

Rural Indebtedness among Farmers in Punjab (Case Study of Ropar District)

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Abstract

Agricultural growth becomes very slow during past two decades. The slowdown in agriculture is accompanied by a significant reduction in the share of agriculture in national product, but without much reduction in the share, workers depending on it for their livelihood. The support systems to farming have weakened, public investments in agriculture have declined and institutions have become unresponsive. Though there are number of factors behind the present agrarian crisis, it is the growing indebtedness that compels attention. It is declining earnings that results in the inability to repay debt that triggers farmers' decision to commit suicide. Hence, indebtedness of farmers becomes a central issue to be addressed.

Indebtedness, in particular farmers' indebtedness, has long been treated as a distress phenomenon. It is indeed so if the debt taken is not used for productive purposes like purchase of inputs that augment output or creation of assets that augment the earning base of the borrowers and instead is used for consumption purposes or marriages and social ceremonies. In some cases, indebtedness and failure to repay can become one of the important causes for farmers' suicides. Short-term crop loans by farmers are used for purchase of inputs and long-term loans for building of assets like irrigation pump sets or tube wells or for land improvement. There is increasing evidence that farmers in India are using a major proportion of their borrowings for productive purposes. Hence, under normal circumstances mere outstanding indebtedness may not be a distress phenomenon in most cases but only indicates their requirements for carrying out productive activities.

The study is confined to only one district out of 22 district of the state of Punjab. It is considered to only two blocks. The selection of the 40 agricultural household may not be quite representative of the whole district. For the study, I am confined to only two villages from two blocks. The future scope of research is with the help of recommendation given at the end. The prosperity of the agricultural labourer may expand and different problems which are faces by the labourer may reduce.

Keywords: Rural Indebtedness, Farmers, Agricultural.

Introduction

Meaning of Indebtedness

Role of agriculture growth has become very slow during past two decades. This slow down is accompanied by significant reduction in share of agriculture in national product. The systems which support farmer becomes weaker, public investment become decline. Many case of farmer suicide witnessed in many states of India. Media reports and several studies have pointed indebtedness as one of the major cause behind suicide. Though there are a number of factors behind the present agrarian crisis, it is the growing indebtedness that compels attention. Hence, indebtedness of farmers becomes a central issue to be addressed. There are wide regional, institutional, class and community differences in the nature and magnitude of farmers' indebtedness. The resource base of agriculture varies from region to region. Short-term crop loans by farmers are used for purchase of inputs and long-term loans for building of assets like irrigation pump sets or tubewells or for land improvement. There is increasing evidence that farmers in India are using a major proportion of their borrowings for productive purposes. Hence, under normal circumstances mere outstanding indebtedness may not be a distress phenomenon in most cases but only indicates their requirements for carrying out productive activities.

Meaning of Indebtedness

Indebtedness is a state when someone is unable to pay money to another party for which he is obliged. In simple words, indebtedness is obligation to pay debt. The word implies an absolute or complete liability.

On the other hand, the money need not be immediately payable. Obligations yet to become due constitute indebtedness.

Need of Study

Maximum portion of population is depends upon the agriculture, with the help of agriculture, Punjab earns more income and industries and other companies are sufficiently run. Agriculture is the main source of Indian's food. The level of income of farmers and agricultural labourers has been reduced. Marx has clearly demonstrate, how labourforce become a source of capital accumulation for the capitalistic Development of the society. Many bank facilities are available but they do not take advantages of these facilities due to that agricultural labourers have irrational. They borrow from zimidars and also they have not proper knowledge of agricultural field, seeds, new techniques and fertilizers. Due to more use of fertilizers land goes to survive. This phenomenon has compounded the problem of labourers' irrationality and the problem of indebtedness.

Objectives of Study

The main objectives of study are as:

1. To study the level and pattern of living income and consumption of agricultural labourers.
2. To examine the indebtedness among the agricultural labourers.
3. To suggest ways and corrective measures to improve the economic condition of the agricultural labourers.

Research Methodology

Source of Data Collection and Sampling Design

For the study I made use of primary data. However, some of the secondary data has also been used where needed. Secondary data has been collected from books, journal, Magazines, Newspaper. The analysis in the study is based on Primary data which has been collected personally by filling questionnaires/schedules, interviews.

