Agricultural Credit and Indebtedness of Rural Households: A Case study of Border Districts of Punjab.

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Abstract

Rural indebtedness has always been a major social and economic issue in India. In this paper an attempt has been made to find the level of credit and indebtedness of the rural households of border districts of Punjab so as to assess the recent policy initiatives for strengthening the quality as well as quantity of the agrarian credit delivery system. Sample of 360 rural households was taken from three border districts of Punjab to analyze the situation of rural households particularly farmers of border areas of Punjab. It was found in the study that among all the occupational groups, the percentage of borrowers was found highest in case of farmers. Maximum amount of loans is taken by the farmers' households i.e. (4.27 lakhs). It was concluded that the complex pressure on the Indian farmers must be tackled seriously on the basis of a comprehensive examination of the causative factors and the context.

Key Words: *Rural Households, Farmers, Credit, Indebtedness, Extent, Institutional, Non-institutional.*

Introduction

Punjab agriculture is in crisis and the various constraints in the agricultural development like lack of finance, problem of affordability, sufficient and timely availability of institutional credit to agriculture cannot be overlooked. In spite of development of multi agency system and expansion of branch network in rural areas, the situation of agriculture regarding credit is very poor, which is amply evident from the persistence of the informal money lenders even after many reforms initiatives by the governments. The exploitative practices of the informal money lenders are still predominating the agricultural credit system even after several decades of administered allocation of credit to agriculture. Further the instability in food grain yield, low level of yield/net return and the cost of cultivation , are the major reasons behind indebtedness and the loans only act as a 'proverbial last straw' in the causal chain (Deshmukh, 2010). As compared to increase in yield, there is greater increase in the total operational costs of paddy and wheat, which substantially lowers the margins of cultivators (Singh K, 2009).

The workforce engaged in agriculture in Punjab, dramatically fell from 62.67% in 1971 to 35.6% in 2011 (Gill Anita, 2014).The use of tractors and combines has displaced farm labour on a large scale. On the basis of per hectare labour use in agriculture, demand for human labour in Punjab has fallen significantly (Sidhu and Singh, 2004). The number of marginal and small farmers that was 5 lakh in Punjab in 1991 declined to 3 lakh in 2001.Finding it hard to live on farming alone, they left farming. This shift in rural economy from agriculture sector to non agriculture sector is of major concern as there is very low growth rate in the secondary and tertiary sectors (Guman, R.S, 2005).

The situation of Punjab agriculture is abysmal to such an extent that farmers are not getting the appropriate prices of their crops. Punjab's agrarian economy is under severe crises, which is evident from stagnating productivity, falling income and increasing cost of production. A landmark progress in Punjab has been achieved by the institutional credit, in ushering the green revolution (Singh, 1990). This situation demands urgent attention of the government, policy makers and planners to save the farmers from taking extreme steps like suicides and to reboost the agrarian economy of the country. No doubt, there are increasing concerns among policy makers, social scientists, and media about the agrarian distress in India, most notably in Punjab. In response, a number of articles blame various stress factors for this phenomenon, most notably weather conditions, crop failure, dependency on volatile prices, missing or inappropriate irrigation facilities and failure of agricultural policy

Data Base and Methodology

Taking into consideration of all the above facts, an attempt has been made in this paper to analyze loans taken by the of rural households of the border districts of Punjab. Punjab has six border districts, Amritsar, Gurdaspur, Firozpur, Fazilka, TarnTaran and Pathankot, which have international border connected with Pakistan. From these six border districts, three districts Tarn Taran, Gurdaspur and Amritsar have been taken for the purpose of the present study. Sample of 360 households is taken from different occupational groups of rural households for the period 2016. The different occupational groups taken are farmers, servicemen, self-employed, non-agricultural labourer and agricultural labourers. The field investigation was carried out with the help of a detailed questionnaire through the method of personal interview. Statistical tools of mean and percentages have been used for drawing meaningful conclusions from the data.

Objectives of the Study

1. To find out the level and status of indebtedness of rural household particularly farmers in border districts of Punjab.
2. To study the contribution of different sources in the credit of rural households in border districts of the Punjab.

