

# **“Credit Indebtedness & Land Holding Analysis for Agricultural Households” (Rajasthan)**

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## **Abstract**

This paper analyses land holding and consumption pattern of households, following various credit sources available in the State. The data has been taken from the Situation Assessment Surveys of Land and Livestock Holding of Households and Situation Assessment of Agricultural Households conducted by the National Sample Survey Organisation in 2019.

## **Introduction**

This study is about understanding the current situation of credit indebtedness of farmers surveyed under 3rd round of Situation Assessment Survey (SAS) for agriculture household conducted by NSSO in 2019.

The paper is organized into four sections. The first section outlines the demographic pattern of respondents & average monthly consumption pattern. Section two is devoted to the flow of credit. Section 3 discusses the borrowing pattern of households and sector wise percentage distribution of outstanding credit amount and average interest rate charged by credit sources. The fourth section finally analysis of farmer households and brings all these findings together to provide conclusion of the paper and recommendations to improve the credit scenario in the state.

## **RESEARCH METHODOLOGY**

This study is based on secondary data collected in two visits from the same set of sample households in rural areas with a view to collect relevant information separately for the two halves of the agricultural year July 2018 – June 2019. The first visit was made during January -August 2019 and the second was during September- December 2019.

The integrated survey on Land and Livestock holdings of Households and Situation Assessment of Agricultural Households, conducted in the rural areas of the country, had an objective of generating different indicators like:

- ownership and operational holdings of rural households
- ownership of livestock
- income, productive assets and indebtedness of agricultural households
- receipts and expenditure of the agricultural households' farm and non-farm businesses and receipts from all other economic activities pursued by the members of the agricultural households

However, this paper only deals with their land holding and indebtedness situation.

## **LITERATURE REVIEW**

MYRADA (2006) studies in “The Role Of Self Help Affinity Groups In Promoting Financial Inclusion Of Landless And Marginal/Small Farmers’ Families” that well functioning SHGs do have the potential to provide loans for purposes and in sizes and numbers that have the potential to support a livelihood base.

Microfinance has been an important tool of women empowerment and alleviation of poverty. It has served to provide financial services and credit to the unprivileged and unbanked sector in India thereby bringing about financial inclusion. The loans provided by microfinance institutions serve the low-income population in various ways (Bi and Pandey, 2011).

Health problems are very crucial leakage for a family so awareness and acceptance of insurance schemes is the core area of intervention. Education and housing are other key areas to be looked upon for better livelihoods. (Ritesh Dwivedi, 2019)

## **Data Analysis & Interpretation**

Rajasthan, the state occupies 10 percent of the total geographical area of the country, but the vast geographical area commands only 1 percent of the total water resources in the country (Niti Ayog). Agriculture is mainly rain fed but it is inadequate and aberrant, a large tract of land is saline and alkaline soil. Out of the total geographical area in the State, even 50 percent is not cultivable and within cultivable land, soil fertility varies considerably across districts. The control of land and differences in land ownership pattern have consequences for the composition and organization of agricultural production, for the overall utilization of land and associated assets and for the distribution of income in rural areas. The skewed distribution of land leads to low per capita income, stagnant growth and related socio economic evils. It also hinders the process of socialistic pattern of society.

## **Demographic Analysis of Respondents**

Situation Assessment of Agricultural Households and Land and Livestock Holdings of Households in Rural India, 2019 that surveyed 5663 households from which 3217 representing the farmers' population of 9448990 in the states, shows landless, small and marginal farmers in the state constituted combined 48% percent share in total area. On the other hand, farmers with holding size of 10 hectares held only 7 percent of the total area. While the medium land holding farm households constituted 45 percent of total area alone. This highly skewed distribution of land itself is a major barrier to make effective intervention in the advancement of agriculture.

