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Impact of different sources of credit in creating extreme farmer distress in India

1. Introduction

“India's agricultural sector is at a crossroads, facing challenges of stagnation in crop yields, non-remunerative prices, falling crop incomes and tardy responses from public service systems.”- (Kannan 2015)

The problem of farmer suicides, also known as the Agrarian crisis is the rampant phenomenon of suicides among Indian farmers from the year 1990 to the present. It has been exacerbated by the inability to repay growing debt, often taken from local moneylenders. In this paper, we situate farmer suicides in the larger context of the agrarian crisis in India, based on our field work in the Vidarbha region of Maharashtra. Once Vidarbha was known for its cotton or "white gold" production, but now the region is mostly known as the suicide belt of India. The situation is the same in the nearby region of Vidarbha. Even a debt of 10,000 rupees (\$150) is enough to push a farmer over the edge. Young farmers aged between 18 and 30 accounted for the second-highest number of suicides, leaving widows and children to cope with the consequences (NCRB, 2015).

The objective of the study is firstly, to explore the research question “Do different sources of credit availed by the farmer impact differently on farmer suicide?” and secondly “What are the reasons which are driving the farmers to borrow money from banks followed by private money lenders and again resorting to banks for fulfilment of their credit needs? And also to examine whether the Bankers have any role in motivating farmers to take second loan.” The later phenomena were observed during the field study. In the first section, we outline the overall distress happening in the context of India's agriculture, as ascertained from reading various government reports and surveys. In the subsequent sections, we present observations

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2
3 from the fieldwork conducted in the Amravati and Yavatmal district of Maharashtra and
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5 analyse the preconceived dissimilarities and observed similarities in these two zones. Drawing
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7 connections between farmer suicides, outstanding debt from a particular source. Our narrative
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9 approach emphasises the kinship dimension of indebtedness, which creates a greater social
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11 and moral obligation to repay loans that are borrowed from Formal Financial Institutions
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13 failing to which the farmers in order to avoid the shame of debt commits suicide. For
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15 convenience of reading and understanding of the interview a note has been attached in the
16
17 annexure which describes the local terms. The overall purpose of this paper is to explore and
18
19 analyse the effect of sources of credit causing farmers' distress and why are the farmers
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21 compelling themselves to borrow money after taking loan from formal source of credit with
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23 reference to the state of Maharashtra.
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33 **2. Review of Literature**

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35 Today, agriculture does not appear to significantly support growth in Indian non-agricultural
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37 sectors, neither through capital transfers nor through the creation of a major rural market for
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39 industrial produce (Lerche 2013). The Indian agriculture has come a long way since the
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41 inception of its planning in the year 1951. The best known study of the impact of formal rural
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43 credit in the context of India is by Binswanger and Khandkher (1992) who found that rural
44
45 credit has a measurable positive effect on agricultural output. Dongre and Deshmukh 2012
46
47 conducted a study in the Vidarbha region of Maharashtra and found indebtedness as a major
48
49 cause of farmer suicide, but do not explore the role of credit. Few more studies conducted by
50
51 Gruere and Sengupta 2011, Mishra 2006a, Mishra 2006b, Mishra 2006c , Mishra 2006d, found
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53 a strong positive correlation between unpaid bank loans and those who have committed
54
55 suicide. Sadanandan 2014 showed that there is a sharp decline in the percentage of total bank
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3 loans to agriculture after 1989. While studies of Sarangi et al. 2010 and Dongre & Deshmukh
4
5 2012, all observed the fall in presence of formal sources of finance thus leading the farmers to
6
7 borrow loans from non-institutional sources, such as local moneylenders.
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11 High debt and over-reliance on money lenders along with more competition between foreign
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13 and private banks have been found to be the significant factors behind farmer's death due to
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15 suicides in certain states across India (Sadanandan, 2014).
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19 There is a difference between domestic commercial banks and foreign banks in the quantum
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21 of lending to the priority sectors. While 40% of the total deposits must be extended to priority
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23 sectors out of which 18% particularly to agriculture sector by domestic banks, foreign banks
24
25 have the target of extending only 32% and that too without a mandatory target to extend to the
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27 agriculture sector. Even though there is a rise in the number of branches in the rural areas and
28
29 the availability of credit is becoming easier, farmer distress is also rising at the same time. Few
30
31 researchers also studied that the formal financial institutions are not very transparent with their
32
33 documentation process for the crop loans (Hulme 2000; Mitra & Shroff 2007; Rhyne 2001;
34
35 Shylendra 2006). There is an issue of lack of transparency concerning the practices as well as
36
37 terms and conditions of agriculture loan amongst banks and micro finance institutions.
38
39 Besides, they resort to devious means of loan recovery such as confiscating title deeds, using
40
41 intimidation and abusive language and combining multiple products like savings, insurance,
42
43 and loan to ensure prompt recovery (ibid). With the expansion of formal institution, for
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45 example, multiple borrowing became a common strategy of households who used newly
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47 available credit from varied sources including MFIs, SHGs, and moneylenders to sustain
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49 consumption while paying off old debts. This created a cycle of escalating indebtedness that
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51 continuously contained the possibility of a financial implosion in the face of external shocks
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53 such as illness, crop failure or an economic downturn (Taylor 2012).
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3 Apart from agriculture needs the farmer's needs money also to meet social needs (Singh,
4 2006). The study showed that the farmers in rural India spend too much on non-productive
5 (consumption) purposes like healthcare, death and marriage ceremonies, etc. Gill and Singh
6 2006 in their research study showed that the non-availability of consumption loans from
7 formal institutions pushes the farmers to use productive loans for consumption purposes. A
8 classic example of the above-mentioned phenomena is the bank loan funded new tractors being
9 disposed of in second-hand markets immediately after purchase to arrange cash for other
10 family needs like marriages, paying off old debts, etc. (Singh 2006, Singh et al. 2016). Datta
11 et al. 2018 also conducted a primary-level household survey in the Telangana State of India,
12 and the objective of the study was to identify the factors that impacted indebtedness of a
13 household and the purposes for which the loans were utilized. Results of their study showed
14 that among all explanatory variables, principal occupation, and use of modern technology, the
15 rate of interest, household medical expenditure, and source of the loan were significant,
16 indicating that these variables significantly affected the loan taken by the farmers in the study
17 area.