Results and Discussion

The mean value of the loans taken by the rural households of Punjab is given in table-1.1. The average amount of loans taken by the households of different occupations varies to a large extent. Maximum amount of loans is taken by the farmers' households i.e. (4.27 lakhs). An average servicemen in border districts of rural Punjab avails loans to the extent of Rs. 1.64 lakhs annually. Another point to be noted here is that all the categories of different occupational households (excluding agricultural labours) took maximum amount of loans from the institutional sources of credit. Agricultural labours avails 80.70% of the credit from non-institutional sources and only 19.29 % of the credit is taken by them from the institutional sources of credit. However self-employed households took 98.09% of the loans from the institutional sources. As people are more diverted towards the institutional sources, it indicates that people have become more aware towards the facilities given by the banks and they are no more at the mercy in the hands of the moneylenders, who charge exorbitant rate of interest on the loans. The figure 1.1 also reflects that the major percentage of loans is taken from the institutional sources. The relative share of loans of different categories of the households in the total credit is given in the table-1.2. A perusal of the table shows that farmers have maximum share in the total loans. i.e. the share of the farmers in the total loans is 56.17%. Whereas the share of agricultural and non-agricultural labours in the total loans is very less. The share of agricultural labours in the total credit is 1.04% and the share of non-agricultural labours in the total credit is 0.54% only. Figure 1.2 also reflects that share of farmers in the total credit is maximum among all the different occupations of the households.

Table-1.1

Loans Availed by Different House Holds, Mean Value Per House Hold (Rs.)

Description ↓	Farmers	Servicemen	Self-Employed	Non-Agricultural Labour	Agricultural Labour	All
Institutional Loans	349097.2 (81.65)	155361.12 (94.26)	153750 (98.09)	3250 (78)	1527 (19.29)	132597.23 (87)
Non-Institutional Loans	78472.23 (18.35)	9444.44 (5.73)	2986.11 (1.90)	916.67 (22)	6388.88 (80.70)	19641.67 (13)
All	427569.44 (100)	164805.56 (100)	156736.12 (100)	4166.67 (100)	7916.67 (100)	152238.89 (100)

Source :Survey Data

Figure-1.1

Percentage of Loans taken from different sources.