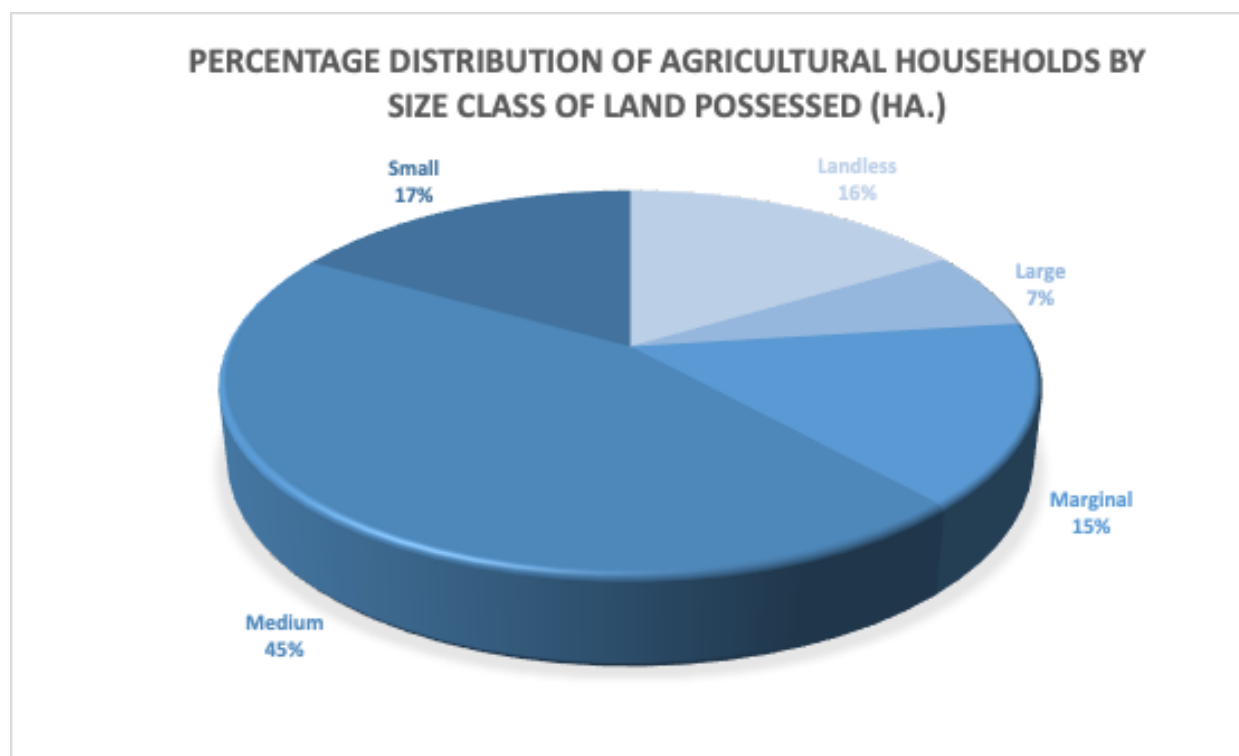
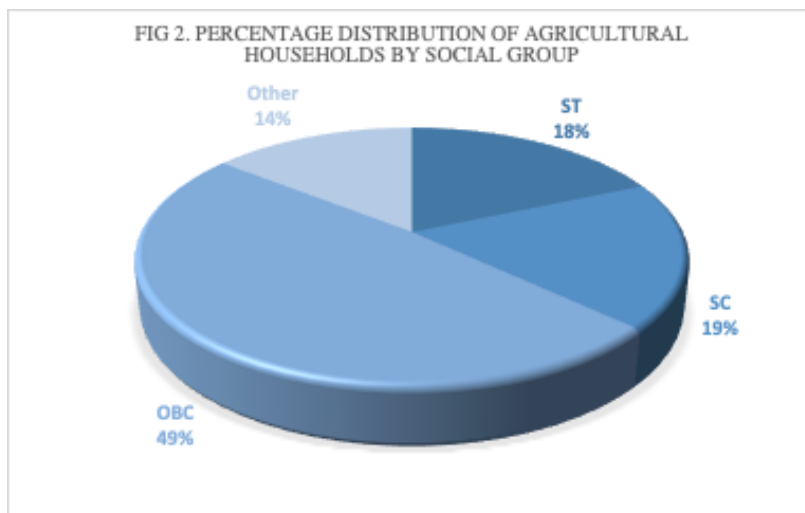


Figure 1: Percentage distribution of agricultural by size class of land possessed (ha.)

