Farmers' Suicide: Missing Issues

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G PARTHASARATHY and Shameem's study E*PW,* March 26), 'Suicides of 'Cotton Fanners in Andhra Pradesh; An Exploratory Study', is indeed an exploratory study which focused on several interrelated causes for suicide deaths like adverse rainfall, inconsistent prices, rise i n cost of cotton cultivation, had position of co-operative credit agencies and commericial banks.growing powerof the moneylender, trader, landlord combine and growth of lease holding in cotton cultivation (p 721) However, there arc some missing issues in the analysis. The first is the non-inclusion of irrigation as a major factor lor the tragedy in the district. On the surface of the problem it may not appear as an explicit cause but it is one of the implicit causes for the soaring debts of the fanners. Ft is very much evident that in the process of creating private sources of irrigation most of the farmers have invested heavily on digging and deepening of wells. *A* study of 50 deceased farmers' in Warangal district shows that well is the largest source of irrigation for about three-fourths of the fanners. Only about one-third of the wells were dug under the subsidy schemes of the government. In the rest of the cases farmers them-selves have borne the expenses for digging of wells. Besides this the depletion or groundwater in the recent years has necessitated deepening of wells and laying of in-well bores, the investment for which averaged anywhere between Rs 50.000loRs- 1,00,000. Moreover, the periodical deepening of wells also required amounts in the range of Rs 10.000 to Rs I 5.000. In spite of these efforts only 25 percent of the wells could yield sufficient water. All this is to substantiate the increasing expenditure incurred by the farmers- towards creation of private irrigation, The same paper also probed into the purpose of burrowing by the farmers which clearly showed thai it is mostly for creation of agricultural infrastructure like sinking and deepening of wells, laying in-well bores. purchase of bullocks and other farm equipment. Fifty per cent of the cases have reported obtaining loans for improvement of wells and about 20 percent farmers incurred debts for digging wells in the last three to four years, These results could be extrapolated to the universe of deceased fanners, 104 up to March 31, I998 Table *5* (p 722) in the study shows that irrigated area under cotton in Warangal district was the highest in the mid-1980s (77.90) and was about 4,'..60 in 1994-95. Area under cation and percentage of area irrigated are not increasing commensurately. The notable point is that this irrigation is not public irrigation bin private irrigation. In the neat complete absence of public irrigation for lands under cotton cultivation, when private irrigation is the inevitable source, should this not he understood as one of the major sources for incurring debt, especially when almost all of the deceased farmers belong to the small and marginal farmer categories. Irrigation sources- in the district show that in the year 1994-95 dug: wel ls were the largest source of irrigation accounting for 64.37 per cent of gross area irrigated, tank irrigation was the second largest source with 31 per cent and canals and other sources accounted for a meagre percentage of only 4.59, Recent studies show that as the current expenditure on repairs of major tanks, desilting works, repair of bunds had been reduced, the area under tank irrigation also has shown substantial decrease. There is not much difference between gross area irrigated and net area irrigated where area irrigated more than once is only 38,110 hectares. Case studies- of deceased farmers gathered by various fact-finding committees too show that substantial borrowed amounts have invested in digging or widening of wells which accumulated into a debt burden. sudershan Reddy and Venkaleshwar Rao's study illustrates the reasons for suicide deaths as crop failure in the case of 12 farmers, crop failure and debt burden in the case of 21 farmers and crop failure, debt burden and others in the case of 17 farmers- This shows that crop failure is the root cause which again is a cumulative result of lack and failure of irrigation, near drought conditions, pest problem, monoculture, deterioraiing soil structure. Drought again is a result of low average rainfall and lack of irrigation facilities. Is it not neglect of a region for decades on the irrigation front which is one of the main causes for the farmers' deaths'.' Is it not partial distribution of resources generated within the region which is denied its due share a .sufficient reason for the farmers' deaths? Though 68.5 per cent and 79 per cent oft he catchment area of Krishna and Coda van livers is in Telangana region, the water allocation is not to the same extent. Besides this, cultivable land in both the Godavari and Krishna basins is higher in Telangana region, Going by any criteria (either catchment area criteria or cultivable area criteria) water allocation to Telangana and Andhra regions was to he in the ratio of 70 per cent and *30* per cent. Therefore, heavy investment on private irrigation sources due to neglect of the region, especially ou the irrigation front, is one pertinum reason for the accumulated debt burden of the fair resulting in their suicides. This is amply proved from the case studies: of the deceased larmers.

