

THE CYCLE OF DEPT: INDEBTEDNESS AMONG MARGINAL AND SMALL FARMERS IN KURUKSHETRA, HARYANA

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INTRODUCTION:

The new agriculture technology which was introduced in mid sixties, involved three senses namely Biology, Chemistry and Engineering. Under Biology, new high yielding varieties seeds etc. were introduced in particular region, where a package of infrastructure and credit facilities were assured and granted. Under Chemistry, use of fertilizer, insecticide, pesticide, harman and legume culture were recommended and their availability was assured and to induce the farmers for their use, liberal subsidies and loan facilities were granted. To popularize their use, government further provide loan facilities for its purchase. Making use of science of Engineering, use of tractor, tubwell, pumping sets, improved tools and implements sowing in lines etc. were recommended and loans & subsidies were assured in the regions, where these packages were implemented. The success of New Agriculture Technology was termed as Green Revolution. The New Agriculture Strategy (NAS) helped India in achieving self-sufficiency in the production of food grains by the Year 1969 and India produced so much food grains (Wheat and Rice) that it was not possible to store all the stocks. With this development, Indian Farmers were quite happy. Income of Farmers increased considerably and they happily accepted the new cropping-pattern and made use of government facilities to increase both area and productivity in agriculture. The new situation also helped in the improvement of economic conditions of agriculture labourers. The Indian agriculture took a new turn and it also created so many problems. Like abnormal rise in the price of land which further induced small and marginal farmers so sell their land so as to enjoy the benefit of rising prices of land, and made the marginal and small farmers as landless farmers. The wage rate in rural areas particularly for agriculture labour increased and this pressure invited migrated labourers and it gave birth to the interdependent and interconnected problems. It further strained the social relations in rural areas. The use of wheat and rice, crop rotation further created many new problems : shortage of water and power and restricted the diversification of agriculture and as a consequence, Indian farmers have been trapped into indebtedness, particularly when production in agriculture continued to increase at a very low rate of growth is less than 3 percent.

REVIEW OF LITERATURE :

Rural Labour Enquiry Report on indebtedness among Rural Labour Household : (55th round of NSS) shows the overall trend among the agricultural labour households was almost similar to that of rural labour households. However, the incidence of indebtedness was marginally higher among ALH5 (25.10%) than that among RLH5 (25.00%) during 1999-2000. While there was a decline in the incidence of indebtedness at all India level from 35.50% in 1993-94 to 25.10% in 1999-2000, but the states like Gujrat, Kerla, Punjab, J&K, D & N Haveli, Daman and Diu and Lakshadweep shows rising trend over this period.

A recent release by the Ministry of Labour and Employment highlighted issue of rural indebtedness captured is the seventh Rural Labour Enquiry RLE -1999-2000. Rural indebtedness is increasingly recognized as a significant obstacle for rural development. It not only aggravates inequality in the access of socio-economic opportunities, but also hinders the growth process in rural areas and creates an intergenerational handicap for participating in democratic processes due to growing distress shocks to social psyche among the indebted households. The latest report on Accidental Deaths and Suicides in India-2005 brought out by National Crimes Record Bureau states that more than 15 percent of all persons who committed suicide during 2005 were self-employed in farming or agricultural activities. Suicide by debt-ridden farmers who killed themselves being unable to cope up with the fall in their social status, has been burning issue in recent years. The records show that incidents of all suicide cases due to fall in social status have increased by 121 percent between 2004 and 2005.

An analysis of the sources of borrowing as described in the seventh RLE is also disturbing. There has been a significant drop in the agricultural credit flow from government and other institutional sources over the 1990's.

Government sources of credit did register a significant increase from around 3 percent to more than 8 percent between 1983 and 1993. But is almost halved to 4 percent in 1999-2000. Despite all high claims of micro finance and so called SHG revolution, the share of commercial banks in total credit supply has declined from 21 percent to 16.6 percent between the last two RLEs. At the same time, the shares of usurious moneylenders has increased from 22 percent to 29 percent of total debt received by agricultural labourers and from 27.6 percent to 31.7 percent by rural labour class. Money-lenders still continue to be the biggest source of

rural debt. Another noteworthy finding is that majority of the farm households procure credit for meeting their consumption needs followed by marriages and other social ceremonies.