Category	Size of Land Holding
Landless	0
Marginal	<1 hectare
Small	1.00 - 2.00 hectare
Medium	2.00 - 10.00 hectare
Large	10+ hectare

Table 1: Category of Land Holders by the size of land possessed.



In terms of social groups, SC and ST holds around 37 percent of total cultivation land in the state while OBC holds around 49 percent of total area. Whereas other groups constitutes for only 14 percent of total agricultural land. [Figure 2]

District	Avg. Per Head Expenditure
Sri Ganganagr	2312.071008
Hanumangarh	2189.114142
Bikaner	1796.05188
Churu	2329.658999
Jhunjhunun	2401.71025
Alwar	2174.830476
Bharatpur	2011.593091
Dhaulpur	1560.387663
Karauli	2231.596889
Sawai Madhopur	2235.786144
Dausa	1979.365359
Jaipur	2441.280988
Sikar	2543.252342
Nagaur	2684.318816
Jodhpur	2225.367084
Jaisalmer	2361.645655
Barmer	2213.642929
Jalor	2180.070655
Sirohi	1907.435936
Pali	2924.622386
Ajmer	1960.400497
Tonk	2496.398319
Bundi	2114.2763
Bhilwara	2234.42592
Rajsamand	2384.858357
Dungarpur	1813.372572
Banswara	1622.165294
Chittaugarh	2313.88838
Kota	2282.163805
Baran	1938.840071
Jhalawar	2147.214633
Udaipur	1876.333447
Pratapgarh	1765.419936

### District-wise Per Head Average Monthly Consumption pattern

In terms of per head monthly consumption expenditure, Table 2 shows that distracts like Bikaner, Banswara, Dhaulpur, Dungarpur and Pratapgarh have low per capita consumption expenditure while majority of other districts having monthly per capita consumption expenditure above Rs. 2000 for farm households in the state.

Table 2. District-wise Per head average monthly consumption expenditure.

## Institutional and non-institutional agricultural credit

Credit is one of the critical inputs in agricultural production. It plays an important role in farmers' decision making processes by meeting short-term working capital requirements as well as long- term investment needs. Agricultural credit refers to one of several credit vehicles used to finance agricultural transactions such as a loan, note, bill of exchange, or a banker's acceptance. Financing is specially adapted to the specific financial needs of farmers and since it is a important part of development it becomes crucial to analyse various sources of credit sources. Figure 3 shows the percentage-wise total credit area of different lenders.