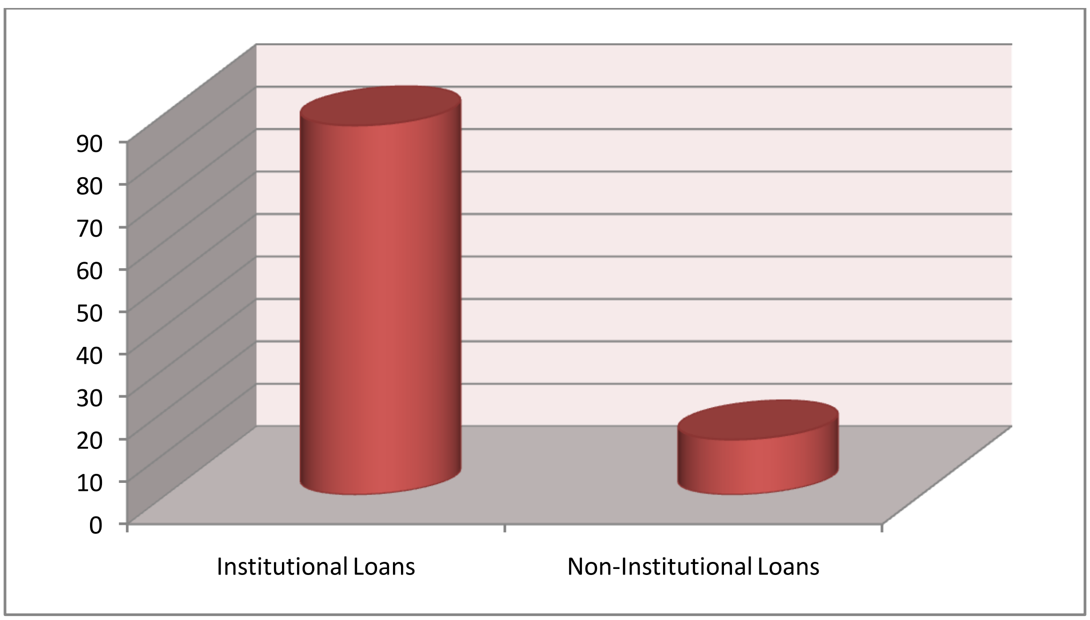


Table-1.2

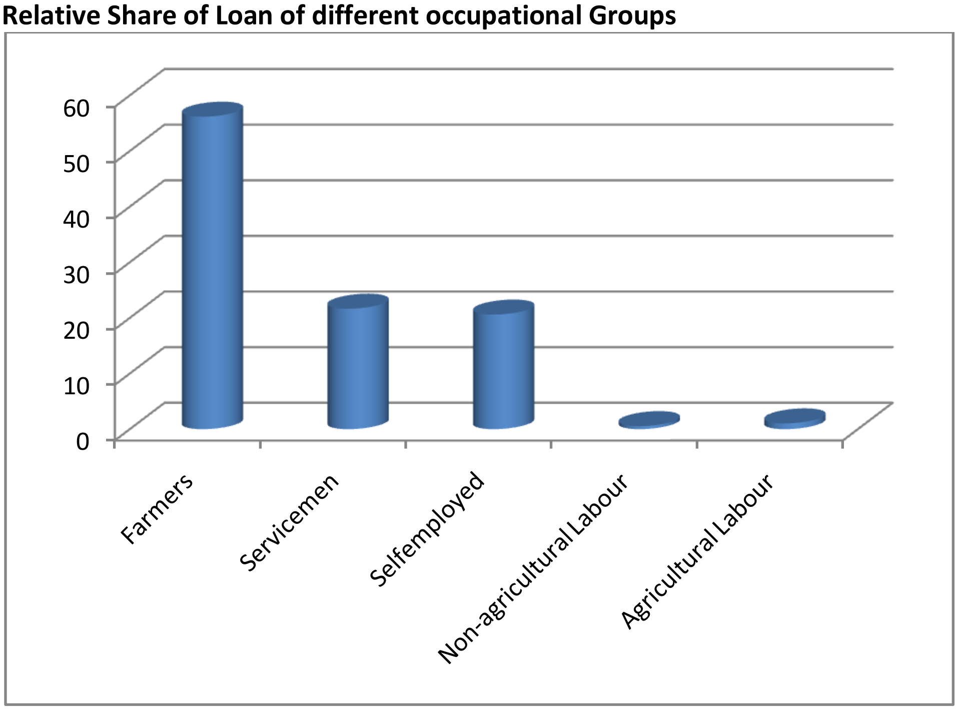
Relative Share of Loan, Mean Value per House Hold

Occupational groups↓	Total Loans	
	Mean Value Amount (Rs.)	Relative Share
Farmers	427569.44	56.17
Servicemen	164805.56	21.65
Self-employed	156736.12	20.60
Non-Agricultural Labour	4166.67	0.54
Agricultural labour	7916.67	1.04
Total	152238.89	100

Source: Survey Data

Figure-1.2

Relative Share of Loan of different occupational Groups



An average farmer in Punjab borrows Rs. 93787.31 per annum from the institutional sources (table -1.3). Out of which 63.7 percent of the institutional loans are taken from the commercial banks and 36.22 percent of the loans are taken from the co-operative banks. Servicemen availed 84.49 percent of the loans from the commercial banks and 15.50 percent of the loans from the co-operative banks. In a year, average servicemen avails Rs. 49495.57 of the credit from the institutional sources. There are large scale variations among different occupational groups as regard the availability of credit is concerned. Self-employed households avails Rs. 41616 of credit from the institutional sources, whereas agricultural labours avails Rs. 497.73 of the institutional credit per annum. Figure 1.3 shows that the share of commercial banks is more in the institutional credit as compare to the co-operative banks.