The success of green revolution has attracted to a great deal of attention of the various researchers and policy makers. A large number of studies have been conducted in India particularly after the mid sixties to evaluate the effect of green revolution on income, consumption, poverty and indebtedness among small and marginal farmers. Patil (1967) made an attempt to study the position of repayment and the causes of non-repayment of crop loans in Kolaba district of Maharashtra state during 1964-65. Garg (1870) conducted Study in ten village of Kalayapur block (Kanpur). So cultivators using high yielding variety crops were selected and grouped under four categories. Rao (1971) made an attempt to study the agriculture financing of small farmers in Coimbatore district of Tamil Nadu. Singh and Mehrotra (1973), Saikia and Bora (1975), Dhawan and Kahlon (1978), made an attempt on small and marginal farmers. Raju (1978), made an attempt to examine the level and changes in the use of credit by small farmers adopting new farm technology and by non-adopters in West Godavari district of Andhra Pardesh during the year 1967-68. Pandey (1978), Dinger and Singh (1980), Fahimuddin (1983), Sharma (1983), Balister and Naresh (1984), Mishra and Mitra (1984), Goyal (1988) and Shanker (1990) also conducted studies on small farmers in various areas. Singh has conducted a study in Sangrur district of Punjab state to examine the extent and sources of farm loans.

The main objective of the present study is to analyse the indebtedness among small and marginal farmesrs in Kurukshetra district of Haryana state. The specific choice of the Kurukshetra district has been governed basically by its being one of the most developed districts of the state in the sense of having forefront of green revolution and having a developed infrastructure in terms of irrigation, power, markets, transportation, financial, educational etc. facilities. Three stage stratified random sampling technique has been adopted. The three stages include the selection of blocks, villages and ultimate numbers of farmers. Thus, in all, a sample of 80 farmers, consisting of 40 marginal and 40 small farmers was drawn for getting comprehensive information relating to the present study. For the collection of data, direct personal interview method was adopted. The data was collected with the help of a suitably designed and pre-tested questionnaire.

RESULT AND DISCUSSIONS :

Now-a-days costs of cultivation/agriculture are increased day by day. That day has gone when agriculture was carried with the help of bulls and conservative techniques. Now the time is for latest techniques. Without the use of modern technique of agriculture, no body can stand in the global market. The price of machinery and other products like (tractor, harvest combine, thresher etc.) are very high, so they have to force the farmer for loan. If the crop is good then there is no problem for the farmers for the repayment of debt. On the other hand, if there is less production of crops, then the farmers are captured in the debt trap.

There are many factors which determine income and expenditure of persons and gap between the two determines savings and dis-savings. Debt in itself is not bad. All business and economic activities are carried through borrowing and generally it is said the large the business and larger will be the borrowing. However, when borrowings are carried for unproductive and consumption purposes, it become a cause of indebtedness.

Rural indebtedness problem is an old problem. However, it has assumed an alarming position now. In spite of substantial increase in income, debt burden in the rural areas has increased at a faster rate. Very recently government of India has provided about Rs. 71,000/- crores to settle the debt of small/marginal farmers, which they obtained from banks. However, the plight of small and marginal farmers, landless farmers and agriculture labour has become very miserable.

In Haryana, ground water level is going down year after year. So the cost of water for irrigation is increasing. Another factors is a Feudal System in Haryana. Another, people of Haryana are spending more than their capacity (70 percent) on social ceremonies like marriages etc. They compete with each other leading to more spending on unproductive activities. So they take the loans for investment in agriculture and other purposes. Mostly farmers due to urgency take the loans from commission agents and money-lenders. They impose high charges on the loan. So, farmers seize in indebtedness. It is commonly used proverb that, "Indian farmers born in debt, live in debt and die in debt."

In this study, our orientation is on marginal and small farmers in rural areas of Kurukshetra district. We find out the distribution of indebtedness among the farming households according to the sources, rate of interest, reason for indebtedness and range of indebtedness.