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39 Datta et al. (2018) conducted a primary-level household survey in Telangana. Bayesian and
40 Lasso regression methods were used to identify the factors that impacted the indebtedness of
41 a household and the purposes for which the loans were utilized. Results show that among all
42 explanatory variables, principal occupation, and use of modern technology, the rate of interest,
43 household medical expenditure, and source of the loan were significant, indicating that these
44 variables significantly affected the loan taken by the farmers in the study area. The study
45 suggested that alternative sources of non-farm income and promotion of modern technology
46 in agriculture could reduce farmers'

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Past studies related to farmers' suicide due to indebtedness mainly attributed to taking a loan from money lenders, Annexure-Table 1

While all the studies mentioned in Table 1 posed a finger on the money lenders for the extreme distress among the farmers in India, the task force on credit-related issues of farmers set up by Ministry of agriculture in India found that still the people in rural India are relying on money lender, and their percentage has increased from 18% to 27 % (Sarangi et al. 2015). Some segments of agrarian society were able to use access to finance to support consumption or diversify livelihoods, others have become caught in escalating debt traps that brutally expose the limits to fighting poverty through the proliferation of credit (Taylor 2011). This posed a serious question – if the money lenders are at fault then why the rural population is still dependent on them.

The present study is to meet this gap in the existing body of knowledge on the issue of farmers' suicide and the role of sources of credit.

3. Research Design

Mixed Methods research that involves collecting, analyzing and integrating quantitative and qualitative research data has been adopted in this study. It is thus a blend of methodologies in the study of the same phenomenon (Webb et al., 1999; Jick 1979; Johnson & Onwuegbuzie 2007). Conceding to the fact that all methods have limitations, mixed method mutually neutralizes biases arising from each other (Jick 1979; Creswell, 2009). Thus, the results of both methods can reinforce each other (Creswell et al. 2011).

Since the study involved multiple stages of data collection, mixed method research provided a greater breadth of perspectives around the issue of which sources of credit is creating extreme distress among farmers and why farmers are forcing themselves in borrowing money from

1
2
3 multiple sources. Mix method also helps in correctly interpreting the findings where the
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5 researchers are not much familiar with the local language. Mixed Method help the researchers
6
7 to define more nebulous concepts and lend itself well to outcome driven research. Thus the
8
9 researcher did not incline themselves in either pure qualitative study or a pure quantitative
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11 study. While the quantitative method in this study involved a detailed survey wherein
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13 descriptive statistics have been used to draw results; while qualitative methods included Focus
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15 Group Discussions (FGDs) and in-depth interviews through One-on-One Interaction and
16
17 Observation. In-depth interviews also allowed the researcher to explore complex or
18
19 contradictory matters. In contrast to ordinary conversations, in-depth interviews method helped
20
21 in focusing on the research question and pursue it in great depth. (Rubin and Rubin, 2012).
22
23 Thus we employed the in-depth interview technique to collect data as one of the major
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25 mechanisms of collecting data.
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32 In this research, we adopted semi-structured in-depth interview method, wherein each
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34 interviewee was asked similar questions under the main heads. The interview was based on an
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36 interview guide which contained different questions covering different aspects of the agrarian
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38 crisis, credit facility, difficulties faced by them in getting credit, reasons for choosing
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40 alternative finance and also going for loan multiple numbers of times, etc. Each aspect was
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42 covered by asking one or more questions and using a variety of probes and converses
43
44 (Onwuegbuzie & Leech 2006), until the inquiry has satisfied the research objectives. Semi-
45
46 structured in-depth interviews were kept flexible and the interviewer could modify the order
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48 and details of how topics need to be covered, but because respondents are asked more or less
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50 the same questions this makes comparisons across interviews, possible. (Onwuegbuzie &
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55 Teddie 2003).
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3 Focus group discussions were conducted among the different stake holders to discuss what
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5 people felt about this issues and also to get a group dynamic. A total of three FGDs were
6
7 conducted. There were five to eight participants per FGD. The group consisted of people from
8
9 NABARD, local branch manager, the victim, and non-victim household representatives, Gram
10
11 Panchayat and Tehsildar. The FGDs entailed listing of the focus groups and participants;
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13 arrangement of dates and logistics, when required; creation of the check list; skilled facilitation
14
15 and use of tape recorders and taking field notes.
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21 An FGD was conducted, and major themes were identified from the inputs obtained during
22
23 FGD. In-depth interviews were carried out focusing on these themes. Codes were prepared by
24
25 a collection of words, segment, sentence(s) or paragraph(s) which represented the spirit or core
26
27 attribute of verbal information and this helped the researcher to categorize data. The process of
28
29 scrutiny or re-examining this open coding helped the researcher in identifying the data and in
30
31 moving towards selective coding which highlighted the themes that the researcher wanted to
32
33 achieve through the research objective. This process helped in a detailed understanding of the
34
35 data. Flexibility in refining code structure helped the researcher to encompass more ideas, or
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37 merge new ideas into existing codes or split into additional new codes.
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42 **Tool Development**