The second missing point is about the sources of credit in The district. The conclusion of 'theauthors that there is a structural change in the character of the moneylender from that of a professional moneylender to agriculturist moneylender (p 726) is not true in the context of agrarian conditions of Warangal district. The role of professional moneylenders is gone in the villages. Whatever surplus that an agriculturist (middle and big farmers) gets is now being invested either with the commission agents or with the finance companies in the district headquarters. On the other hand, the sources of credit available to the farmers besides the institutional ones are commission agents, dealers and sub-dealfcrs, of pesticides and private sources, In most of the eases, as studies reveal, it is either the commission agents (adtidar) or I he pesticide dealer network that finances the credit needs of the farmers. In all there are about 13,000 pesticide dealers in the district, most of whom are migrants and erstwhile cotton farmers. They have built up a network of sub-dealers at the level of mandal headquarters and finance the farmers' needs through them. These dealers start collecting their dues from the farmers from the second and third pickings of cotton. They generally charge a 15 per cent to 20 per cent higher price over the normal price. Such kind of tie-up with pesticide dealers who also supply seeds normally of low quality is tightening the noose around the farmers' necks. The commission agents, the second major source of credit to the farmers, also exploit them through the output linkage system. They receive a fixed amount of commission on the sales of farm produce and so in order to assure their business they start advancing amounts to the client farmers. The rate of interest charged is 24 per cent and when payments are deferred the commission rate exceeds the normal 2 per cent by another 3 per cent. This agency of finance has grown popular along with the increase in the cotton cultivation. The other major problem is tenancy. Since a third of the deceased farmers were tenants who are not qualified to receive any institutional credit, dependence on the above sources became inevitable. However, the peasam is not borrowing from the landowner and therefore the combination of the functions of landowner, moneylender and trader is not valid in this particular context.

The history of Telangana shows in numerable peasant movements - the anti-Nizam struggle or the Telangana Armed Struggle in the 1950s and the anti-feudal struggle under the leadership of naxalite parties in the 1970s. However, defeatist tendencies like that of the suicides by the farmers are quite anew phenomenon to the region. More than sociological reasons like alienation of individual from family and society, it is the politics and economics of neglect of a region for decades that is the cause of the suicide deaths, Apolitical dealing with the issue does not throw much light on the problem of suicides.

Notes

1 A Sudershan Reddy and B Venkateshwar Rao. 'Changing Agrarian Conditions and Emerging patterns of Informal Credit in Warangal District - A View from Farmers' Suicide heaths'. Paper presented at the seminar on 'Emerging Trends in financing the Rural Sector in India', held by K U Warangal.

2 *Hand Book Of Statistics - Warangal District, 1994-95.* Table 5,4, p 33.

THE TORONTO-DOMINION BANK

BOMBAY BRANCH

BALANCE SHEET AS AT MARCH 31, 1998

(Amounts in thousands of Indian Rupees)

	Note	1998	1997
CAPITAL AND LIABILITIES			
Capital	2	387,686	26,269
Reserves and surplus	3	12,389	-
Other liabilities and provisions	4	3,742	-
		403,817	26,269
ASSETS			
Cash and balances with Reserve Bank of India	5	185	-
Balances with banks and money at call and short notice	6	46,787	1,421
Investments	1(b) & 7	2,100	-
Advances	1(c) & 8	329,000	-
Fixed Assets	1(d) & 9	6,400	7,558
Other Assets	10	19,345	17,290
		403,817	26,269
Contingent Liabilities	11	91,000	-

The accompanying notes are an integral part of this statement.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1998

(Amounts in thousands of Indian Rupees)

	Note	1998	1997
INCOME			
Interest earned	12	21,936	-
Other income	13	39,032	-
		60,968	-
EXPENDITURE			
Interest expended	14	234	-
Operating expenses	15 & 17	32,208	-
Provisions and contingencies	16	16,137	-
		48,579	-
PROFIT			
Net profit for the year		12,389	-
APPROPRIATIONS			
Transfer to statutory reserve		4,203	-
Balance carried forward		8,186	-
		12,389	-

The accompanying notes are an integral part of this statement.