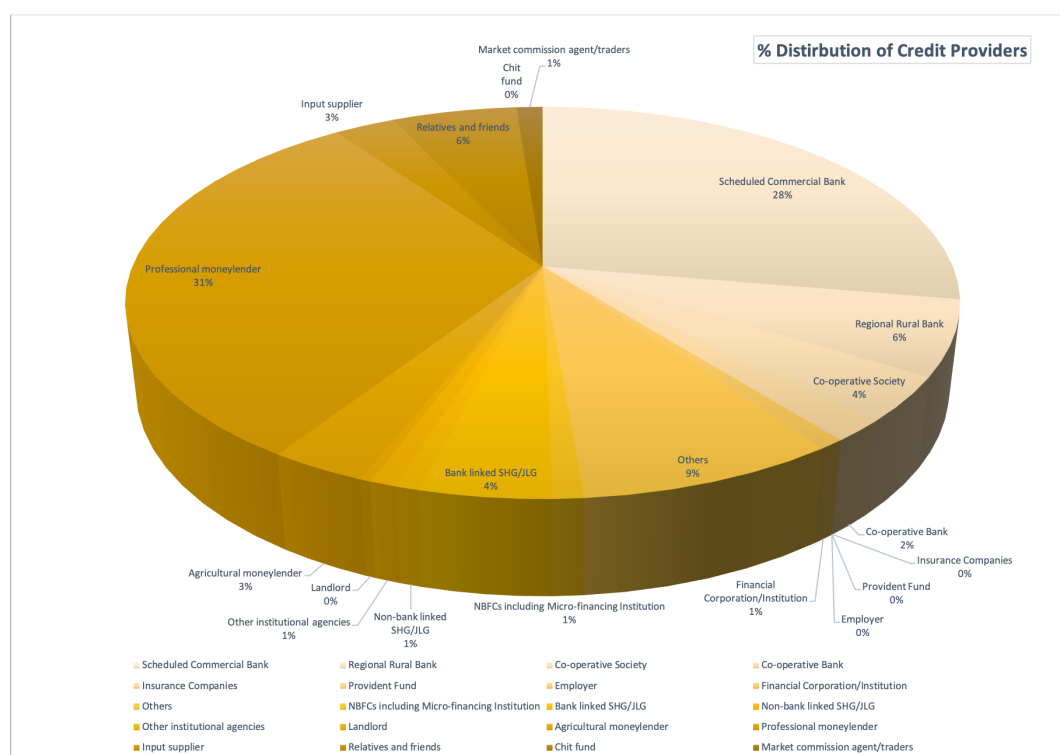


Fig 3. Loan Sources Distribution (in %) [Source : Land and Livestock Holding Surveys (LHS) and Situation Assessment Survey (SAS) of Agricultural Households]

Out of total credit demanded in the state, 28% of total credit distributed was provided by the commercial banks. Whereas, regional banks provided only 6% of total credit demand. However, the surprising fact here is that out of total credit demanded, 31% of loans has been provided by the professional moneylenders. This indicates the heavy dependence of households on the traditional sources and raises doubt on the efficiency of formal institutions, despite providing security and reasonable interest rates its area is lower than the professional moneylenders. However, **Quick cash, trust and ease of repayment** can be some of the reasons why borrowers continue to opt for moneylenders. Taking a loan from private moneylenders is easy. They often do not ask for any collateral if

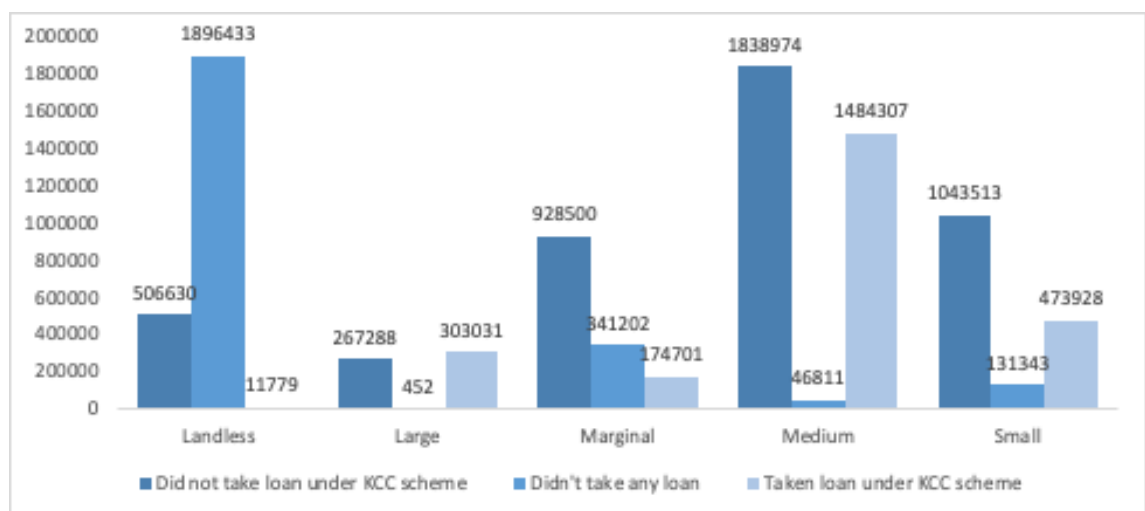
the borrower has been running a business for many years.

