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MANAGEMENT OF FARM INDEBTEDNESS IN IDUKKI DISTRICT

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ABSTRACT

Agriculture occupies a superior place in the economy of every country. Majority of the rural agrarian households in Idukki generally incur bad debt and is a stumbling block to the well-being of the members of the borrowing households due to small land holdings, high cost of living and the prevailing agrarian distress. The extensive review of the literature reveals that there have been no serious studies carried out in Kerala, particularly in Idukki covering the aspect of- magnitude of debt, sources of borrowings, and the debt management strategies practiced by the households. Many farmer suicide cases have also been reported from Kerala especially, Idukki district. The successful debt reducing strategies help in the understanding and the monitoring of farm indebtedness. The present study 'Management of farm Indebtedness in Idukki District' is aimed to solve the burning issues of the distressed farmers and assumes enormous significance as it seeks to fill the existing research gap too. The study is based on primary data collected from 100 farmer households located in two panchayaths of Idukki, viz., Rajakkad and Santhanpara using a structured interview schedule. The analysis of the data was performed using both the descriptive statistical tools such as tables, graphs, and numerical summary measures like mean, median, standard deviation, skewness and kurtosis and a few inferential statistical methods as chi-square test. The findings reveal that more than two-thirds of the farmers' total debt from the commercial banks, distantly followed by SHG and friends & relatives. It may be noticed that more than 80 percent of the debts of farmers are from the institutional sources; and the contribution of the NBFCs and money lenders in this regard is negligible. It is an index of development and financial literacy of the people in Idukki. The debt management strategies practiced by the farmers under six factors suggested that the four strategies, viz., 'debt service planning', 'interest rate monitoring', 'careful avoidance of late payment consequences' and 'debt prioritisation' were relatively more effective than the other two strategies of 'asset management' and 'acquisition of financial literacy'

KEYWORDS: Farmer indebtedness, sources of borrowings, magnitude of borrowings, and debt management strategies.

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1. INTRODUCTION

1.1 Introduction

Agriculture occupies a predominant position in the economy of every country. The economic, social, and political existence of rural Kerala is seriously threatened by debt. A low income is insufficient to the rural farmers to meet the agricultural input costs which strained them to an elevated borrowing. Eventually, they became defaulters and get trapped in a debt quagmire. Even though they strive hard to earn money, they can't afford to have their daily requirements and are still compelled to stay in borrowing. Due to the absence of remunerative prices, natural calamities, declined yield and high consumption expenses, the crop loans became unproductive and the farmers defaulted the debt servicing and burdened them with debt accumulation on account of high penal interest. So, the farmer manages his/her own debt through multiple borrowings and cross borrowings which have adverse consequences on farm indebtedness.

In Idukki, the price of agricultural products is going down and the input costs are rising up. It forces the farmers to depend more on borrowing loan for agricultural activities and the main causes of farmer indebtedness were non-accessibility to the formal credit sources, higher input costs, climatic changes, frequent fluctuations in prices, increasing gap between cost of production and price, exploitation by the dealers, higher borrowing cost, hike in family budget, inability to meet the members requirements, irregularity in income, lack of support from the government, pressure from banks and labor shortage.

1.2 Statement of the problem

Kerala, 'God's own country', was not famous for scarcity, but it has become one of the Indian states where it witnessed steady increase of farmer suicides due to debt and crop loss. So, the rural farmers' household financial obligation administration is a vital issue in Kerala, especially in Idukki district. The present study deals with the magnitude of debt, sources of borrowings, and the debt management strategies practiced by the households seriously in order to ensure a bright future for the economically poor farmers in Idukki district.

1.3 Significance of the study

The extensive review of the literature reveals that there have been no serious studies carried out in Kerala, particularly in Idukki covering the aspect of- magnitude of debt, sources of borrowings, and the debt management strategies practiced by the households. Many farmer suicide cases have also been reported from Kerala especially, Idukki district. The successful debt reducing strategies help in the understanding and the monitoring of farm indebtedness. The present study 'Management of farm Indebtedness in Idukki District' is aimed to solve the burning issues of the distressed farmers and assumes enormous significance as it seeks to fill the existing research gap too.