The Punjab State has 22 districts from these districts. I have selected one district i.e. Ropar District. There are five blocks in Ropar district i.e. Ropar block, Narpur bedi block, Anandpur Sahib block, Morinda blocks and Chamkaur Sahib Block. Two blocks are chosen at random from these blocks i.e. Ropar block and Narpurbedi block. Two villages i.e. village Kheri Salabatpur from Ropar block and village Saini majra from Narpurbedi block have been selected. I decided to take sample of 40 agricultural labourer households I have selected 20 households in each sample villages.

Extent and Distribution of Debt

This section, deals with the variation in the extent and distribution of debt across the villages in the each sample block and two sample blocks in the sample as a whole. Analysis shows that 85 percent and 90 percent of the agricultural labour household in Vill. Kheri Salabatpur of Ropar block and Village Saini Marja of Narpurbedi block are under debt. When data is further analysed to estimate the debt position per household and per-indebted household varies between Rs. 15429 and Rs. 17678 in Vill. Kheri Salabatpur of Ropar block and Village Saini Marja of Narpurbedi Block respectively. The average borrowed amount of sample household varies between Rs.

13114.65 and Rs. 15910. 20 in Vill. Kheri Salabatpur of Ropar block and Village Saini Marja of Narpurbedi Blocks.

Table-1
Extent and Distribution of Indebtedness among Agricultural Labourers

(Figs. in Rs.)

Blocks/ Villages	No. of House Hold		Percentage of Indebted house hold	Average of debt	
	Sample	Under Debt		Per Indebted house hold	Per Sample House hold
Ropar	20	17	85%	15429	13114.65
Narpur Bedi	20	18	90%	17678	15910.2
Sample as a Whole					
	40	35	87.5%	16553.5	14512.43

So far as sample as a whole is concerned, analysis shows that 87.5 percent of the agricultural labour households are under debt in the sample as a whole. The percentage of agricultural labourers house hold under debt works out to is 85 percent and 90 percent in Vill. Kheri Salabatpur of Ropar block and Village Saini Marja of Narpur Bedi block respectively, when data is further analysed to estimate the debt position per sampled house hold and per indebted house hold, at works, out to Rs. 14512.43 and Rs. 16553.5 respectively. Block wise borrowed amount for per indebted house hold works out to Rs. 15429 and Rs. 17678 for Vill. Kheri Salabatpur Ropar block and Village Saini Marja Narpur Bedi block respectively. Corresponding figures for borrowed amount per sample house hold are Rs. 13114.65 and Rs. 15910.20 for Vill. Kheri Salabatpur of Ropar block and Village Saini Marja of Narpur Bedi block respectively. Again, it is revealed that percentage of agricultural labourer household under debt is positively created to average agricultural labourer household income of respectively sample block, statistics show that Vill. Kheri Salabatpur of Ropar block falls in higher income zone and Village Saini Majra of Narpur Bedi fall in lower income zone. In short, it can be concluded that agricultural labourers living in higher income block, their borrowing shall also be more and vice versa.

Source Wise Distribution of Debt

There are two sources, institutional and non-institutional, which provide debt to an agricultural labourer. Institutional sources include co-operative credit societies and commercial banks and non-institutional sources consist of money lenders, landlords, relative, friends and shop keepers in villages.

Table-2
Source Wise Distribution of Debt among Agricultural Labourers Mean value of debts

(Fig. in Rs.)

Blocks/ Villages	Source of Debt		Total
	Institutional	Non-Institutional	
Ropar	5011 (32.48)	10418 (67.52)	15429 (100.00)
Narpur Bedi	5242 (29.65)	12436 (7/35)	17678 (100.00)
Sample as a whole			
Total	5126.50 (30.97)	11427 (69.03)	16553.50 (100.00)

Analysis shows that Rs. 5126.50 and Rs. 11427 stands borrowed by an agricultural labour house hold from institutional and non-institutional sources respectively in the sample. In terms of percentage, it works out to. 30.97 and 69.03 percent of the total debt respectively However there are some variations in the proportion of amount raised from different sources across the two sample blocks. Average amount borrowed by an agricultural labour household works out to Rs. 5011 and Rs. 5242 from institutional sources in Vill. Kheri Salabatpur Ropar block and Village Saini Marja Nurpur Bedi block respectively. For non-Institutional sources corresponding figures are Rs. 10418 and Rs. 12436 respectively table .This section further divided into two sub sections sub sections 1 relates to indebtedness from institutional sources. Whereas sub section II pertains to non-institutional indebtedness.

