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CONSEQUENCES OF INDEBTEDNESS OF FARMERS

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ABSTRACT
The present study investigates the economic, social, nutritional and psychological consequences of indebtedness among 480 farmers in Krishna district of Andhra Pradesh. Using a multi-stage sampling technique and a pre-tested structured interview schedule, data were collected on the severity and frequency of 16 key consequences of debt. Analysis of the responses revealed that indebtedness primarily compels farmers to sell produce at lower prices, take additional loans and struggle with debt repayment, while also affecting household nutrition, social status and economic opportunities. Garrett Ranking Analysis identified inadequate nutrition, difficulty in redeeming old debts and limited economic mobility as the most severe consequences. The study highlights both immediate and long-term impacts of indebtedness and suggests measures such as access to institutional credit, financial literacy, agricultural marketing support, debt restructuring and skill development to alleviate the burden of debt and improve the livelihood and well-being of farming households.
KEYWORDS: *Indebtedness, Farmers, Economic Impact, Social Consequence*

Agriculture is the backbone of the Indian economy, providing employment to nearly 50 per cent of the population and contributing around 18 per cent to the country's Gross Domestic Product (GDP). It plays a critical role in ensuring food security, generating raw materials for industries and sustaining rural livelihoods. Despite its importance, the agricultural sector in India faces several structural and operational challenges, including small and fragmented landholdings, low productivity, dependence on monsoon rainfall, inadequate infrastructure and fluctuating market prices for crops. These challenges have made a large proportion of Indian farmers heavily dependent on agriculture as their primary source of income, leaving them vulnerable to economic shocks.

Farmers in India rely on multiple sources of credit to finance crop production, purchase inputs and meet household needs. These sources include institutional channels such as banks, cooperative societies and government schemes, as well as non-institutional channels like moneylenders, traders and informal lenders. While institutional credit provides formal support at lower interest rates, it is often inaccessible to marginal and small farmers due to procedural complexities, lack of collateral andinadequate awareness. Consequently, a majority of farmers, especially those from lower socio-economic groups, continue to depend on informal sources of credit at high-interest rates.

The financial vulnerability of farmers is further compounded by persistent poverty, low agricultural incomes and rising costs of inputs. Government welfare schemes, such as subsidized loans, crop insurance and debt waiver programs, aim to alleviate some of these challenges. However, despite these interventions, indebtedness remains widespread due to systemic issues such as crop failure, low market prices, high household expenditures and inadequate access to institutional credit.Indebtedness among farmers has numerous causes, including high cost of cultivation, inadequate savings, natural disasters, medical emergencies and social obligations. The consequences are equally severe, affecting not only the economic stability of households but also their social, nutritional and psychological well-being. Farmers are often forced to sell produce at low prices, take repeated loans, sell assets like land and gold and engage in low-wage labor. These challenges lead to declining living standards, malnutrition, health issues and in some cases, migration.

Given the widespread and multidimensional impact of indebtedness, studying its consequences is crucial for designing targeted interventions to improve the livelihood and resilience of farmers. Understanding which consequences are most severe helps policymakers, financial institutions and welfare agencies prioritize actions to reduce debt dependence and support sustainable agricultural practices.

REVIEW OF LITERATURE

Majumdar (2013) investigated credit availability in Hooghly district, West Bengal and found that institutional credit penetration was minimal, with moneylenders playing a significant role, especially for lower-income and underprivileged households. While public sector banks and agricultural cooperatives contributed to financial inclusion, non-institutional sources remained predominant among minorities, lower castes and poorer households, emphasizing the urgent need to expand institutional credit.

Singh, Bhogal and Singh (2014) examined farmer indebtedness in Punjab, reporting that 88 per cent of farmers were indebted, with marginal farmers bearing a debt burden six times higher per hectare than large farmers. About 57 per cent of debt was used for productive purposes, while 43 per cent was spent on consumption and social obligations. Non-institutional lenders, particularly arhtiyas, remained significant due to their accessibility, with low farm produce prices, high input costs and healthcare expenditures identified as key drivers of indebtedness.

Pandey (2016) studied rural Bihar and found that 50 per cent of households were indebted, with smaller farms facing higher debt per acre despite larger farms borrowing more per household. Larger farmers primarily accessed institutional credit, whereas smallholders relied more on non-institutional sources. Determinants of indebtedness included landholding size, education levels of household heads and ownership of farm equipment, with loan source and purpose significantly influencing debt levels.