The Toronto-Dominion Bank
Bombay Branch

Sd/-
Ajai Bambawale
Deputy Country Head, India

Arthur Andersen & Associates
Chartered Accountants

Sd/-
Narayan K. Seshadri
Partner

Bombay
May 4, 1998

Sd/-
M. K. Gherda
Director, Finance & Operations

THE TORONTO-DOMINION BANK

BOMBAY BRANCH

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1998

(Amounts in thousands of Indian Rupees)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

The financial statements have been prepared under the historical cost convention, and conform to statutory provisions and practices prevailing within the banking industry in the country.

(b) Investments

Investments are valued in accordance with the circulars of the RBI.

(i) Investments in Government and other approved securities and bonds, intended to be held to maturity are valued at cost. In case the cost price is higher than the face value, such premium is amortised over the period to redemption. Where the cost price is less than the face value, such discount is ignored.

(ii) Current investments and Government securities, not intended to be held to maturity are valued at lower of cost or market value. Market value is determined on the basis of market quotations at year end, as specified by the RBI. Net depreciation, if any, is provided for; net appreciation, if any, is ignored.

(iii) Treasury bills and commercial paper are valued at carrying cost (i e, face value less unearned interest).

(c) Advances

Doubtful advances are identified by periodic appraisals of the portfolio by management and appropriate provisions are made based on the provisioning guidelines issued by the RBI. As at March 31, 1998, the Bank has no doubtful advances to report. The Bank has however, made a general provision of Rs·15 lakhs against total advances.

(d) Fixed assets and depreciation

(i) Fixed assets are stated at cost less accumulated depreciation. The Bank capitalises all costs relating to the acquisition and installation of fixed assets.

(ii) Depreciation has been provided on the written down value method at the rates specified by the Head Office, which are higher than the minimum rates prescribed under Schedule XIV to the Companies Act, 1956, except for computer equipment where depreciation has been provided at the rates specified in Schedule XIV to the Companies Act, 1956.

	1998	1997
2. CAPITAL		
Capital	387,686	26,269
Deposit with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	2,000	-
3. RESERVES AND SURPLUS		
Statutory reserve		
Opening balance	-	-
Additions during the year	4,203	-
Closing balance	4,203	-
Balance in profit and loss account	8,186	-
	12,389	-
4. OTHER LIABILITIES AND PROVISIONS		
Others (including provisions)	3,742	-
	3,742	-
5. CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Cash in hand	15	-
Balances with Reserve Bank of India		
In current accounts	170	-
	185	-

THE TORONTO-DOMINION BANK

BOMBAY BRANCH

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1998

(Amounts in thousands of Indian Rupees)

	1998	1997
6. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
In India		
Balances with banks		
In current accounts	1,787	1,421
In deposit accounts	45,000	–
	46,787	1,421
7. INVESTMENTS		
Investments in India in Government securities'		
Gross investments	2,153	–
Provision for depreciation	(53)	–
Net investments	2,100	–
8. ADVANCES		
(a) Term loans	329,000	–
	329,000	–
(b) Secured by tangible assets	179,000	–
Unsecured	150,000	–
	329,000	–
(c) Advances in India		
Others	329,000	–
	329,000	–
9. FIXED ASSETS		
Other fixed assets (including furniture and fixtures)		
At cost:		
Beginning of the year	8,195	–
Additions during the year	1,290	8,195
	9,485	8,195
Depreciation to date	(3,085)	(637)
Net book value	6,400	7,558

(Amounts in thousands of Indian Rupees)