Institutional Sources

In this sub section, data has been processed to find out mean value and percentage of debt raised by an agricultural labourer from institutional sources across the villages in two sample blocks and in the sample as a whole.

Table - 3
Institutional Sources Wise Distribution of Debt
Amount Agricultural Labourers
Mean Value of Debt

(Fig. in Rs.)

Blocks/ Villages	Source of Debt		Total
	Co-operative Societies	Commercial Bank	
Ropar	1330.92	3680.08	5011
	(26.56)	(73.44)	(100.00)
Nurpur Bedi	1493.45	3748.55	5242
	(28.49)	(71.57)	(100.00)
Sample as a whole			
Total	1412.18	3714.32	5126.50
	(27.55)	(72.45)	(100.00)

For the sample as a whole, proportion of debt raised by the agricultural labour house hold from co-operative credit societies and commercial banks work out to 27.55 and 72.45 percent of the institutional debt respectively. Block wise analysis show that 26.56 percent and 28.49 percent of institutional debt is raised from co-operative credit societies by an agricultural labour house hold in Village Kheri Salabatpur Ropar and Village Saini Majra of Nurpurbedi Block respectively. For commercial banks, it is highest 73.44 percent for Village Kheri Salabatpur of Ropar block, as compared to Vill. Saini Majra of Nurpurbedi block 71.57 percent. Thus I find that around 73 percent amount of the total debt is raised by the agricultural labourers from non-institutional sources and remaining percent is contributed by institutional sources. As has been stated above, general belief is that commercial banks do not provide loan facilities in the villagers and co-operative credit societies are very close to the rural population and rural people borrowed more easily. But analysis shows different picture. When analysis further investigated into this aspect I revealed that co-operative credit societies do not sanction more than Rs. 2000/- as loan to the landless agricultural labourer, where as there is no such limit fixed by

commercial banks. Most of the borrowed amount is meant for purchase of milch animals, carts and to establish petty trade in the village. Thus, there are many factors which influence borrowing either from co-operative societies or commercial banks.

Non Institutional Sources

I have also worked out mean value and percentage of borrowed amount raised from money lenders, land lords and farmers, relatives and friends, cloth merchants and shop keepers buy an agricultural labourer house hold credit the different blocks in the sample and found that mean value of borrowed amount from non institutional sources works out to Rs. 10410 and Rs. 12436 in Village Kheri Salabatpur of Ropar block and Vill. Saini Majra of Nurpur Bedi block.

Table - 4

Non-Institution Source wise Distribution of Debt

among Agricultural Labourers Means Value of

Debt

(Fig. in Rs.)

Sr. No	Non Institutional Sources	Blocks/Villages		Sample as a whole
		Ropar	Nurpur bedi	
1.	Farmers & Land Lord	4424.5 (42.47)	5055.2 (40.65)	4739.9 (41.48)
2.	Village Money Lenders	4825.6 (46.32)	5998 (48.23)	5411.80 (47.3)
3.	Relatives And Friends	331.3 (3.18)	340.7 (2.74)	336 (3.00)
4.	Cloth Merchants	836.56 (8.03)	1042.1 (8.38)	939.3 (8.22)
5.	Total	10418 (100.00)	12436 (100.00)	11427 (100.00)

Analysis further shows that among non-institutional sources 42.47 percent, 46.32 percent, 3.18 percent and 8.03 percent of non-institutional debt is contributed by landlords and farmers, village money lenders, relatives, friends, cloth Merchants and shopkeepers respectively to an agricultural labourer in Village Kheri Salabatpur of Ropar block. Analysis shows that agricultural labourer are highest debt raised is contributed by money lenders. In Village Saini Majra of Nurpur Bedi block, an indebted agricultural labour household raise 40.65 percent, 48.23 percent, 2.74 percent and 8.38 percent of the non-institutional debt from farmer and landlords, village money lenders, relatives, friends, cloth merchants and shopkeepers respectively.

From above, it may be concluded that among the non-institutional sources, villages money lenders, farmers and landlords, cloth merchants and shopkeepers and relatives and friends stand at rank I, II, III and IV in two blocks of Ropar district. When non-institutional source wise distribution of debt among the indebted agricultural labour house hold is analyzed, it is found that main source of debt for an average agricultural labour household in the two sample blocks is village money lender who subscribed 47.3 percent of non-institutional debt.