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1.4 Objectives of the study

- To study the quantum of household borrowings of farmers in Idukki district from different sources.
- To find out the debt management strategies practiced by the rural farmer households in Idukki district.

1.5 Scope of the study

The present study makes an attempt to examine the quantum of borrowings of farmers from different sources as well as the debt management strategies practiced by the rural farmers' households in Idukki district.

1.6 Research Methodology

1.6.1 Source of Data

The present study uses both primary and secondary data. The primary data required for the study were collected from the farmer households in Rajakkad and Santhanpara grama panchayaths in Idukki district. The secondary data was obtained from published and unpublished records, books journals, magazines and websites.

1.6.2 Population of the Study

Farmer households in Idukki district.

1.6.3 Research Design

The study used a survey-based research design.

1.6.4 Period of the Study

The survey took two months, from 2025 February to March.

1.6.5 Sampling

Convenient sampling method is used for the collection of data from 13 wards of Rajakkad grama panchayath and 13 wards of Santhanpara gramapanchayath.

1.6.6 Sample Size and Data Collection

Sample size is restricted to 100 households, 50 each from Rajakad and Santhanpara gramapanchayat. Data required for the study were collected through survey and questionnaire.

1.6.7 Tools Used for Data Analysis

With the use of tables, charts, percentages, diagrams, chi-square test and descriptive statistics, the

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obtained data were categorised and properly presented.

1.7 Limitation of the study

- The study was restricted to Rajakad and Santhanpara Panchayath of Idukki district only.
- The study was based on samples. So, all limitations applicable to sample study will also be applicable to present study.
- As the study covers rural farmer households in Idukki district, the applicability of the results to other areas of the districts is doubted.
- The responses are biased too as the farmer households not properly maintaining records and provide information from their memory.

2. ANALYSIS AND INTERPRETATION

The collected data were analysed in this chapter with different descriptive and inferential statistics to make it more substantive and enlightening.

Table 2.1 Community Profile of the Respondents

Caste	Number of Respondents	Percentage
Forward	54	54.0
Scheduled Caste	6	6.0
Scheduled Tribe	7	7.0
Other Backward Classes	29	29.0
Other Eligible Classes	4	4.0
Total	100	100.0

Source: Primary Data

Table 2.1 reveals the community profile of the rural farmers and the proportion of the Dalit's in the sample is less than one-fifth of the total sample size.

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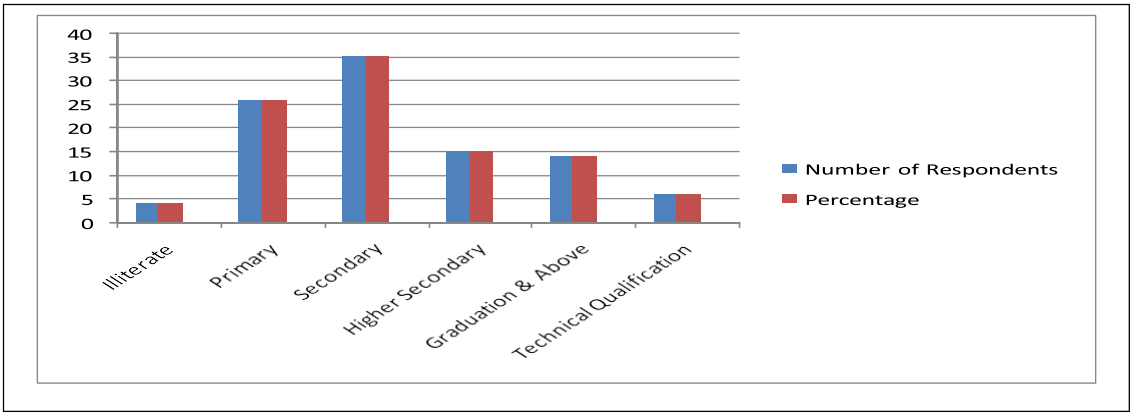
Figure 2.1 Educational Status of the Respondents in the Sample



Source: Primary Data

Figure 2.1 describes the highest educational qualification of the rural farmers and reveals that 70 percent are having at least secondary education.