Rani et al. (2017) highlighted coping strategies among farmers, showing that both small and marginal farmers and larger farmers relied on multiple non-institutional sources. Outstanding debt burdens were high (₹3,56,400 for small and marginal farmers and ₹8,17,600 for large and marginal farmers) and the Debt Waiver Scheme provided only partial relief. Farmers also diversified into plantation crops and livestock to manage indebtedness.

Ramprasad (2018) presented an integrated vulnerability framework, revealing that different types of credit create diverse obligations that shape farmers' debt and have varied socio-ecological impacts. Indebtedness was identified as a fundamental root cause of vulnerability, beyond immediate factors such as credit policy or environmental conditions.

Aditya et al. (2019) analyzed determinants of institutional credit access in eastern India, finding that 52 per cent of households lacked access to any loan, with smaller landholdings, lower education and disadvantaged social status reducing both access and loan amounts. Proximity to a bank branch significantly improved credit access.

Triveni (2020) examined indebtedness across farm sizes, identifying key determinants of borrowing and repayment, including age, gender, education, caste, household size, assets, employment and banking access. Younger household heads were more indebted and wealthier households showed higher borrowing capacity, both for productive and consumption purposes.

Pandey and Jaiswal (2024) investigated tenancy and indebtedness, revealing that over 88 per cent of farmers were in debt, with tenant farmers facing slightly higher levels. Non-institutional lenders provided over 50 per cent of credit, often at usurious rates, while debt levels were influenced by loan use, interest rates, natural disasters and crop insurance.

Singh (2025) focused on Punjab, highlighting the severe indebtedness among farmers, particularly in the southwestern cotton-producing zone. Outstanding loans totaled Rs 1,04,064 crore, with marginal and small farmers facing acute debt pressures leading to crop failure, livelihood loss and distress. Key determinants included high loan burdens, crop failures and lack of financial stability, underscoring the need for targeted government interventions.

Collectively, these studies demonstrate that farmer indebtedness in India is widespread and multifaceted, shaped by farm size, income, access to institutional credit and socio-economic factors.

OBJECTIVES OF THE STUDY

The study aims to examine the multifaceted impacts of indebtedness on households, including financial strain from additional loans, forced sale of produce, assets and land, as well as its effects on economic opportunities, dependence on moneylenders and migration. It also investigates the social, psychological and health consequences of indebtedness, such as malnutrition, deteriorating social status, family disputes, insecurity and engagement in low-wage or exploitative labour.

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METHODOLOGY

The present study is based on primary data collected through a pre-tested interview schedule designed to capture detailed information on the causes and consequences of indebtedness among farmers. The structured schedule enabled the collection of reliable and consistent responses regarding economic, institutional, production-related and social factors contributing to debt accumulation. A multi-stage sampling technique was adopted to select the sample respondents. In the first stage, Krishna district was purposively selected due to its prominence in paddy cultivation. In the second stage, four Mandals with the highest area under paddy cultivation—Bantumilli, Mudinepalle, Kankipadu andTiruvuru—were chosen. In the third stage, four villages were randomly selected from each Mandal and in the final stage, 30 farmers were selected from each village, restricting the sample to households that had been indebted for at least four consecutive years. Thus, the total sample size comprised 480 farmers (4 Mandals × 4 villages × 30 farmers).After data collection, the responses were coded and entered into SPSS software for statistical analysis. Descriptive statistics were first used to examine the distribution of responses across the 16 identified consequences of indebtedness. To determine the relative severity of each consequence, Garrett Ranking Analysis was employed.

RESULTS AND DISCUSSION

The analysis of the responses shows that indebtedness has a profound impact on farmers' economic, social and nutritional well-being. A large majority of respondents reported that debt forces them to sell agricultural produce at lower prices immediately after harvest (70.4 per cent) and requires taking additional loans (80.4 per cent), highlighting the cyclical nature of debt and the immediate financial pressures faced by households. Indebtedness also makes it difficult to redeem old debts (69.0 per cent "Always") and often compels families to sell personal assets such as gold (14.6 per cent "Often" and 78.8 per cent "Sometimes") or parts of their agricultural land (23.5 per cent "Sometimes" and 69.8 per cent "Rarely"), indicating the long-term economic consequences of persistent indebtedness (Table – 1).