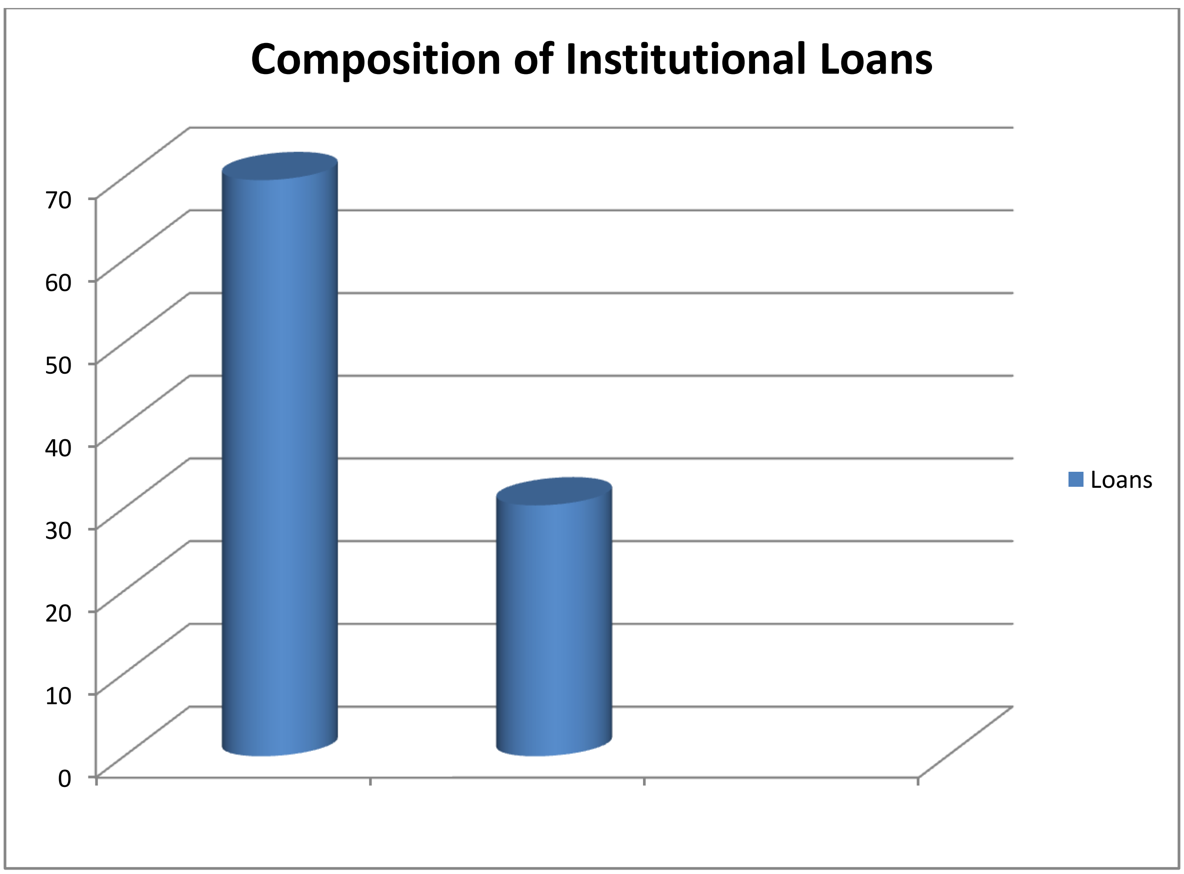
Table-1.3

Composition of Institutional Loans (Mean Value, Rs.)

Description ↓	Farmers	Service-Men	Self-Employed	Non-Agricultural Labour	Agricultural Labour	Total
Commercial Banks	59813 (63.77)	41823.01 (84.49)	28082.71 (67.48)	860.66 (89.74)	407.23 (81.81)	27144.49 (69.65)
Co-oprative Banks	33973.88 (36.22)	7672.56 (15.50)	13533.83 (32.52)	98.3 (10.25)	90.50 (18.18)	11822 (30.33)
Total	93787.31 (100)	49495.57 (100)	41616 (100)	959.01 (100)	497.73 (100)	38967.34 (100)

Note: Figures in Brackets are the Percentages. Source: Survey Data

Figure-1.3



Composition of non-institutional loans is given in the table-1.4. The share of non-institutional agencies in the supply of credit is low as compared to the institutional sources of credit is concerned. An average household in rural Punjab borrows Rs. 5768.16 from the non-institutional agencies. Self-employed households, agricultural labours and non-agricultural labours did not borrow at al from the commission agents. Whereas, it was found in the survey that an average farmer in border districts of Punjab borrows Rs. 12500 annually from the commission agents and an average serviceman borrows Rs. 1084.07 from the commission agents. The share of commission agents in the total non-institutional credit is 50.87 percent. Servicemen and self-employed rural households in Punjab do not borrow at al from 'friends & relatives' and the village shopkeepers. The share of friends & relatives in the total non-institutional credit is 22.23 percent, whereas the share of village shopkeepers in the total non-institutional credit is Rs.26.88 percent. The main point to be noted here is that no self-employed household was found in the survey having borrowed money from the non-institutional sources. Among all the occupational groups, maximum amount is borrowed by the farmers (Rs.23507.46) from the non-institutional sources and minimum amount is borrowed by the non-agricultural labour (Rs.270.49) from the non-institutional agencies. Figure 1.4 shows that the share of commission agents in the non-institutional credit is maximum, whereas the share of 'friends & relatives' in the non-institutional credit is minimum.

