide farmers with easy, short-term loans on the basis of their holdings. A farmer can take a loan of up to Rs 1 lakh against a landholding of 1 acre. While the interest on loans up to Rs 3 lakh remains 7 percent, subsidies are given on interest rates to those who return the principal amount within a year.

Farmers use credit via this scheme extensively, finding a loophole to keep their interests low.

"We take out loans up to the amount we can use it for farming. When the time to return the loan comes, we return the amount by borrowing money from friends and family even if we do not have it on us, and taking out another loan the following day itself," says Harmani Singh (33), a resident of Bhedpura village of Patiala in Punjab, who has been taking out a loan of Rs 3 lakh every year for the past 11 years.

The KCC scheme, though helpful, is unable to fulfil the needs of farmers as they demand that the credit given on a per-acre holding be at least doubled.

"Credit needs to be matched with rising inflation and production input costs. If banks provide the money required, many farmers will be able to escape from the clutches of Arhtiyas and earn their livelihood without worrying about the loans they have taken and interests they have to pay," Harmani adds.

According to the latest data available from the Reserve Bank of India (RBI), total outstanding loans through KCCs grew to Rs 9.37 lakh crore in March 2022. This is part of the overall agricultural credit disbursed by banks. The government has been increasing the agricultural credit target steadily and it stands at Rs 20 lakh crore, which has been set for 2023-24.

While these targets are typically met and sometimes exceeded by banks, it clearly is not enough. In many cases, cultivators are unable to access banking services since bank branches are far away from villages and closer to district or tehsil headquarters.

While several farmers have access to mobile phones, most use it only for basic purposes and are unaware of using it for farming applications or to access mobile banking.

One popular way that many governments (both at the central and state level) have previously adopted to provide relief to indebted farmers, especially ahead of elections, is farm loan waivers. At the national level, there have only been two countrywide loan waiver programmes in 1990 and 2008. While state governments have introduced such programmes, it has often led to a spike in bad loans and ended up in reduced access to formal credit.

The government's push to insurance schemes has too been in vain as most farmers are either 'not interested' in taking out these insurances due to high premiums or have already been marred by the scheme where they paid these premiums but could not get their claims approved.

A study conducted on the effective implementation of Pradhan Mantri Fasal Bima Yojna accessing several districts of Punjab and Haryana, among other states, between 2018-2021, which was made public in September 2022, states that "farmers' participation in the scheme is decreasing both in Kharif and Rabi seasons."



Farmers at village Bhedpura of Punjab's Patiala sit at a village chowpal interacting with Moneycontrol on the high amounts of debt their families are under. Not one farmer in this picture is debt free.

### **What more can be done?**

“We have to understand that accumulation of debt is a systemic problem. On one side, input costs have continued to rise and on the other, the absolute value of wheat has seen depreciation,” says Indra Shekhar Singh, an independent agriculture policy analyst and former director of the National Seed Association of India.

Singh says the minimum support price (MSP) must be made a farmers’ legal right for all of them to get a fair price.

Another suggestion is to incentivise farmers to move to sustainable measures of farming such as making their own fertiliser via composting.

Experts also suggested more focus on the management of local economies and replacing arhityas with more formal sources.

“A farmer goes to an arhtiya as he acts as a one-stop platform for a farmer’s needs. He is a bank for loans, a warehouse keeper for storage of grains, a trader who sells a farmer’s crop, he is a transporter, an accountant,” says Sandeep Sabharwal, CEO, SLCM, an agricultural solutions group.

Sabharwal says the government must take measures to bring in a platform that can deal with all farmers woes and provide a one-stop solution to them.

“Agriculture is looked at from a fragmented point of view. But all these models alone do not complete the picture. Buying, selling of produce, inputs such as urea and pesticide, disbursement of loans – everything needs to be brought in under one head to formalise the credit process of the country entirely,” he says.

Chamkaur, however, remains hopeless on finding a solution to his problem. “How will we find a solution to such great issues? We are only worried about keeping our sustenance going.”

**(Up next: Part Three of the series on the symbiotic relationship the farmers of Punjab and Haryana share with arhtiyas (commission agents))**

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