

Farmer Indebtness- : A Rural Sociological study

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India is developing country .Agriculture is the back bone of Indian economy .Despite 70 years of planned economy and development of industries area In India, agriculture and agrarian activity bare the still main stay of livelihood of nearby 65 to 70 percent of the country population which lived in rural area.Agriculture provide employment to 58.4percentage of the workforce and it is single largest sector of the population.(yogna,jan.2012)

Agriculture is key supporter for India leading industries and transportation sector .However share of agriculture in Gross Domestic Product was 55.4percent in 1950-51, 52 percent in1960-61 and is reduced to only 18.5 percent and 2006-7. The share of agricultural sector capital formal in G.D.P. has declined from 2.2percent in the late 1990's to 1.9 percent to 2005-06.(NSSO2011 .Few would refute the ideas that pre dominantly agrarian economy like India should adopt a development strategy that devote substantial effort at agricultural development .This is because it is being increasingly recognized that instead of transforming economies like India into developed one through a process of rapid capital accumulation and industrialization the plight of majority of population of such economies can be improved by increasing agricultural productivity through the advantage of modern technology .But non-availability of finance is major constraint in agricultural development in such economies .Due to the uncertainties in agriculture ,most cultivator find it difficult to manage from manage to one harvest to others.(GillAnita,jan.2006)The agricultural sector needs credit both for working capital and for investment. In India the demand for both short and long term credit started rising at a rapid rate after the modernization of agriculture in the mid sixties as the farmers has to purchase costly inputs like fertilizers ,HYV seeds, pesticides etc. from the market .In addition ,finance was also needed for land improvements ,to purchase tractors ,to build farm structures ,and dig tubewells. With the expected diversification of agriculture and rapid development of agro processing, the demand for credit is likewise furthers. Since there is no affective crop insurance mechanism cultivators and obliged to borrow money for

consumption purposes during the lean season and drought years. Farmers also borrow money for marriages and other social ceremonies in particular, an overwhelming proportion of small and marginal farmers who lack of resources, depend on credit for the production needs as well as for consumption. Institutional credit to agriculture has to be stepped up significantly to meet their demand at the affordable rate and a cost effective mechanism has to be found for its delivery. The source of borrowing can be divided into Institutional and Non-institutional. The main non institutional are moneylenders who have been operating in India for centuries. The others non institutional are moneylenders (G.S.Bhalla, debt and dependency, pp:60-65). One resource for them is borrowing and borrowing in this context should neither be considered objectionable, nor assign of weakness. Several reasons can be put forward to explain the pervasiveness of the informal lenders. The informal sector can be characterized by highly personalized loan transactions, entailing flexibility in respect of loan amount, purpose, interest rate, collateral requirement, maturity period, etc. At the other end is the formal sector where the scale of operation is much larger and loan terms are standardized. Internal bureaucratic procedures usually raise transaction costs to levels much above that in the formal sector.

The informal credit market is an important part of the financial system of the developing countries. They play a decisive role in channeling credit to small and poor borrowers in both urban and rural areas. There are many reasons which are responsible for the low share of agricultural credit in national credit such as small holding size, dependence on irregular rainfall. Lack of finance to induce the use of new machineries and other inputs in agriculture. Finance plays an important role to improve production in agriculture. Majority of farmers are small and marginal farmers. The need of credit is to pay current expenses of cultivation such as purchase of seeds, manures, etc. Other inputs for improving land productivity to improve drainage, weeding and planting, pay up old debts to build and to purchase food stuff and other necessities, pay land revenue to sometimes farmers use productive loans for unproductive purposes on consumptions. As historical factors show that the farmers take loans from other sources such as moneylender, professional traders.

They also constitute an important source of working capital of all sizes and serve generally to correct inefficiencies in the allocation of formal sector credit. Agriculture sector has been one of the most important production sectors of the economy. In India because even today 59 percent of its population got engaged in agriculture for their livelihood (NNS Report). More even

developing countries like India agriculture development is considered as the basis for development. Even then in the recent years the share of agriculture in the Gross Domestic Product has been continually decline .1950-51 this sectors contributed 59.20 percents total G.D.P, which is declined to 17.10 percent in 2009-10 (Sharma And Upwansi 2009, economic survey 2009-10). To make the sector more important and efficient it is necessary to diversify it . This will help the sector to change the cropping pattern from traditional crop value to catch the new market s at international level. In this direction one has to improve the technology in terms of the intensive use of inputs like HYV seeds, chemical fertilizers, organic manures and adopting the package suggested by extension staff.

The expert like Murray and Million (1980) stated “Credit makes it possible for hired men to become tenants for tenants to become owners”. Therefore the agricultural credit in India is being channeled through various formal and informal institutions .The formal sources includes Central Cooperatives Societies ,RRB, and CB and the informal source consists of friends ,relatives, commission agents traders ,private money lenders and microfinance institutions .