Table-1.4

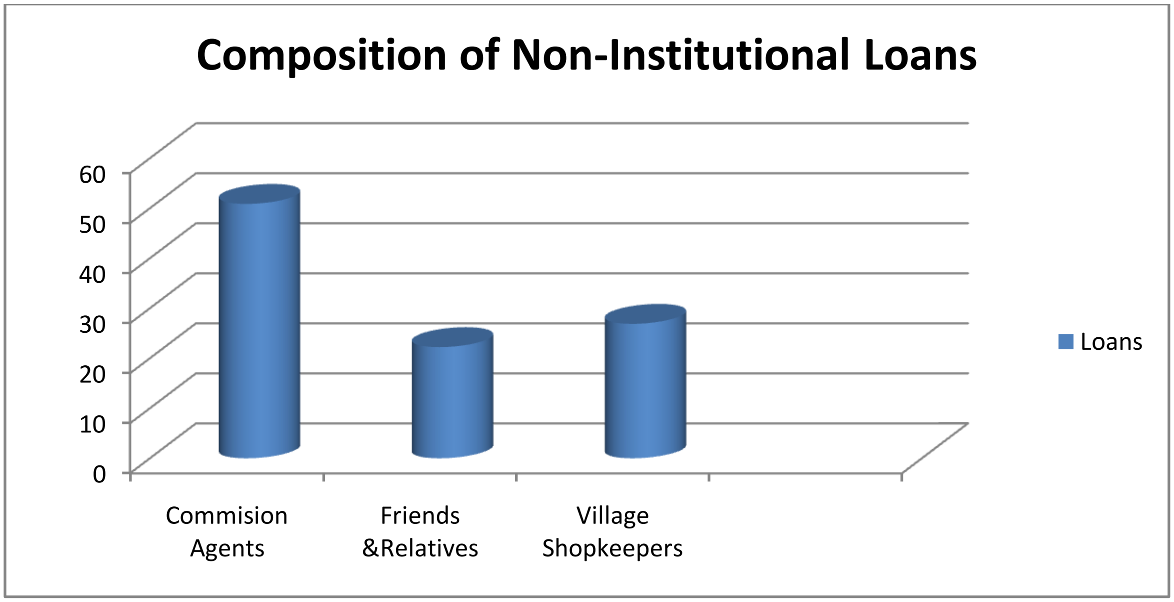
Composition of Non-Institutional Loans (Mean Value, Rs.)

Composition of Non-Institutional LoansDescription ↓	Farmers	Service-Men	Self-Employed	Non-Agricultural Labour	Agricultural Labour	Total
Commission Agents	12500 (53.17)	1084.07 (100)	0	0	0	2934.69 (50.87)
Friends & Relatives	5037.31 (21.42)	0	0	106.55 (39.40)	882.35 (42.85)	1282.44 (22.23)
Village Shopkeepers	5970.14 (25.39)	0	0	163.93 (60.60)	1176.47 (57.14)	1551.02 (26.88)
Total	23507.46 (100)	1084.07 (100)	0	270.49 (100)	2058.82 (100)	5768.16 (100)

Note: Figures in Brackets are the Percentages.

Source: Survey Data

Figure -1.4



Conclusion

Among all the occupational groups, the percentage of borrowers was found highest in case of farmers. Maximum amount of loans is taken by the farmers' households i.e. (4.27 lakhs). An average serviceman in border districts of rural Punjab avails loans to the extent of Rs. 1.64 lakhs annually. Ninety four percent of the farmers borrow from the institutional sources. An average farmer in Punjab borrows Rs. 93787.31 per annum from the institutional sources, whereas Agricultural labours prefer to borrow from the non-institutional sources. The average amount of loans taken by the households of different occupational groups varies to a large extent. As people are more diverted towards the institutional sources for their credit needs, it is an indication that people have become more aware towards the facilities given by the banks and households are no more at the mercy of the commission agents. Of the total institutional loans, sixty four percent is taken from the commercial banks and the share of commission agents is maximum among non-institutional sources of credit. An average household in rural Punjab borrows Rs. 5768.16 from the non-institutional agencies. Self-employed households, agricultural labours and non-agricultural labours did not borrow at al from the commission agents. Whereas, it was found in the survey that an average farmer in border districts of Punjab borrows Rs. 12500 annually from the commission agents and an average serviceman borrows Rs. 1084.07 from the commission agents.

Debt is a core issue and it needs a long term plan to resolve it. Politicians have often promised to waive farmer's loan repayments, but have not addressed the underlying reasons for their chronic indebtedness. Loan wavers are not a solution; it is like a simple dressing for a cancer tumour. The need of the hour is to remove the tumour and address the cause of the disease. The various perks given to farmers by the state, like provident fund for farmers, financial relief to families in which farmers committed suicides and medical insurance are futile without crop insurance because if crops of farmers are not insured by the state government, they will continue to face losses, get trapped in debts and eventually commit suicides. So, the implication can be drawn that the complex pressure on the Indian farmers must be tackled seriously on the basis of a comprehensive examination of the causative factors and the context

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