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46 A questionnaire was developed for the purpose of gathering quantitative data from the
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48 respondents. Keeping in view the outcome, Questionnaire included both open and closed-ended
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50 questions. Open formats encouraged the candid expression of the respondent in a free-flowing
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52 manner, and thus create an insightful angle to the study. Closed formats limit the responses to
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54 given options, which allows easy statistical calculations and ease of analysis. The interview
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56 schedule was created with different questions under main heads to capture the depth of the
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3 matter. The conglomerate of tools was created to be able to touch base with the research
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5 objective. The FGD Check List was also created for easy moderation and execution.
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8 9 **Data Collection and Sampling Procedure**

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12 This study is based on both primary as well as secondary data sources. The secondary data on
13
14 various parameters related to bank agriculture credit, different schemes available for farmers
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16 in Maharashtra and other related issues were collected from the publications of National Bank
17
18 for Agriculture and Rural Development (NABARD), Mumbai and State Government of
19
20 Maharashtra. The Secondary Data used in this study were collected in person from State Crime
21
22 Record Bureau, Mumbai offices.
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26 27 **Selection of the Study Area - Maharashtra: An anomaly of Opulence & Paucity**

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29 In India, Maharashtra contributes highest to the GDP besides being the most industrialized
30
31 state (census, 2011). Headquarters of various corporates and financial institutions are situated
32
33 in Mumbai which is the state capital of Maharashtra as well as the financial capital of India.
34
35 Mumbai also houses main stock market and commodity exchanges of India. According to the
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37 2011 Census a total literacy rate of 82.34 (male 88.38% and female 75.87%) against 74.04
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39 percent at the national level but still Maharashtra has some of the poorest and most
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41 underdeveloped regions in the country.
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46 Maharashtra also leads the country in the number of farmer suicides. According to the NCRB
47
48 2015 report, the state has recorded the highest number of farmer suicides (total of 2835). Table
49
50 2 attached in the Annexure shows the total farmer suicide across the six administrative
51
52 divisions of Maharashtra over the last fifteen years. The Amravati region alone accounted for
53
54 the highest suicide rate in the past fifteen years with an astounding figure of 11981 suicides.
55
56 Thus, the researcher chose the Amravati Division as the study Universe. Amravati division is
57
58 further divided into six Talukas which includes Yavatmal, Akola, Amravati, Buldhana, Wardha
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1
2
3 and Washim, Annexure table 3. Table 3 shows the total farmer suicide that has occurred in the
4 different talukas under the Amravati division. The researchers selected Amravati and Yavatmal
5 talukas as their sample frame since these two Taluka's showed the highest number of farmer
6 suicide over the decade.
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13 **Sampling Procedure**

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15 The current research is applied social research, and there was a circumstance where it was not
16 feasible, practically or theoretically to do random sampling thus we consider nonprobabilistic
17 sampling technique for selecting the suicide victim household and random sampling for
18 choosing the non-suicide victim household. Samples in the study were selected based on
19 availability or ease of inclusion of the participants. This type of sampling is also known as
20 Accidental Sampling. A list of farmers who had committed suicide due to indebtedness and
21 had received government compensation was obtained for both the Talukas namely Amravati
22 and Yavatmal from the Chief Ministers Office in Mumbai. This was the sample frame. The list
23 contained the name, address, relatives survived by and contact details of all the suicide victims.
24
25 The researchers had to get the permission of the District Collector and the Village Panchayat
26 before entering the villages to collect data for the research. The Village Panchayat also
27 provided the researcher with a list of households who had taken a loan from different banks
28 apart from those who had committed suicide. Personally, the researchers contacted the relatives
29 of these suicide victims over the phone, and only 25 suicide victim households out of 350
30 agreed to give an in-depth interview to the researchers. It may be mentioned here that we
31 reached data saturation by 15 interviews. These households were scattered in different villages
32 of the respective talukas. 80 nonsuicide victim households were selected randomly from the
33 list provided by the respective Village Panchayat. From the 80, 25 participants were selected,
34 to have the same sample size from suicide and non-suicide groups, randomly who also agreed
35 to give an interview. The researcher(s) pre-informed the participants and took their consent
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3 for recording of the interview and they were informed that it would be strictly used for the
4 research purpose and confidentiality would be maintained. The field study was carried over a
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6 period of six to seven months.
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9 10 **Reliability & Validity of the tool**