Additionally, other reason why professional moneylenders' business has boomed ever since India's economic priorities shifted, with globalisation, the arrival of high-cost seeds and pesticides and the attraction of bumper harvests have added to the debts of the farmers and the farmers basically prefers to seek for moneylenders due to less paperwork and lack of collateral.

## Kisan Credit Card

Kisan Credit Card Yojana is **a scheme that offers short-term, revolving credit to farmers across India**. It was launched in August 1998 in a bid to mitigate any financial shortcoming experienced by farmers during crop cultivation, harvesting, and maintenance of their produce and according to S.A.S. (2019) survey, around 53 percent of population have been benefited under scheme and taken loan through it. The distribution here is again skewed where medium category of land holders possessing the larger share.

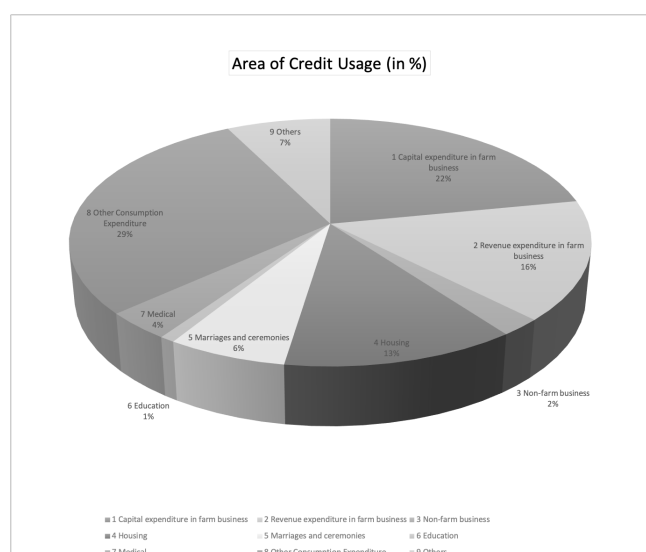
Figure 4 [Population of total farmers under KCC scheme]



## Borrowing Pattern of Households

If we look at the purpose of credit demanded, from figure 5 (Right). Out of total credit demanded, 22% of total credit was taken for capital expenditure in the farm business which included buying of capital goods such as tractors and other machinery.

16% of total credit was taken for revenue expenditure in farm business which



includes any overhead expense such as salaries and employee wages. While 13% of total credit was taken for housing purpose and 2% for non-farm business, only 1% of total credit has been demanded to expense education. 6% of total credit was taken to expense the marriages and ceremonies, 4% of total credit demand in the state was taken for medical purpose while 29% was taken to fulfil other consumption expenditure.

## Outstanding Credit Situation

While Credit is vital to agricultural businesses because **it gives farmers access to capital that might not otherwise be available to them**. It helps them secure the seeds, equipment, and land they need to operate a successful farm. Provided the uncertainty about the productivity of agriculture in future, farmers actually get into debt traps due to lower return to their investment and because of unfavourable weather conditions.

Following the data, out of total credit demanded, the total outstanding amount to be repaid, sums equal to Rs. 65,64,36,904.

Sectoral wise trend shows, out of total outstanding loan amount, 25% accounts for credit expenditure in farm business, 14% for housing, education accounts 1% whereas marriages and ceremonies accounts for 9% of total outstanding credit. while the marriage segments accounts for 6% in the credit usage chart, the number has increased to 9% in

total loan outstanding amount which indicates that though people are seeking to expense their wedding, it actually gets difficult to repay the credit for them. Therefore, there is clear indication of improvement that people should think rationally instead of going after pride in the society.