	1998	1997
10. OTHER ASSETS		
Interest accrued	235	–
Deposits	14,618	5,797
Pre-operative expenses (refer Note 17)	–	8,627
Others	4,492	2,866
	19,345	17,290
11. CONTINGENT LIABILITIES		
Guarantees given on behalf of constituents:		
In India	91,000	–
	91,000	–
12. INTEREST EARNED		
Interest/discount on advances/ bills	19,123	–
Income on investments	62	–
Interest on balances with Reserve Bank of India and other inter-bank funds	2,740	–
Others	11	–
	21,936	–
13. OTHER INCOME		
Commission, exchange and brokerage	37,655	–
Net Profit on sale of investments	1,430	–
Loss on revaluation of investments	(53)	–
	39,032	–

THE TORONTO-DOMINION BANK

BOMBAY BRANCH

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1998

(Amounts in thousands of Indian Rupees)

	1998	1997
14. INTEREST EXPENDED		
Interest on Reserve Bank of India/ inter-bank borrowings	234	-
	234	-
15. OPERATING EXPENSES		
Payments to and provisions for employees	5,100	-
Rent, taxes and lighting	6,323	-
Printing and stationery	244	-
Advertisement and publicity	4	-
Depreciation	2,448	-
Auditors' fees and expenses	140	-
Law charges (legal and professional fees)	2,466	-
Postage, telegrams, telephones, etc	1,845	-
Repairs and maintenance	1,124	-
Insurance	91	-
Travel expenses	1,023	-
Hotel expenses	1,447	-
Other expenditure	1,326	-
Prior year expenses written off (refer note 17)	8,627	-
	32,208	-
16. PROVISIONS AND CONTINGENCIES		
General provision against advances	1,500	-
Provision for interest tax	387	-
Provision for income tax	14,250	-
	16,137	-

(Amounts in thousands of Indian Rupees)

17. PRIOR YEAR EXPENSES

Revenue expenses of Rs 8,627 pertaining to the prior year classified and carried forward as pre-operative expenses have been written off in the current year. The amount transferred to Statutory Reserves is before such write-off. Further, Business ratios have been computed after such write-off.

18. CAPITAL ADEQUACY RATIO

The capital adequacy ratio at March 31, 1998, as determined by the Bank on the basis of circulars issued by the Reserve Bank of India, is 86.61 per cent.

19. PERCENTAGE OF NET NON PERFORMING ASSETS TO NET ADVANCES

As at March 31, 1998, the Bank has no non performing advances.

20. BUSINESS RATIOS

	1998	1997
(a) Capital Adequacy Ratio – Tier I capital	86.28%	
(b) Capital Adequacy Ratio – Tier II capital	0.33%	
(c) Interest income as a percentage to working funds	5.43%	
(d) Non-interest Income as a percentage to working funds	9.67%	
(e) Operating profit as a percentage to working funds	7.06%	
(f) Return on assets	5.76%	
(g) Business (deposits plus advances) per employee	11,248	
(h) Profit per employee	1,377	

21. PRIOR YEAR COMPARATIVES

The prior year financial statements have been audited by a firm of chartered accountants other than Arthur Andersen & Associates. Prior year amounts have been reclassified wherever necessary to conform to the current year's presentation.

THE TORONTO-DOMINION BANK

BOMBAY BRANCH

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

We have examined the balance sheet ofThe Toronto-Dominion Bank -Bombay Branch ('the Bank') as at March 31, 199S and the related profit and loss account for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have also obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination and have found them to be satisfactory.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act, 1956. The financial statements are, therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949,

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Bank as at Match 31, 1998 and of its profit for the year then ended.

Furthermore, in our opinion,

(a) the transactions of the Bank which have come to our notice have been within its powers;

(b) the balance sheet and the profit and loss account are in agreement with the books of account, and give the information required by the Companies Act, 1956 in the manner so required for hanking companies; and

(c) the Bank has maintained proper hooks of account as required by taw insofar as appears from our examination of those books-

Arthur Andersen & Associates
Chartered Accountants

Sd/-
Narayan K, Seshadri
Partner

Bombay
May 4, 1998

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