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12 Reliability is the ability of this scale to produce consistent results. For the current study
13 reliability was assessed by using test-retest method. In the test-retest method, reliability is
14 examined by administrating the same set of respondents on two different occasions. The two
15 set of responses are then correlated to study the consistency in responses on the two occasions.
16
17 Since the variables in the study were categorical variable Phi & Cramer's V was used to study
18 the consistency of the scale (Golafshani, 2003). Phi and Cramer's V value above 0.5 indicates
19 reliability (Golafshani, 2003). Phi & crammer's value for almost all variables is above 0.5.
20
21 Hence the Reliability of the tool was supported.
22
23

24
25 Validity was assessed using face validity. Face validity is a subjective way of assessing the
26 validity of the instrument. Five experts were approached and asked to comment on the
27 instrument regarding the ability of the instrument in measuring the underlined variable. A 3-
28 point scale (1= Do not measure the underline variable, 2= moderately/ somewhat measure the
29 underline variable, 3= completely measure the underline variable.) Data was gathered through
30 the five experts were analyzed using descriptive statistics. Mean values for all the variable were
31 more than 2.5 on a 3-point scale. Hence for all the variables experts agreed that the instruments
32 measure the underline variable correctly. Hence validity was supported.
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50 For reliability and validity of the qualitative study no separate test was conducted as
51 “Researcher’s reflexivity (and subsequent writing-up transparency) throughout the whole
52 research process checked the reliability and validity of the in depth interviews conducted”
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57 (Golafshani, 2003)
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4. Results

The descriptive statistics, presented in table 4, helps the researcher in portraying a clear picture about the sample households who had borrowed money from different sources of credit and it also helped in partial answering of the research question is there any link between sources of credit and farmer distress in the Amravati and Yavatmal region of Maharashtra, India.

Table 4: Suicide Status * Sources of Loan

		Formal Source	Informal Source	Both Formal & Informal Source	TOTAL
Credit availed and committed suicide	Count	11	4	10	25
	% within	44%	16%	40%	100%
Credit availed and did not commit suicide	Count	1	16	8	25
	% within	4%	64%	32%	100%
TOTAL	Count	12	20	18	50
	% within	24%	40%	36%	100%

From the descriptive statistics, it can be seen that out of the 25 farmers who have committed suicide, 44% have borrowed loan from formal sources of credit available, 16% from the informal source of credit available and 40% have borrowed loan from both the formal and informal sources of credit. A similar in-depth interview was conducted for families who have availed loan from different sources of credit but had no signs of suicide. It was found that out of 25 families from non-suicidal households 64% borrowed loan from informal sources, 4% borrowed loan from formal sources and 32% borrowed loan from both the sources. Hence it can be seen that the percentage of suicide is more in case of farmers who are availing loan either from formal source or a combination of both the sources. This partially answers the research question that had arisen in the minds of the researchers after doing the field study and reading the various contradictory government reports.

The excerpts of some interviews are presented below.

During the field interaction, a farmer named Arun Bhise (Name changed) aged 45 years and is a graduate passed from a district school in the Yavatmal region shared his experience about the nightmare he faced for a crop loan of rupees eighty thousand –

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2
3 *"Oh!!! Bank Loan!!!!!!!!!!!!..... You want to know my experience about the bank*
4 *loan (looked angry and pained)..... For a crop loan for rupees ninety thousand I*
5 *almost went to bank ten to twelve times The manager was newly posted and was also*
6 *not aware himself about what all documents are required..... every time I went he demanded*
7 *a new document and based on it he kept on postponing the whole process.....they do all*
8 *these things to get some undue advantages The sowing season was almost to end when*
9 *I received the money, that too only sixty-five thousand..... (Smirked) The manager does*
10 *not know even our local language and is very rude.....At last the cropping season was*
11 *about to end so to meet my immediate need I went to the local sahuakar of the village and*
12 *borrowed money."*
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22 After listening to the whole event the investigators wanted to know the details of the loan he
23 took from the money lender. Thus the interview is continued below –
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26
27 Interviewer: Do you know the terms and conditions of the loan you took from the money
28 lender?
29

30
31
32 Respondent: *"I wanted money at the time of need, and he provided me. He is also from amongst*
33 *us..... He understands my economic condition and also empathizes with me.....*
34 *If I become a defaulter, he takes away the land and gives me a job opportunity so that I can*
35 *survive with it..... (Sorrow in the face).*
36
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41 Interviewer: Could not follow your statement..... gives job opportunity?
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43