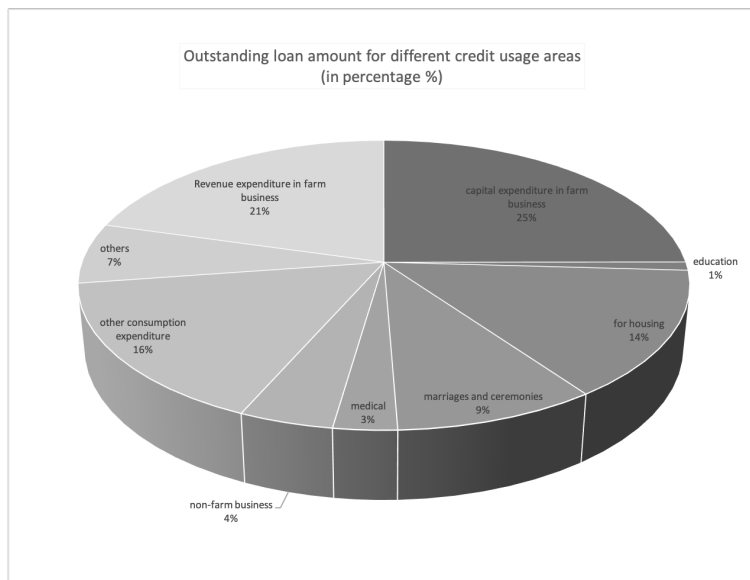
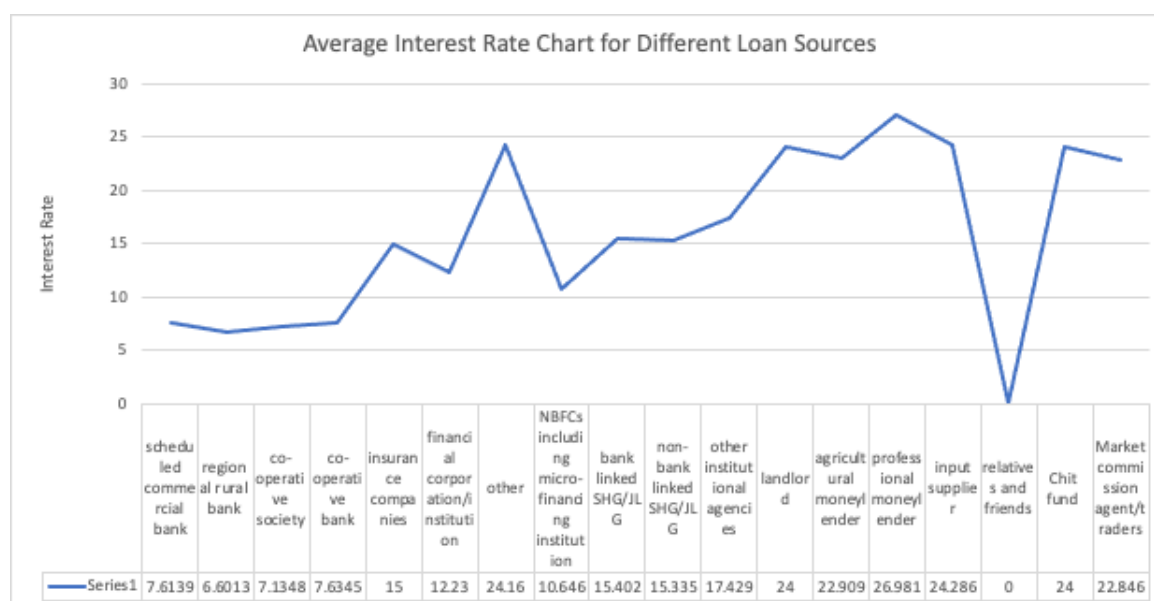


Fig. 6 Outstanding loan amount [Source : Land and Livestock Holding Surveys (LHS) and Situation Assessment Survey (SAS) of Agricultural Households]



If we follow the interest rate trend, it fluctuates between as low as 0% to as high as 120%. In terms of sources, (Fig. 7) shows that while formal institution charging nominal



interest rate of around 7%, the informal institutions are charging higher average interest rate as landlords charging around 24% while agricultural and professional moneylenders charging 22.9% and 26.98% respectively.