Table 2.2 Descriptive Statistics of Some Economic Indicators of the Samples

Item	Mean	N	S D	Median	Skewness	Kurtosis
Monthly Household Income (Rs.)	18376.3	100	14692.9	15000	3.3	19.6
Monthly Household Expenditure (Rs.)	24411.3	100	18713.8	20000	3.5	22.4
Total Household Debt (Rs.)	478257.5	100	404249.7	385000	2.9	11.9
Per Capita Income (Rs.)	4521.0	100	3660.1	3750	3.3	18.2
Per Capita Expenditure (Rs.)	5975.3	100	4522.5	5000	3.1	15.0
Per Capita Debt (Rs.)	119774.5	100	118183.1	90000	4.7	33.5
Land Ownership (in Cents)	85.1	100	112.5	42.5	2.9	13.6

Source: Primary Data

Table 2.2 describes some economic indicators of the sample farmers, which plays a crucial role in their indebtedness. It depicts that the household income (18376) is only three-fourth of the household expenditure (24411) and the average per capita income (4521) which also is just 75 percent of the

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average per capita household expenditure (5975). It is striking to note that the average annual per capita income of the households is just 38 percent of the average outstanding per capita debt of the households.

Table 2.3 Source-wise Distribution of the Borrowings of the Rural farmers

Sl. No.	Sources of Borrowings	% of Total Debt	Chi-square Test Results
1	Banks	67.38	$\chi^2 = 142.93$ df = 4 $p < .001$
2	SHG/JLG/ ESAF etc.	13.33	
3	Friends/ Relatives	9.76	
4	NBFC	4.87	
5	Indigenous Money Lenders	4.66	
	Total Household Debt	100.00	

Source: Primary Data

Table 2.3 shows the magnitude of borrowings of the farmer households from different sources. The average amount of farmers' borrowing from banks were very much higher than the other sources (67.38 percent), it was distantly followed by SHG (only 20 percent of the average amount of borrowings from banks) and friends & relatives (only around 14 percent of the average amount of borrowings from banks). The average amount of outstanding debt from the unorganised source (i.e., money lenders) was just 7 percent of the average amount of borrowings from the most important formal source (i.e., commercial banks).

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Figure 2.2 Magnitude of Farmers' Borrowing from Different Sources