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45 Respondent: *"Yes..... I mean we work as agriculture labourer in field and get daily wages.....*
46 *He is also powerful so many a times he gets us enrolled under some scheme of the*
47 *government to earn money....."..... Your newspaper and government say that the loans from*
48 *money lenders are responsible for the suicide of my fellow brothers who committed suicide*
49 *.....but the reality is they help us at the time of need We are very well aware that*
50 *the interest charged is more than any financial institution but.....(Angry*
51 *face).....These banks are responsible for our situation. Had they done their job properly we*
52 *would never have to go to any sahuakars....*
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3 Another interview was given by Ravi Burhade (name changed) who lost his elder brother to
4 this crisis stated

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6
7
8 “.....*Ramaji (Name Changed) is the name of my brother whom I lost*
9
10*(silent and tears in eyes) , he was just 35 years old farmer and committed suicide on*
11
12 *26-06-2016 at village Januna, Amravati district by taking poison. We owned a total of 2 acres*
13
14 *of land, and main crops grown by us was just cotton & soybean. My very old parents and*
15
16 *unmarried sister and I am only there in the family.*

17
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19 *My brother had applied for a loan of Rs.80000, and the bank granted a loan of Rs.60000. He*
20
21 *purchased pesticides, insecticides, seeds of Rs.75000/- from a local shopkeeper. To meet the*
22
23 *deficit of Rs. 15000 he had borrowed money from the private money lender. The year 2015-*
24
25 *2016 turned out to be the drought year, and he was not able to recover any expense. This*
26
27 *created pressure on him. There was constant pressure by the bank on him for repayment of*
28
29 *the loan. The Manager kept visiting my house and insulted the family for*
30
31 *repayment.....This situation led him to commit suicide. “*

32
33
34
35 Respondent: Did the money lender did not put any pressure on you or your brother to repay
36
37 the loan?

38
39
40 “ *(Smirks)..... why do you think he will do so? They are understanding*
41
42 *..... he knows I am not a fraud and will repay him if I had money.....banks think us to*
43
44 *be cheat..... My sahuakar bhau said need not to worry about payment, and I can pay*
45
46 *him back when I receive my compensation from the government ...I will repay him when*
47
48 *government clears all my loans....”*

49
50
51 Thus through these interviews, we can easily conclude that one of the main reason for farmer
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53 distress in this region is the indebtedness among the farmers and the moneylenders are not the
54
55 only source of the problem of creating extreme farmer distress instead they extend a helping
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57 hand in the time of need. Through the interview, it was also noticed that the bankers often do
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not empathize with the situation and their harsh behavior towards the farmers for loan recovery often leads to falling in social status and acts as a catalyst in promoting farmer suicide.

To be sure that this is not a statement we have received during the in-depth field interview by chance the researchers re validated it using few statistical tools, whose results are depicted below.

Variables and Measurement

Famers Committing suicide is measured using a dichotomous scale 1= Committed suicide 2 = Did not commit suicide. Sources of Loan is a categorical variable with three options (1= Formal Source, 2= Informal Source & 3= Both Formal and Informal Source).

Statistical Tests: Chi-square test of Contingency

H₀: Farmer suicide is independent of the Sources of Credit

H₁: Farmer suicide is dependent of the Sources of Credit

Level of Significance: $\alpha=0.05$

Chi-Square Tests	Value	df
Pearson Chi-Square	15.756 ^a	2
Likelihood Ratio	17.684	2
Linear-by-Linear Association	2.142	1
N of Valid Cases	50	

Since the p-value (0.000) is less than the level of significance (0.05), the null hypothesis is rejected. Hence it is concluded that farmers. Suicide depends upon the sources of credit.

Thus it could be seen that the results of the qualitative study and quantitative study were complementing one another and the findings have answered the research question. This motivated the researchers to move a step ahead and now investigate the second research question which enquired what the reasons are driving the farmers to borrow money from banks followed by private money lenders and again resorting to banks for fulfillment of their credit needs for the same set of farmers.

The excerpts of the interview are appended below:

1
2
3 Interviewer: Do you have a loan?
4

5 Respondent: (Arrogantly laughs)..... Can u even imagine a farmers life
6 without loan.....I have two loans outstanding from formal institution and one from Sahukar
7
8 Dada.....
9
10

11
12 Interviewer: Which source of credit did you use first to borrow money and why did you choose
13 that particular source?
14

15
16 *Respondent:* In the past, you can see I have always borrowed money just before the sowing
17 season from the bank..... getting a loan from the bank was again a
18 challenge..... I was granted loan by the bank mid of the sowing season. I
19 had taken bank loan as the rate of interest was subsidized.
20
21
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25
26 *Interviewer:* Did you repay the bank loan after the crop was ready for the market?
27

