Decision-Making Process of Farmers’ in Present Political Economy of Agrarian Crisis with a Study of Burdwan District of West Bengal, India

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ABSTRACT

The agricultural sector is less contributing sector than service and manufacturing sector in terms of share in the total GDP in India. For last two decades, farmers suicide in India has been. The question is how the individual farmers are taking such drastic decision. Decision-making process is the most complex function of any individuals. But the judgment is influenced by a number of factors like emotion, mania, framing bias etc. By combining behavioral and cognitive psychological theory with conventional economics and finance, Behavioral Economics seeks to provide explanation for peoples’ decision-making process such as economic decision. Recently, Burdwan District has become the news headlines for farmers’ suicide. In this study the authors have been applying Behavioral theories to the farmers’ decision-making process to find the influencing variable(s) and by factor analysis and Structural Equation Modelling. It is found that only Herding effect and Market information have strongly influenced the decision-making process of the farmers of the said district.

KEYWORDS

Agrarian Crisis, Behavioural Economics, Behavioural Factors, Decision-Making Process, Farmers’ Suicide, Herding Effect, Human Psychology, Indian Economy

INTRODUCTION

Farmer Suicide is a burning issue to present Indian scenario, particularly for last two decades. In West Bengal, Burdwan District has become the news headline due to farmers’ suicide as Farmers’ suicidal rate is sharply increasing there since 2011. Burdwan is called the granary of West Bengal, India. Not only river Damodar but many other rivulets with fertile soil enriches the district but also many industries including coal mines, integrated steel plants, education hub, lot of markets, cold storages with very good road and rail transport do also exist there. Population density is around 1200 per sq. KM. The district is an agrarian district and agricultural labourers and cultivators make 44.6 percent of the total population. Good buyers Markets with all modern facilities are available here. A question rose to every researcher that why the farmers of Burdwan District committed more suicides? What are the factors acting behind their drastic suicidal decision?

Human psychology is a wonder of our cosmic world. It changes with time, demography, culture, sex, money, perception and state of mind influenced by external factors etc. That psychology is expressed as behavioural factors of any individuals. Economic decision plays one of the most vital roles in our life and decision-making is the principal activity of any management. Any decisions
have an outcomes or consequences and however, in most situations the outcome of a decision cannot be predicted.

Behavioural Economics is a combination of Psychology, Sociology and economics. It is a study of effects of psychological (mass psychology), social, cognitive and emotional factors on the economic decisions of individuals and organizations and the outcomes at market costs, returns, and the resource allocation. Behavioural economics explores why sometimes people make irrational decisions and also, why and how their behaviour does not follow the predictions of economic models. Nobel laureates Herbert Simon (bounded rationality, 1978), Gary Becker (motives, consumer mistakes, 1992), George Akerlof (procrastination, 2001) & Daniel Kahneman (illusion of validity, anchoring bias, 2002) are studied in the field of behavioural economics and explain how the character of human psychology affects their decision-making processes.

In India, agriculture plays the most important role in contributing to socio-economic development. It is the primary source of employment, food security and livelihood for the majority of rural people. However, due to rapid development and reformation of India since twentieth century, the agriculture sector has been gradually neglected. The ratio of agricultural sector to real GDP per capita graph of India is fluctuating in nature. Both manufacturing and services sectors showed increasing trends while the agriculture sector showed a decline path.

In India, the population to land ratio is accounting a matter linked to human development concerns. To sustain the project population of 1.363 billion by 2025 the productivity has to be increased by cent per cent from the present existing level by intensification of agriculture. Moreover, uncertainties presents in all agricultural factors including environment (weather, climate, rainfall, etc.). The sustainability issue of the crop productivity is fast emerging. Increasing costs, reducing yields and marginal profits from agriculture, Indian farmers are in a position to the point of great financial and emotional distressed.

Cotton is a cash crop, which makes it vulnerable to the global market. It also exemplifies India’s general shift toward cash crop cultivation, but as evidenced by the fact that farmers in the cash crop sector commit the majority of suicides. India is obligated to protect, respect and fulfil the human rights of Indian farmers. In such a scenario, leveraging the available natural resources and modify existing infrastructure is the only way to make the ends meet.

Agrarian crisis arise when the supply factors are odd i.e. unfavorable with respect to demand. For example, when there is short of cold storage and also, raising of agro-product cost the farmers bear more stress. In Figure 1, a no. of possible criteria is described in the form of bar chart.

Figure 1. A simple bar chart for current demand and supply in Agrarian crisis in India (Source: Authors’ own discussion)
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