1.1 Distribution of Sampled Farmers by Different Sources of Loan :

Table 1.1 shows the distribution of sampled farmers by different sources of loan and total amount of loan. Marginal and small farmers have taken the total amount of loan equal to Rs. 4,00,000 (i.e.22.68 percent of their total loan) and Rs. 5,96,000 (I.e.22.69 percent of their loan) respectively in Kurukshetra district. From commercial Banks Rs. 2,52,000 (i.e. 14.31 percent) and Rs. 5,74,250 (I.e. 21.87 percent) amount of loan from co-operative society have been taken by

Table-1.1 : Distribution of Selected Households by Source and Amount of Loan (Amount in Rs.)

Name of the Institution Category	Commercial Banks	Co-operative Society	Commission Agents	Product Sellers	Money Lenders	Relatives and Friends	Anyother Specify	Total Amount
Marginal Farmers	4,00,000.00 (22.68)	2,52,500.00 (14.31)	5,15,000.00 (29.19)	1,30,000.00 (7.37)	2,75,000.00 (15.59)	61,500.00 (3.49)	1,30,000.00 (7.37)	17,64,000.00 (100.00)
Small Farmers	5,96,000.00 (22.69)	5,74,250.00 (21.87)	6,31,000.00 (24.03)	-	5,15,000.00 (19.61)	3,10,000.00 (11.80)	-	26,26,250.00 (100.00)
Total Amount of loan	9,96,000.00 (22.69)	8,26,750.00 (18.83)	11,46,000.00 (26.10)	1,30,000.00 (2.96)	7,90,000.00 (17.99)	3,17,500.00 (8.47)	1,30,000.00 (2.96)	43,90,250.00 (100.00)

Source : Information from Village Population

the marginal and small farmers respectively. Marginal and small farmers have taken the total loan from commission agents is Rs. 5,15,000 (29.19 percent) and Rs. 6,31,000 (24.03 percent) respectively. The loan taken from the money-lenders by both the categories of farming households is Rs. 2,75,000 (15.59 percent) and Rs. 5,15,000 (19.61 percent) respectively, which clearly indicates the domination of money-lenders and commission agents. Total loan taken by both the farming categories is Rs. 17,64,000 and 26,26,250 respectively.

Table-1.2 : Extent and Distribution of Indebtedness among Small and Marginal Farmers (Mean Value, Amount in Rs.)

Farming Categories	Number of Sampled Households	Total Number of Sources from where Loan is taken	Total Amount of Loan	Average Loan
Marginal Farmers	40	34	17,64,000.00 (40.18)	51,882.3
Small Farmers	40	36	26,26,250.00	57,092.3
All Categories	80	80	43,90,250.00	54,878.1

Source : Processed Data from Previous Table

The data (table 1.2) reveals that the number of marginal farmers taking loan from various sources is 40 and that of small farmers 38. Total number of sources from where loan is taken is 34 in case of marginal farmers and 36 in case of small farmers. The table further shows that the average amount of debt is taken by marginal farmers is Rs.51,882.3 and Rs. 57,092.3 in case of small farmers. The average amount of loan taken by both the categories is Rs. 57,878.1.

The different agencies charge different rate of interest.. Table 1.3 shows that the marginal and small farming households have taken the total amount of loan Rs. 43,90,250. Some relatives provide loan at zero percent rate of interest. Bank and Co-operative societies charge from 0-10 percent of interest. But some relative and friends charge 10-20 percent rate of interest. Commission Agents, Product sellers and money-lenders (non institutional agencies) charge very high rate of interest ranging between 20 to 30 percent. Even some commission agents charge between 30 to 40 percent. Table 1.3 also shows that out of total amount of loan taken by both the categories, 5.96 percent of loan is taken at zero percent rate of interest. The percentage of total loan borrowed at 0-10 percent rate of interest is 41.52 percent. Out of total, 2.50 percent loan is taken at 10 to 20 percent rate of interest. The major amount of loan borrowed by both the categories is Rs. 16,85,000 (i.e. 38.38 percent of total loan), is at the 20 to 30 percent rate of interest.

Table-1.3: Debt According to Rate of Interest.