28
29 *Respondent:* NO... The cropping season was declared as a drought year, and I suffered an
30 immense loss.....I worked as labour in my field.....I invested money in the
31 field for getting best pesticide, seeds..... all went in vain.....I had no money
32 even to feed my familyhow do you think I would have repaid the bank?
33
34
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38 *Interviewer:* How did you survive during that time? I mean how did you run the family?
39

40
41 *Respondent..... I could not even sell my land as I had taken a loan from the bank on*
42 *it..... I took a loan from the Sahukar dadaLoan waiver was declared but*
43 *when it would be executed was not clear.....I was in the dearth need of*
44 *money.....was looking out for immediate relief*
45
46
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49
50 *Interviewer:* Didn't you go to the bank and ask about the loan waiver or another loan?
51

52
53 *Respondent:**The manger did not give me immediately another loan as I bad*
54 *credit history.....yes but he suggested me an idea to get a fresh loanhe told me that*
55 *if I repay even 25 % of the existing loan I would be removed from the NPA category and would*
56 *be eligible for next loan as my existing loan would be converted in long-term loan.*
57
58
59
60

1
2
3 *Interviewer: What did you do after hearing this from the manager?*

4
5 *Respondent:(Silence).....I fell in his trap.....the money I*
6
7 *had borrowed from Sahukar Dada.....I gave it almost in the bank and got a new*
8
9 *loan.....but I never knew what a grave mistake I did.....I did not get a loan waiver*
10
11 *as I had made payment and in return, the loan amount started mounting on me as the rate of*
12
13 *interest had also increased in the new scheme.I fell in the trap....*

14
15
16
17 Buying expensive seeds and other agricultural inputs through loans with high interest means
18
19 that stress begins to mount at the very beginning of the crop cycle. Through this, we can
20
21 conclude that mounting loan amount, piled up interest from different sources, with deteriorate
22
23 family conditions results in sustained mental stress which pushes some farmer to commit
24
25 suicide.
26
27

28
29 During the field visit the researchers got a chance to interview one of the bankers on the
30
31 agrarian crisis, and on crop loan, an excerpt of the same is appended below:

32
33 *Interviewer: What motivates you to give crop loan to the farmers?*

34
35 *Respondent:It is my job to give a loan to eligible borrowersand more over*
36
37 *we bound by the RBI circular on lending new priority sector lending norms set*
38
39 *by RBI has strictly instructed us to give loan and meet the target.If I don't*
40
41 *meet the target of lending, I will be issued a memo from the zonal office.*

42
43
44
45 *Interviewer: In spite of knowing the credit history and capability you still give them loan? Are*
46
47 *you not bothered how they will repay?*

48
49 *RespondentSee madamI have a target to meet, and I too know*
50
51 *they don't have the capacity to repay so I tell them to pay at least little so that you will not*
52
53 *become NPA and get another loan.....Both the parties are gaining this*
54
55 *way.....the farmer is getting money, and I am meeting my set target of loan disbursal.*
56
57
58
59 *...Yes.....one more thing everyone is happy till they get their share of pie.....(Smirks)*
60

1
2
3 Thus through these interviews we can conclude that the farmers are going to informal source
4 after taking the first loan from a bank as the loan they get are inadequate to meet their need and
5
6 another reason is the over marketing (predatory lending?) by the bankers to take loans in order
7
8 to meet their target of priority sector lending. And it is also evident from the interview
9
10 responses that the revised terms and conditions due to the conversion of a loan from short term
11
12 to long term agricultural loan are not properly explained to the farmers.
13
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20 **5. Discussion**

21
22 Through the field study, we conducted interviews for the family members of the deceased
23
24 farmer (see results section) and concluded that an Indian farmer in a particular cropping season
25
26 wears three hats simultaneously: those of an investor, labourer, and farmer. The farmer also
27
28 represents himself as an entrepreneur, often bringing in inherited land holding (or working as
29
30 a tenant farmer) and traditional knowledge. The farmer runs the harvest cycle but makes little
31
32 to no profit. As a labourer, farmer and their family members often represent the
33
34 underemployed, underpaid resource that works for almost free. In these two roles, it is evident
35
36 that the farmer represents the aspects of management and labour involved in an enterprise.
37
38 However, these aspects largely do not push the farmer to commit suicide.
39
40
41

42
43 Farmers are more often pushed to take their own lives in their roles as investors, due to agrarian
44
45 distress and lack of business viability. Loans mount, interest climbs steeply, and the resulting
46
47 sustained mental stress pushes some farmer-investors to commit suicide. Farmers ought not to
48
49 wear the hat of investors, given the mismatch between their meager resources and the high-risk
50
51 factor.
52
53

54
55 The Indian bankers often lack empathy and are so target bound (evident from the interview,
56
57 attached in results section) that they forget the farmer's pain and lure him to take a loan. Again
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3 to avoid NPA, harsh recovery mechanisms are used against these farmers. All this creates a
4
5 mental pressure and social pressure too, to avoid this the farmer takes his life.
6
7