Agricultural Labourer Borrowed Loans for Two Purpose

1. Productive Purpose.
2. Non Productive Purpose
3. Productive Purpose.

Productive purpose include purchase of milch animal, purchase of cart, investment in petty trades etc. Spending on which is beneficial him for long time.

Table - 5
Purpose wise indebtedness among Agricultural Labourers Means Value of Debt

Sr. No.	Purpose wise indebtedness	Blocks/Villages		Sample as a whole
		Ropar	Nurpur bedi	
1.	Productive	2876	2908	2892
		(18.64)	(16.45)	(17.47)
2.	Non Productive	12553	14770	13661.50
		(81.64)	(83.55)	(82.53)
3.	Total	15429	17678	16554.50
		(100.00)	(100.00)	(100.00)

Non Productive Purpose

Non productive purpose includes house construction, spending on marriage and social ceremony, litigation expenses, family maintenance etc.

Loan for Productive Purpose

After survey it is observe that 1/7th of borrowed money is spend on productive purpose. The percentage of usage is high in Ropar Block than Nurpur bedi Block. The productive debt is spent for the purchase of milk animal by an indebted agricultural labourer household. Proportion of productive debt spent for other purposes like purchase of cart and investment in shops etc. work out les then milch animal. This proportion is again high in Ropar Block.

Loan for Non Productive Purpose

Maximum portion of borrowed debt is used for non productive purpose such as house constructions, marriages, redemption of old loans etc. the percentage of spending debts for non productive purpose is 83.55 percent in Nurpur bedi block and 81.34 percent in Ropar Block. The maximum portion of the debt is used for house construction and marriages. Non repayment of debt reduce the earning capacity of farmer and make them feel humble and sometimes it force them to accept low wages and they pay more interest rate on the borrowed amount and some time even they do agree to do work without wages.

Indebtedness and Rate of Interest

Cost of borrowing has its own implication, when agriculturists and industrialists borrow they take into consideration the rate of interest, because the rate of interest influences the cost of production. Moreover, whatever cost they incur for borrowing, they recover it from the persons to whom they sell their production, but in the case of borrowing by agricultural labourer it has different implication. Because agricultural labourer does not borrow for productive purposes. Therefore, if they borrow more in the present to that extent, their future income is reduced, because through borrowing they consume future income in the present. Thus problem becomes very serious. When agricultural labourer borrows more in present, it becomes very difficult for agricultural labourer to come out of this cut, which further reduces their capacity to earn. Keeping in view all these aspects, an efforts has been made to

investigate into the rate of interest at which agricultural labourer borrowed. For the sample as a whole, analysis shows that more than 1/4th of the total per annum amount i.e. 22.30 percent carried on interest as high as 120 percent per annum. More than 1/6th i.e. 17.9 percent carried out interest equal to 60 percent per annum payment of interest to this extent becomes impossible and it results into a situation that the agricultural labourer may become defaulter forever and completely loose opportunity for further borrowings and may mortgage his future life to the leader. Analysis further shows that 13.3 percent and 28.6 percent of total debt is borrowed at the rate equal to 36 percent and 24 percent per annum respectively by an agricultural labourer in the sample as a whole.

Table - 6
Indebtedness According to Rate of Interest among Agricultural Labourers Mean Value of Debt
(Figs. in Rs.)

Sr. No	Purpose wise indebtedness	Blocks/Villages		Sample as a whole
		Ropar	Nurpur bedi	
1.	Without Interest	2516	3207	2861.5
		(18.14)	(16.31)	(17.9)
2.	12-24%	4572	4556	4564
		(29.63)	(25.77)	(28.6)
3	36%	2016	2223	2119.5
		(13.07)	(12.58)	(13.3)
4	60%	2597	3099	2848
		(16.83)	(17.53)	(17.9)
5	120%	3728	3373	3550.5
		(24.16)	(19.08)	(22.3)
	Total	15429	16458	15943.5
		(100.00)	(100.00)	(100.00)

Analysis show that 24.16 and 19.08 percent of total debt is raised by an agricultural labourers in Village Kheri Salabatpur of Ropar block and Village Saini Majra of Nurpur Bedi block respectively at the exorbitant rate of interest of 120 percent per annum].