Beyond financial strain, indebtedness significantly affects social and nutritional aspects. Many respondents indicated that debt limits opportunities to improve economic standing (75.2 per cent "Always"), deteriorates social status (50.4 per cent "Always") and leads to inadequate nutrition or malnutrition in the family (79.2 per cent "Always"), showing that the burden of debt extends beyond finances to health and social well-being. However, some consequences, such as migration (74.2 per cent "Never"), family disputes (68.3 per cent "Never"), performing social responsibilities (39.4 per cent "Never"), or engagement in low-wage or exploitative labor (70.6 per cent "Never"), were reported less frequently, suggesting that these effects, while present, are experienced by fewer households.

The responses demonstrate that the most pervasive consequences of indebtedness are economic pressures, repeated borrowing, difficulty in debt repayment and nutritional deficiencies, affecting over 70 per cent of respondents in each case, while social and labor-related effects occur less universally. The distribution of responses clearly underscores that indebtedness has both immediate and long-term ramifications on the livelihood, health and social standing of farming households.

Table – 1
CONSEQUENCES OF INDEBTEDNESS OF SAMPLE FARMERS

Consequences of indebtedness	Opinion of the respondents					Total
	Never	Rarely	Sometimes	Often	Always	
Selling produce at lower rates immediately after harvest instead of waiting for price hikes	28 (5.80)	35 (7.30)	-	79 (16.50)	338 (70.40)	480 (100.00)
Taking more loans	36 (7.50)	30 (6.20)	24 (5.00)	4 (0.80)	386 (80.40)	480 (100.00)
Difficult to redeem old debts	-	-	2 (0.40)	147 (30.60)	331 (69.00)	480 (100.00)
Forced the sale of gold	12 (2.50)	18 (3.80)	378 (78.80)	70 (14.60)	2 (0.40)	480 (100.00)
Sale of part of agricultural land	12 (2.50)	335 (69.80)	113 (23.50)	16 (3.40)	4 (0.80)	480 (100.00)

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Consequences of indebtedness	Opinion of the respondents					Total
	Never	Rarely	Sometimes	Often	Always	
Limited opportunities to raise my economic standing	-	-	51 (10.60)	68 (14.20)	361 (75.20)	480 (100.00)
Increased poverty and caused a declining standard of life	-	57 (11.90)	67 (14.00)	131 (27.30)	225 (46.90)	480 (100.00)
Migration	356 (74.20)	75 (15.60)	49 (10.20)	-	-	480 (100.00)
Inadequate nutrition or malnutrition in the family	-	-	34 (7.10)	66 (13.80)	380 (79.20)	480 (100.00)
Deteriorated social status	-	-	8 (1.70)	230 (48.00)	242 (50.40)	480 (100.00)
Performing social responsibilities or ceremonies	189 (39.40)	221 (46.00)	45 (9.40)	25 (5.20)	-	480 (100.00)
Family disputes	328 (68.30)	150 (31.20)	2 (0.40)	-	-	480 (100.00)
Health and psychological effects	-	45 (9.40)	295 (61.50)	140 (29.20)	-	480 (100.00)
Feeling of insecurity	157 (32.70)	311 (64.80)	12 (2.50)	-	-	480 (100.00)
Increased dependence on moneylenders or informal credit	-	-	31 (6.50)	143 (29.80)	306 (63.80)	480 (100.00)
Forced family members into low-wage or exploitative labour	339 (70.60)	115 (24.00)	26 (5.40)	-	-	480 (100.00)

Source: Computed from the Primary Data.

Ranking of Consequences of Indebtedness

The Garrett Ranking Analysis of the 16 consequences of indebtedness among farmers reveals the relative severity and impact of each consequence on their economic, social and psychological well-being (Table – 2). The analysis shows that "Inadequate nutrition or malnutrition in the family" emerged as the most severe consequence, with the highest Garrett score of 97.19, indicating that indebtedness strongly affects the nutritional security of households. Similarly, "Difficulty in redeeming old debts" and "Limited opportunities to raise economic standing" scored very high (93.75 and 83.44, respectively), highlighting the persistent financial strain and reduced upward mobility caused by indebtedness.

Financial consequences such as "Dependence on moneylenders or informal credit" and "Forced sale of produce at lower prices" were also ranked high, reflecting the immediate economic pressures faced by indebted farmers. Social and psychological impacts, including "Deterioration of social status" and "Health and psychological effects", received moderate to high ranks, illustrating that debt affects not only economic well-being but also the social standing and mental health of households.