Rate of Interest (In percentage)	Source of Loan								
	Commercial Banks	Co-operative Society	NG O/S HG	Commission Agents	Product Sellers	Money Lenders	Relatives and Friends	Any other	Total
Zero Rate of Interest							2,61,500.00		2,61,500.00 (5.96)
0-10	9,96,000.00	8,26,750.00							18,22,750.00 (41.52)
10-20							1,10,000.00		1,10,000.00 (2.50)
20-30				6,35,000.00	1,30,000.00	7,90,000.00		1,30,000.00	16,85,000.00 (38.38)
30-40				5,11,000.00					5,11,000.00 (11.64)
Total Amount	9,96,000.00 (22.69)	8,26,750.00 (18.83)		11,46,000.00 (26.10)	1,30,000.00 (2.96)	7,90,000.00 (18.00)	3,71,500.00 (8.46)	1,30,000.00 (2.96)	43,90,250.00 (100.00)

Source : Based on Primary Data

Table 1.4 shows the debt according to rate of interest. It shows the small farmers took more amount of loan than marginal farmers. The amount of loan is taken by the marginal farmers is Rs. 18,54,250 where it is rs. 25,36,000 for small farmers and total amount of loan is Rs. 43,90,250.

Table-1.4 : Amount-wise and Rate of Interest-wise Debt of Farming Categories.

Farming Categories Rate of Interest (In percentage)	Marginal Farmers		Small Farmers		Total Amount	
	Amount (Rs.)	Percentage	Amount (Rs.)	Percentage	Amount (Rs.)	Percentage
Zero Rate of Interest						
1	61,500.00	3.30	2,00,000.00	7.89	2,61,500.00	6.14
0-10	7,15,250.00	38.57	11,07,500.00	43.67	18,22,750.00	42.79
10-20	37,500.00	2.02	72,500.00	2.86	1,10,000.00	2.58
20-30	8,20,000.00	44.42	8,65,000.00	34.11	16,85,000.00	36.50
30-40	2,20,000.00	11.86	2,91,000.00	11.47	5,11,000.00	11.99
Total	18,54,250.00	100.00	25,36,000.00	100.00	43,90,250.00	100.00

Source : From Village Population Based on Primary Data

The percentage share of the distribution of total amount of indebtedness with respect to various level of rate of interest is also shown in table 1.4. an average farming household has taken 42.79 percent of the total debt at 0 to 10 percent rate of interest. Both farming categories

have taken together the major share of total debt in this range. Without interest rate, percentage share of loan is just 6.14 percent. Between 20 to 30 percent interest rate range, an average small and marginal farming household has taken is 2.58 percent. About 36.50 percent of the total debt of an average household comes between 20 to 30 percent interest rate charges whereas, 11.99 percent share of total debt comes from 30 to 40 percent interest rate.

PLOICY IMPLICATIONS AND SUGGESTIONS:

The conclusions drawn from the study reveal that the income generated from the farming activities is too insufficient to satisfy their needs. The need is to educate people about the subsidiary occupations like horticulture, dairy farming, poultry, Bee-keeping, mushroom cultivation etc. besides providing financial support at low interest rates for establishment of various income generating ventures. Government must take strong initiative for creating sufficient employment opportunities and other subsidiary income generating opportunities for alleviation of the poverty ridden rural small and marginal farming households.

Development of services which are helpful to agriculture and rural development needs to be tackled by the government through suitable policy measures. These include fixation of prices of agricultural commodities at reasonable level, assured purchase of produce by the agencies, subsidizing the prices of agriculture inputs like machinery, seeds, fertilizers, insecticides etc. The agro-based industries should be established in the rural areas on priority basis. There is a need to educate farmers to reduce their unproductive expenditures ; i.e. on marriages and other socio- religious ceremonies, intoxicants etc.

The enforcement of already existing programmes for the rural development like, Small Farmers Development Agency (SFDA) Crash Scheme for Rural Employment (CSRE), and Integrated Rural Development Programme (IRDP) etc. in proper perspective and by increasing the plan allocation and widening the scope to cover larger population can play a vital role in improving the levels of living of the small and marginal farming households.

For successful implementation of various welfare programmes, there should be a close follow-up action and supervision from block and district level in order to provide maximum relief to the small and marginal farmers.

Such steps taken on priority basis can help in minimizing the existing problems of the agricultural families. This will be helpful in solving some of their economic problems.

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