8 **5a. Theoretical Implications**

9
10 It has been observed from the extant literature and the field study that agricultural credit plays
11 a vital role in supporting agricultural production in India. The results of the study have found
12 that the outreach of agricultural credit has increased over the years but at the same time several
13 weaknesses have crept in which have affected the viability and sustainability of these
14 institutions
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17

18
19 Yes, it is true that indebtedness is a problem, but why do farmers in India suffer such debt need
20 a nuanced look. The farmers are taking a loan from multiple sources like the formal source of
21 credit as well as an informal source of credit. The multiple borrowing by the farmers due to
22 various reasons like antiquated legal framework, the outdated tenancy laws, marriage in the
23 family, medical needs of the family, etc. create an interaction effect which worsens the
24 situation. The multiple borrowing creates a debt trap which forces the farmers to commit
25 suicide to escape the social shame. Thus, the findings of the study contribute to knowing the
26 new theory of "Multiple Borrowing Interaction Theory." This theory will imply finding the
27 root cause for farmer distress and also in addressing the larger issues like distorted
28 socioeconomic policy and complicated credit system of the country.
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37 **5b. Practical Implication**

38
39 Successive governments have focused more on control rather than prevention. Through the
40 theoretical contribution of this study, the policy makers will get an over view that it will take
41 more than short-term measures and disproportionately implemented programs to wade through
42 the crisis.. This study will help the policy makers in identifying the root cause of farmers being
43 in debt and reorientation of the existing policies. One of the major findings of the study was
44 the harsh recovery mechanism adopted by the formal institutions in order to avoid the defaults.
45 The study will also help the policy makers in sensitizing the loan disbursing officers.
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53 **6. Conclusion**

54
55 Abject poverty, high levels of indebtedness and pressure to repay loans borrowed from formal
56 financial institutions are the leading causes behind farmer suicides in this region of
57 Maharashtra. Almost every farm household has debts, and a large number of them have
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2
3 accumulated such debts over the years. Till date, the extant literature was attributing extreme
4 farmer distress to the high-interest rate charged by local moneylenders. But government data
5 and the field study establish that loan from Bank-informal Source-Bank is the major reason for
6 the farmer suicide. The study also establishes the reason for taking a loan from money lenders
7 after taking a loan from the bank and there after again going back to the bank resulting in a
8 debt trap situation. The current research also found that moneylenders were more flexible
9 compared to banks and microfinance institutions. The formal financial institution is less
10 flexible with their rules and regulations of loan disbursement as well as loan recovery because
11 their set rules don't permit them flexibility. They create social pressure for repayment by telling
12 others in the vicinity. This leads to a fall in the status of the farmer in the society and to escape
13 this shame he commits suicide. Thus the need of the hour is to address that despite an extensive
14 existing credit market the farmers are still borrowing from the private money lenders and are
15 approaching banks only when the doors of private money lenders are closing.

16
17 It may be concluded that the present research meets the gap in the existing literature on this
18 subject.

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Annexure

Table 1: Studies which identified moneylenders and informal sources of credit responsible for farmer suicide.			
Author	Publication year	Description of study	Key results
Kale et al	2014	Interview of family members of 200 victims in Vidharbha province	47% of the farmers had outstanding debt to only institutional sources. – Some 51.5% had outstanding debt to both institutional and non-institutional sources.
Chhikara and Kodan	2013	Analysis of secondary data on farmer indebtedness in Haryana	– Negative association between the size of the landholding and percentage of credit obtained from informal sources – Some 29–53% of credit for marginal farmers, 38% for small farmers, and 25% for large farmers is from informal sources
Kale	2011	Small case-control study in Vidarbha province (40 cases, 40 controls)	– Formal sources made up 76% of victims' credit, but this was 96% in the non-suicidal group. – The non-suicidal group was also much less likely to require credit.
Behere and Behere	2008	Report on farmers' suicide in Vidarbha province	– Moneylenders are the predominant source of loans for farmers here at 28.4%. – Only 3.94% access land development banks.
Gedela	2008	Small case-control study in Andhra Pradesh (37 cases, 37 controls)	– Suicide victims obtain up to 70% of their credit from private moneylenders. Households with victims also had much higher debt.

Table 2: Division wise number of Farmer Suicides in Maharashtra

Year	Konkan	Nashik	Pune	Aurangabad	Amravati	Nagpur	Maharashtra
2001	0	10	0	0	49	3	62
2002	0	2	1	9	80	30	122
2003	0	2	3	14	134	27	180
2004	0	38	9	95	418	80	640
2005	0	33	19	58	419	80	609

2006	3	212	121	378	1295	367	2376
2007	0	183	123	327	1119	324	2076
2008	2	172	120	285	1061	326	1966
2009	0	125	91	228	905	256	1605
2010	4	123	67	191	1051	305	1741
2011	3	172	36	169	886	252	1518
2012	4	202	35	198	841	193	1473
2013	0	170	37	207	705	177	1296
2014	4	283	23	574	828	269	1981
2015	2	459	96	1130	1179	362	3228
2016	0	449	72	985	1011	318	2835
TOTAL	22	2635	853	4848	11981	3369	23708

Source : State Crime Record Bureau, Government of Maharashtra, Pune.