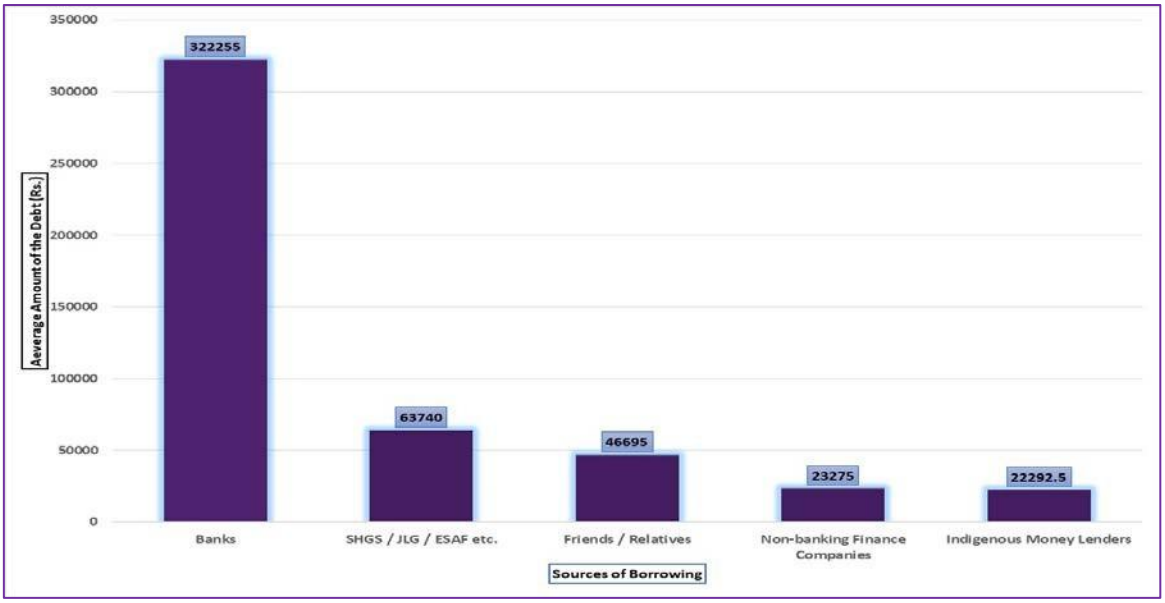

Table 2.4 Amount-wise Distribution of the Outstanding Debt of the Farmers

Debt Class (Rs.)	Number of Farming Households	Percentage	Cumulative Percentage	Chi-Square Test Results
Below 1,00,000	5	5.0	5.0	
1,00,001 - 2,00,000	17	17.0	22.0	
2,00,001 - 3,00,000	15	15.0	37.0	
3,00,001 - 4,00,000	21	21.0	58.0	$\chi^2 = 69.32$
4,00,001 - 5,00,000	11	11.0	69.0	df = 7
5,00,001 - 75,00,00	16	16.0	85.0	$p < .001$
75,00,01 - 10,00,000	7	7.0	92.0	
Above 10,00,000	8	8.0	100.0	

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Total	100	100		

Source: Primary Survey Data

The chi-square test of goodness-of-fit tests results indicated that the proportion of farmers distributed into the eight group of debt amount listed in Table 2.4 were not equal, $\chi 2\ (7) = 69.32$, $p < .001$. The quantum wise distribution of the outstanding debt of farmers in the sample presented in the table reveals that amount of debt of more than two-thirds (69 percent) of the total farmers in the sample were between one lakh rupees to five lakh rupees. The percentage of farmers having debt amount below one lakh rupees and above 10 lakh rupees was negligible in the sample.

Table 2.5 Descriptive statistics for the Six Debt Management Strategies

Sl. No.	Debt Management Strategies	Mean	N	SD	Skewness	Kurtosis
1	Debt Service Planning	2.78	100	0.85	-0.53	0.11
2	Asset Management	1.56	100	0.69	0.44	0.23
3	Interest Rate Monitoring	2.60	100	0.84	-0.53	0.24
4	Careful Avoidance of Late Payment Consequences	3.18	100	0.72	-1.58	3.97
5	Debt Prioritization	3.55	100	0.55	-1.81	4.93
6	Acquisition of Financial Literacy	0.68	100	0.65	0.95	0.37

Source: Primary Data

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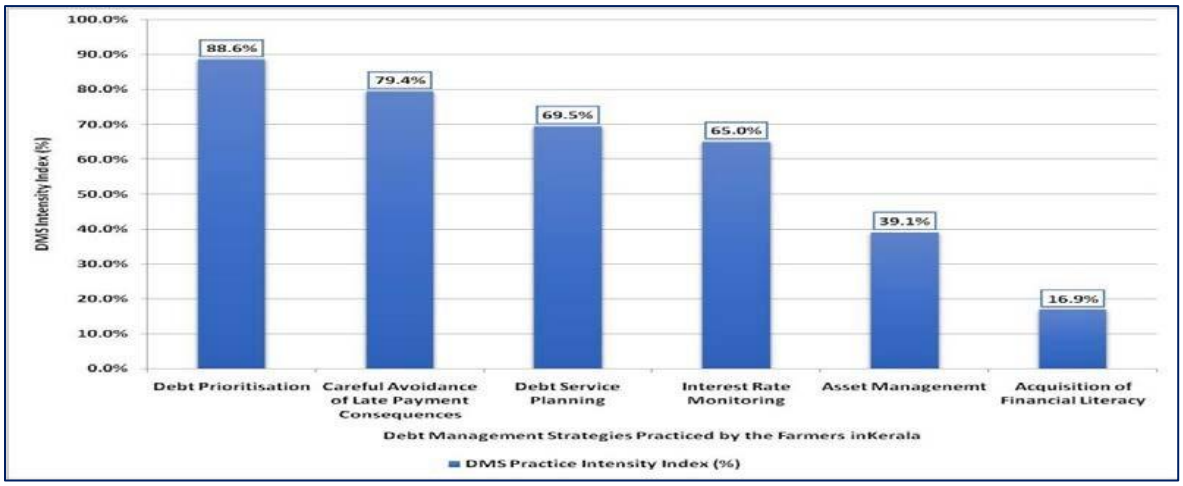
Figure 2.3 Debt Management Strategies practiced by farmers



Source: Primary Data

Figure 2.3 describes the Six Debt Management Strategies Practiced by the Farmers in Idukki district and four strategies are found to be effective in the debt management of farmers with importance on the basis of intensity index are Debt Prioritization (88.6%) followed by Careful Avoidance of Late Payment Consequences (79.4%), Debt Service Planning (69.5%) and Interest Rate Monitoring (65%). The other two strategies viz., Asset Management (39.1%) and Acquisition of Financial Literacy (16.9%) are found to be ineffective and less commonly practiced.