On the other hand, consequences such as "Migration", "Family disputes" and "Engagement in low-wage or exploitative labor" were ranked lower, indicating that while these issues occur, they are less frequently experienced or perceived as less severe by the majority of respondents. The Z-values and P-values further confirm the statistical significance of these rankings, with higher Z-values corresponding to more critical consequences.

The analysis demonstrates that indebtedness primarily affects household nutrition, debt repayment capacity and economic opportunities, while social and labor-related consequences, though present, are relatively less severe. The weighted and ranked analysis provides a clear prioritization of the challenges faced by indebted farmers, which can inform targeted interventions to alleviate the most pressing issues.

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Table – 2
RANKING OF CONSEQUENCES OF INDEBTEDNESS OF FARMERS

Sl. No	Consequence	WA	Rank	Garrett Score (T)	Z-value	P-value (%)
1	Inadequate nutrition / malnutrition	4.72	1	97.19	1.16	12.3
2	Difficult to redeem old debts	4.69	2	93.75	0.94	17.3
3	Required taking more loans	4.40	3	90.31	0.75	22.7
4	Deteriorated social status	4.49	4	86.88	0.53	29.8
5	Limited economic opportunities	4.65	5	83.44	0.33	37.0
6	Forced selling produce at lower rates	4.38	6	80.00	0.13	48.0
7	Increased dependence on moneylenders or informal credit	4.57	7	76.56	-0.07	52.8
8	Increased poverty / declining standard of life	4.09	8	73.13	-0.29	61.4
9	Health and psychological effects	3.20	9	69.69	-0.49	69.2
10	Forced the sale of gold	3.07	10	66.25	-0.70	75.8
11	Sale of part of agricultural land	2.30	11	62.81	-0.90	81.4
12	Feeling of insecurity	1.70	12	59.38	-1.13	87.0
13	Performing social responsibilities or ceremonies	1.80	13	55.94	-1.31	90.5
14	Family disputes	1.32	14	52.50	-1.53	93.7
15	Migration	1.36	15	49.06	-1.74	95.9
16	Low-wage or exploitative labour	1.35	16	45.63	-1.93	97.3

Source: Computed from the Primary Data.

CONCLUSION

The study examined the multifaceted consequences of indebtedness, selected through a multi-stage sampling technique. Primary data were collected using a pre-tested structured interview schedule to capture information on financial, social, nutritional and psychological impacts of debt. Analysis of responses showed that indebtedness forces farmers to sell produce at lower prices (70.4 per cent), requires taking additional loans (80.4 per cent) and makes it difficult to redeem old debts (69 per cent), highlighting the cyclical and persistent nature of financial strain. Indebtedness also compels households to sell assets such as gold and agricultural land, limits opportunities for economic improvement, deteriorates social status and leads to malnutrition or inadequate nutrition in families (79.2 per cent). While migration, family disputes and engagement in low-wage labor were less frequently reported, they still represent significant social and labor-related consequences. Garrett Ranking Analysis confirmed that nutritional insecurity, difficulty in debt repayment and limited economic opportunities are the most severe impacts of indebtedness.

The study concludes that indebtedness among farmers is not merely a financial burden but a complex issue affecting multiple dimensions of their lives. The most critical consequences are economic pressures, repeated borrowing, difficulty in debt repayment and nutritional deficiencies, which undermine both immediate livelihood and long-term economic security. Social and psychological effects, including deterioration of social status and health-related stress, further exacerbate the vulnerability of indebted households. Although less prevalent, migration, family disputes and engagement in low-wage or exploitative labor reflect the broader socio-economic ripple effects of indebtedness. Overall, the findings suggest that indebtedness has far-reaching implications, threatening the sustainability of farming households both economically and socially.

To mitigate the adverse effects of indebtedness among farmers, it is recommended to improve access to low-interest institutional credit to reduce dependence on informal moneylenders, alongside financial literacy programs that educate farmers on debt management and budgeting. Strengthening agricultural marketing through cooperatives, storage facilities and price stabilization schemes can help prevent distress sales of produce, while government or community-based nutrition and social welfare programs can alleviate health and social consequences. Further, policy measures for debt restructuring or moratoriums, combined with skill development and alternative livelihood opportunities, can enhance household economic resilience and ensure long-term sustainability.

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