Table 3: District wise number of farmer suicide in Maharashtra

Year	Amravati	Akola	Yavatmal	Buldhana	Washim	Wardha	Maharashtra
2001	11 (17.74%)	6 (9.68%)	17 (27.42%)	8 (12.9%)	7 (11.29%)	3 (4.84%)	62
2002	20 (16.39%)	7 (5.74%)	38 (31.15%)	9 (7.38%)	6 (4.92%)	24 (19.67%)	122
2003	41 (22.78%)	21 (11.67%)	52 (28.89%)	14 (7.78%)	6 (3.33%)	14 (7.78%)	180
2004	101 (15.78%)	46 (7.19%)	142 (22.19%)	85 (13.28%)	44 (6.88%)	29 (4.53%)	640
2005	102 (16.75%)	43 (7.06)	167 (27.42%)	81 (13.3%)	26 (4.27%)	26 (4.27%)	609
2006	270 (11.36%)	174 (7.32%)	360 (15.15%)	306 (12.88%)	185 (7.79%)	154 (6.48%)	2376
2007	265 (12.75%)	125 (6.02%)	359 (17.29%)	193 (9.3%)	177 (8.53%)	128 (6.17%)	2076
2008	264 (13.43%)	165 (8.39%)	311 (15.82%)	195 (9.92%)	126 (6.41%)	87 (4.43%)	1966
2009	220 (13.71%)	136 (8.47%)	325 (20.25%)	103 (6.42%)	121 (7.54%)	100 (6.23%)	1605
2010	283 (16.26%)	200 (11.49%)	309 (17.75%)	137 (7.87%)	122 (7.01%)	126 (7.24%)	1741
2011	254 (16.73%)	177 (11.86%)	240 (15.81%)	126 (8.3%)	89 (5.86%)	113 (7.44%)	1518
2012	190 (12.9%)	178 (12.08%)	238 (16.16%)	153 (10.39%)	83 (5.63%)	109 (7.4%)	1473
2013	167 (12.89%)	136 (10.49%)	231 (17.82%)	111 (8.65%)	60 (4.63%)	100 (7.72%)	1296
2014	209 (10.55%)	156 (7.87%)	266 (13.43%)	111 (5.6%)	88 (4.44%)	134 (6.76%)	1981
2015	306 (9.48%)	195 (6.04%)	386 (11.96%)	189 (5.86%)	108 (3.35%)	164 (5.08%)	3228
2016	308 (10.86%)	148 (5.22%)	226 (7.97%)	217 (7.65%)	89 (3.14%)	121 (4.27%)	2835

TOTAL	3011	1913	3667	2038	1337	1432	23708
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Note: Figures in bracket are percentage to Maharashtra; Source: Department of Relief and Rehabilitation, Government of Maharashtra.

Table 4: Socio- Economic Profile of Victims

Total number of victims household surveyed		25
Type of respondent (% to the total sample)	1. Wife/son/Daughter	44
	2. Brother/Sister/Others	56
Gender (% to the total sample)	1. Male	94
	2. Female	6
	3. Transgender	0
Social Status (% to the total sample)	1. Schedule Caste	22
	2. Schedule Tribe	10
	3. Other Backward caste	28
	4. General	40
Age group (% to the total sample)	1. 18 Years – Below 30 Years	18
	2. 30 Years -- Below 45 Years	58
	3. 45 Years – Below 60 Years	12
	4. 60 Years – Above 60 Years	10
Years of Schooling (% to the total sample)	1. Illiterate	38
	2. Primary School	10
	3. Middle School	30
	4. Matriculation	8
	5. Higher Secondary	10
	6. Degree/ diploma	0
	7. Above Degree	4
Method of Suicide (% to the total sample)	1. Poison consumption	37
	2. Hanging	54
	3. Jumping into river/well	2
	4. Current shock	0
	5. Self immolation	0
	6. Railway Track	7
	7. Others	0

Source: Field Survey

Notes

NABARD- National Bank for Agriculture and Rural Development (NABARD) is an apex development financial institution in India, headquartered at Mumbai with regional offices all over India. The Bank has been entrusted with "matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in

1
2
3 India"

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5 GRAM PANCHAYAT It is a village council at the grassroots-level of formalised local self-
6 governance system in India and has a sarpanch as its elected head.
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10 TEHSILDAR-In India, the states are divided into districts and each district further subdivided
11 into areas called Tehsils or Taluks. The head of those areas is respectively known as Tehsildar
12 or Talukdar. They also look at the general law and order of their areas and also solve disputes
13 that arise. These officers are also in charge of handing our community certificates to villagers,
14 like a Schedule Tribe certificate.
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19 DISTRICT COLLECTOR-These are the officers who are the head of a district in a state who
20 supervise the overall functioning of the district.
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23 SAHUKARS- a person whose business is lending money, especially at a very high rate of
24 interest to the people in Rural India. They are also known as local money lenders.
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