Table 2.6 One-sample t- test results for testing the perception of the farmers towards the debt management strategies

Debt Management Strategies	Test Value = 2					
	t	d f	p-value (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Debt Service Planning	18.3	99	.<001	0.78	0.70	0.87
Asset Management	-12.8	99	.<001	-0.44	-0.50	-0.37
Interest Rate Monitoring	14.3	99	.<001	0.60	0.52	0.68
Careful Avoidance of Late Payment Consequences	32.5	99	.<001	1.18	1.11	1.25
Debt Prioritization	56.3	99	.<001	1.55	1.49	1.60

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Acquisition of Financial Literacy	-40.7	99	.<001	-1.33	-1.39	-1.26

Source: Primary Data

One-sample t test was conducted to evaluate whether the mean of the score of the various items of debt management strategies practiced by the farmers in Idukki was significantly different from 2, which is the mean value for the middle position. The test results indicated that the population mean was significantly higher than 2 for four of the six debt management strategies adopted viz., debt service planning, interest rate monitoring, careful avoidance of late payment consequences, and debt prioritisation; whereas, the mean value for the other two debt management strategies (Asset Management and Acquisition of Financial Literacy) were significantly less than 2. The test results suggest that four debt management strategies adopted by the farmers: debt service planning, interest rate monitoring, careful avoidance of late payment consequences, and debt prioritisation were relatively effective whereas, two strategies viz. 'asset management' and 'acquisition of financial literacy' were not relatively effective in the management of farmers' debt in Idukki.

3. FINDINGS OF THE STUDY

The major findings derived from the study are concise below.

- The demographic profile of the sample units revealed that more than half of the households belonged to forward communities.
- The proportion of the Dalit households in the sample was less than one-fifth of the total sample size.
- More than two-thirds of households (70%) were having at least secondary education.
- Four-fifth of the farmers in the sample belonged to less than 50-year age group.
- Though majority of them have white card, shows an APL economic status and asset holdings.
- The household income is only three-fourth of the household expenditure and the average per capita income which also is just 75 percent of the average per capita household expenditure.
- It is striking to note that the average annual per capita income of the households is just 38 percent of the average outstanding per capita debt of the households.
- The farmer households had borrowed more than two-third of their total debt from the commercial banks, distantly followed by micro-finance institutions and friends & relatives.
- We could also observe that more than four-fifth of the debts to the farmers have gone from the institutional sources; and the contribution of the NBFCs and money lenders in this regard was negligible.
- The average amount of the household borrowing of the farmers from banks were very much higher than that from the other sources, and it was distantly followed by SHGS and friends & relatives.

- The average amount of outstanding debt from the unorganised source was just 7 percent of the average amount of borrowings from the most important formal source.
- The quantum wise distribution of the outstanding debt of farmers in the sample reveals that amount of debt of more than two-thirds of the total farmers in the sample were between one lakh rupees to five lakh rupees.
- The percentage of farmers having debt amount below one lakh rupees and above 10 lakh rupees was negligible in the sample.
- Six Debt Management Strategies Practiced by the Farmers in Idukki district and four strategies are found to be effective in the debt management of farmers.
- The other two strategies (Asset Management and Acquisition of Financial Literacy) are found to be ineffective and less commonly practiced.

4. CONCLUSION

Farming in general has become an unattractive occupation for the young generation in Idukki district because of the escalation of the cost of cultivation and decrease in the revenue from farming directing to huge loss. Large number of the agrarian households in Idukki is caught up in a debt trap. The magnitude of indebtedness is large in comparison with their income. However, it is reassuring that very large proportion of the farmers in Iduki borrow loan from institutional sources. The farmers in Idukki do not put much effort to attain financial literacy and apply scientific debt management strategies like proper asset management, debt service planning, and interest monitoring to lighten their debt burden.

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