## **Farmers Indebted Analysis**

Table 3. Estimated number of total and indebted farmer households in each land possessed.

Category of land owned	Estimated number of farmer households	Total Population Represented	Percentage of farmer households	Estimated number of indebted farmer households	Percentage of indebted farmer households	Total Population Indebted
Landless	700	2414843	21.7594032	146	8.628841608	249297
Large	171	570773	5.31551135	128	7.56501182	416906
Marginal	538	1444495	16.7236556	246	14.53900709	471840
Medium	1307	3370094	40.6279142	868	51.30023641	2159833
Small	501	1648785	15.5735157	304	17.96690307	945722
Total	3217	9448990	100	1692	100	4243598

Table 3 represents that over half of the agriculture population is indebted in the state and if we follow the categorial trend, while 40% of population constitutes of medium category, 51% population of this category are indebted which is highest among the category of land owners.

According to survey, 51 percent of medium land holder farmers are in debt with an average outstanding loan amount of Rs. 1,79,388 per farm household.

Category Of Land	Average of Loutstanding	Average of InterestRate
Landless	117748.2588	22.5111579
Large	309789.9331	14.46604396
Marginal	88108.49391	19.35697675
Medium	179338.4362	15.09470078
Small	111789.6944	19.62094148
<b>Grand Total</b>	<b>159251.0808</b>	<b>17.05795854</b>

Table 5. Average outstanding loan amount by average interest rate

Table 5 representing highly exploitative characteristic of interest rate charged by different sources because of the inherent profit motive. It shows that while the average outstanding loan is low for landless, small and marginal category, the interest rate charged is relatively higher for these category comparing to large and medium category of land holders.

## **Conclusion**

To Conclude, following are the main observations of the paper,

- More than half of farmers population (52.4 per cent) is indebted in the state.
- Loan burden, particularly at high rate of interest from private lenders are being faced by mainly small and marginal land owners.
- Only medium category of land holders are reaping the benefits under the KCC scheme.

Nowadays, though Rajasthan has good number of micro-finance service providers but some sections of rural society don't even know about these services and they still rely on the non-formal sector (as professional moneylenders alone accounts for 31% of total credit lending) so MFIs must organise multiple awareness programs to let them know about types of services and products offered and how these will benefit them. This will help them reducing their reliance on professional moneylenders.

Secondly, the state should introduce new employment generation schemes specially focused on some of the most backward districts likes Dungarpur & Banswara. It will help in increasing their income and further consumption. Thirdly, State should focus more on improving and providing public health facility so that the 4% loan that was taken for medicinal purpose can be reduced and the borrower can consider it using in other areas that will help them in gaining capital and personal benefits.

### **Other Recommendations to improve credit facility to farmers**

1. State government should give access to banks to digitised land records in order to verify land title and create charge online. In such state banks should not insist on submission of land title documents.
2. Aggressive efforts are needed to improve institutional credit delivery through technology driven solutions to reduce the extent of financial exclusion of agricultural households. Banks should explore collaborations with agri-tech companies/start-ups so as to provide access to credit in an integrated, timely and efficient manner to the farmers
3. State government should promote and conduct awareness drives for land consolidation so that the farmers can achieve economies of scale and have the incentive to make long term investments.
4. Innovations like movable warehouses/cold storages and mobile based apps providing farm machineries on rental basis have been successfully operating but on a small scale. Hence, the government should identify the successful models in these areas which can be scaled up across the country. Further, banks should be encouraged to provide credit to such innovative solutions which support the agriculture sector.
5. GoI and state government should undertake a holistic review of the agricultural policies and their implementation, as well as evaluate the effectiveness of current subsidy policies with regard to agricultural inputs and credit in a manner which will improve the overall viability of agriculture in a sustainable manner. In view of the above stated, loan waivers should be avoided.

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