From above, it may be concluded that between 19 to 25 percent of borrowed amount is raised at rate of 120 percent per annum in different blocks of Ropar district. It means pattern of borrowing is almost the same in all the sample blocks. Analysis shows that more proportion of debts is borrowed at very higher rate of interest. It also proves exploitation of agricultural labourers by land lords and money lenders in the rural areas. Interest free debt is provided by the land lords and shopkeepers from whom they receive debt in kind visibly, there is no payment of interest in term of money, yet agricultural labourers are exploited i.e. when the land lords provide interest free loan to the agricultural labourer. They make themselves sure about the availability of labourer at a low wage rate. Because, due to borrowing from the land lords, they cannot shift to another land lord even if higher wages are offered. Similarly, when shopkeepers sell commodities on credit, they add some element of interest in the price of goods sold.

Thus, I can conclude that agricultural labourer is exploited to the maximum extent and helps by all helpless and is compelled by the circumstances to live in such a situation. It needs immediate attention of the society. Though, it is difficult to quality or

associated all the distortion in social relation because of this situation.

Summary and Conclusion

Agricultural sector is the back bone of Indian economy. Agriculture in India is undergoing a change. The wider application of technological innovation has revolutionised the traditional method of farming. Punjab is a developing state. Agriculture is the main occupation of the people of Punjab and that's why its people are enjoying highest per capita income in the country. The Introduction of new agricultural technology with effect from the mid sixties had favourable results in Punjab in food grains production and its market supply. But owing to lack of sufficient industrial development, the avenues of employment have not increased much. The Punjab state is leading in the product of food grains. The growth of cereal output in the Punjab state has been such that increased major contribution to the central pool of the good grain. Agricultural labourers are still in the clutches of poverty and indebtedness. The condition of agricultural labourers is miserable mainly because of their low earning and unproductive nature of debt. They take loans from institutional or non-institutional agencies for the purpose of productivity. But they spend these loans on marriages and social religious ceremonies. They are not only able to improve the repaying capacity but the debt burden continues to increase and agricultural labourers are caught in the vicious circle of poverty.

Recommendations

1. The issue of farmers' indebtedness becomes a matter of intense debate whenever the agricultural sector faces distress. But, the root cause of the current crisis is not indebtedness alone - indebtedness is just a symptom. The underlying causes are stagnation in agriculture, increasing production and marketing risks, institutional vacuum and lack of alternative livelihood opportunities.. There is an urgent need to expand the production base of agriculture with emphasis on small and marginal farmers so as to integrate them with mainstream development. This calls for appropriate technological innovations, institutional alternatives and introduction of novel instruments of intervention.
2. There is large scope for institutional agencies to expand the credit base of farm households further. Institutional credit availability to agriculture should be increased, excluded sections of the farmer households be brought into its ambit and a qualitative improvement in the credit delivery arrangements be brought about.
3. Rain fed areas is particularly prone to year-to-year fluctuations of production and degradation of environmental resources. Concerted efforts are needed to rejuvenate their natural resource base as also to stabilize and augment the income sources of farm households.
4. Debt burden of farmers to informal sources should be reduced by formalizing it through transferring the informal debt to formal institutions.
5. Since the mid-1990s, large sections of the farm households have been facing a great deal of distress as a consequence of decline in

agricultural income, erosion of their repayment capacity and increased debt burden. Reversal of this trend would require not only adequate institutional credit to farmers but also undertaking steps to revive agriculture which would help increase credit absorptive capacity of farmers.

6. Policy interventions and institutional reforms essential for resolving the farm crisis, which go beyond the credit delivery system, form part of this report. In the long-term interest of the financial system, a positive repayment culture for bank loans deserves to be actively promoted. There should be a system of incentives for prompt repayment.
7. Surplus land should be given to agricultural labourer along with the agricultural equipment as an aid and free of cost.
8. Government should make essential commodity available like wheat, rice, kerosene and sugar through public distribution system.
9. There should be an organization of agricultural labourers, so that they cannot be exploited by big land lords and money lenders.
10. Institutional loan should be provided even for social functions on the personal surety.
11. Urgent steps should be taken to set up mobile branches of banks in rural areas to ensure that the farmers are served at the doorstep simultaneously reducing transaction cost on either side.

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