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Agrarian crisis: Landholding recedes by 1/3rd, loans swell for farm households, finds NABARD survey

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On one hand, the monthly household income of farmers is increasing, but on the other hand, their expenses and debt burdens are also on the rise. With the increased income, farming families are shifting towards non-food expenditures, and most concerning is that the acreage of land available for farming is also shrinking.

This information has emerged from the latest survey by the National Bank for Agriculture and Rural Development (NABARD), specifically the All India Rural Financial Inclusion Survey (NAFIS) 2021-22.

This is NABARD's second survey conducted since 2016-17.

The survey provides primary survey-based data related to various economic and financial indicators for 100,000 rural families in the post-COVID-19 period.

According to the survey, the average landholding for farming among farmers in the country decreased from 1.08 hectares in 2016-17 to just 0.74 hectares in 2021-22, marking a reduction of about one-third (31 per cent).

Silver lining or is it?

There is also some encouraging news for farmers in the latest survey. The average monthly household income of farmers increased from Rs 8,059 in 2016-17 to Rs 12,698 in 2021-22, reflecting a 57.6 per cent rise.

Although the 9.5 per cent compound annual growth rate (CAGR) in rural income is positive, there has also been a noted increase in average monthly expenditures.

The survey indicated that rural families, which spent an average of Rs 6,646 per month in 2016-17, now spend Rs 11,262, representing a 69.4 per cent increase in monthly expenses since 2016-17. This essentially means that while people are earning more, they are also spending more.

Non-food expenses rise

The share of food expenditure in total spending has decreased from 51 per cent to 47 per cent, indicating that rural families are increasingly focusing on non-food expenses. This raises questions about spending trends and food security.

In addition to the income and expenditure dynamics, the debt burden on farming families is also increasing. The survey shows that the number of families taking loans in rural areas has risen from 47.4 per cent to 52 per cent, signaling financial pressure.

This means that while in 2016-17, about 47 out of every 100 households had some form of debt, this number increased to 52 out of 100 by 2021-22.

The survey revealed that the percentage of families with outstanding debts has increased over these five years, indicating that more families are relying on loans to meet their expenses or fulfill their needs. This increase suggests heightened financial pressure and a greater need for borrowed money.

However, the survey also indicates a positive development, as institutional lending among rural families has risen from 60.5 per cent to 75.5 per cent, showing that farmers are gaining access to formal financial channels.

Access to government schemes

The coverage of the Kisan Credit Card (KCC) scheme has expanded significantly, increasing from 10.5 per cent to 44.1 per cent. This highlights efforts to improve financial inclusion among farmers.

There has also been improvement in access to pensions for farming families. According to the survey, 23.5 per cent of families have at least one member receiving a pension, up from 18.9 per cent. Additionally, there has been an increase in insurance coverage, with 80.3 per cent of families now having at least one insured member, compared to just 25.5 per cent in 2016-17.

Financial literacy and behaviors have also improved. 51.3 per cent of families reported better financial information, up from 33.9 per cent. Furthermore, 72.8 per cent of families managed their money better and paid bills on time, compared to 56.4 per cent previously.

This increase indicates that some families are adapting better to economic pressures. However, it is difficult to ascertain whether this behavior is aimed at improving their economic situation or if they are continuously facing adverse conditions and managing them through their financial behaviors.

On a positive note, the survey reports an increase in financial savings among rural families, which rose from Rs 9,104 to Rs 13,209. The survey states that around 66 per cent of rural families saved in 2021-22, compared to 50.6 per cent in 2016-17.