The loan from formal sources are standardized by purposes duration and interest therefore, the rural community are attracted being exploited .In this connection Patel (2006) stated that moneylenders is worse than cancers as cancer kill human being but informal moneylenders kill human being generation to generation .

The rural financial institution will have no meaning if moneylender have a role to play even in the 21 century to finance the agriculture sectors .If anything to its basic economic rationale deriving from its capacity to satisfy the need which were not met by the formal sectors

The business of money lending to the farmers by individuals has sometimes been accused of charging usurious rate of interest on the credit given to the farmers .

The formal credit is often ration with the bank lending rate typically fixed by authorities /govt. and unresponsiveness to excess demand for credit .As consequences of this financial repression unorganized money market had tend to develop and had become an essential part intermediation process. The negative image of moneylender has developed over the age in different cultural contexts under the influence of social ,economy and political factors

.Moneylenders in India both have negative and positive image ,which has simply accepted in the development .Only increasing agricultural productivity ,though the advance of modern technology ,but non availability of finance is major constraint in agriculture development in such economies .Due to the uncertain in agriculture ,most cultivators find it difficult to manage one harvest to another. One recourse from them borrowing .Keeping in view the moneylenders grip on rural life and ruthless exploitation of borrowers at his hand , the whole objects of the official policy interventions .In India ,the myriad of institutional setting attempting to supplying resource to rural sectors are enough proof .Instead erosion of moneylenders position but reports of his empty demise are grossly exaggerated .The persistence of moneylenders and limited success of government intervention to break this gap on rural life sectors are enough proof .Instead efforts reduce their exploitation of the poor did lead to steady erosion of moneylenders position but reports of his impending demise are grossly exaggerated .The persistence of moneylenders and limited success of government intervention to break this gap on rural life. Several reason can put be forward to explain the pervasiveness of the informal lender The informal sector is characterized by highly personalized money lenders .the ruthless exploitation of the borrowers at his hand .The whole object of the official policy intervention ,in agrarian economies like India the myriad of institutional setting attempting to supplying resource to rural sectors are enough proof.

WHY FARMERS NEEDS ARTHIAS CREDIT-:It has been found that several non institutional agencies including professional moneylenders provide loan to agriculture farmers for farm household. The loan was given for variety purposes including consumption social and productive purposes. Many of the illiterate and depends on commission agents for loan. The agriculture and marginal farmers not in position to get the loan from institutional bank .The marginal farmers face many difficulties while getting loan from the bank or PACS .The informal sector has own business and provide loan for many purposes However growth of formal sectors injected competition among the money lenders and term and condition getting loan.It is observed that poor farmers face more difficulties while getting loan from formal sectors .Even though a good numbers of farmers borrowed for seeds consumption ,fertilizer ,pesticides. They mostly depends on arthiyas all these things. The only condition of the Arthiyas credit was that indebted farmers have sells their yields to arthyas.(Jodhkasurender,debt dependence and agrarian change)

The vexatious question arises that in the matter of indebtedness, 70 percent farmers feel that arises that they cannot carry on their farming without the credit and marketing facilities of marketing available by the Arthiyas. though they feel that they get low market price of their yield from the market. The farmers regard the Arthiyas a necessary evil. Though his dealings are not above board and cost of his credit is high, his service is required for consumption and emergency credit requirements. The Arthiyas also ease the market. Interlinkages were thought to be remnant of semi feudal mode of production, but now it is being realized that phenomena has strength with the growing commercialization of agriculture. The new technology come along with HYV crops, increased use of fertilizers pesticides, extensive irrigation. Such holding requirement needs credit. Since institutional source of credit do not meet this excess demand, it spill over the unregulated section of the credit market. Hence enter the commission agent who provide credit on the condition that the cultivator sells his crop to the moneylenders alone. Credit thus gets linked more and more with output, wherever the agriculture is commercialized. On the face of it, there seems to be nothing wrong with the whole situation. But an in depth probe reveals that here we have a serious dilemma-informal credit market are synonymous with exploitation (charging exorbitant rate of interest being one form of exploitation) It is indeed strange the despite the exploitive element present, these institution gaining popularity.

ARTHIYA CREDIT:-

Just as the middle/big farmers were the main source of credit for agricultural source of informal credit for agricultural farmers. The green revolution not only increased productivity, it also multiplied expenses on land, HYV seeds, fertilizers and pesticides were all to be bought from the market. With banias no more left in the village, farmers need alternative source of credit. Institutional credit remained limited to some specific categories of cultivators only and did not provided a viable alternative.

Development of marketing networks was one of the components of developmental efforts. The mandis were opened to provide an alternative to the traditional system of commerce such as the shahi –sammi system. The first mandi were opened 1945 but it was only during 1950 and early 1960 that the mandi became popular with the farmers. Arthiya were the middlemen through whom the farmers sold their yield to the private traders or to the state agencies. The

arthiyas received affix amount of commission on farm yields. Their business was dependent upon the amount of far surplus that farmers brought to them .So, in order to assure their business they started advancing to assure their business, they started advancing to the client farmers .The form and contents of their loans was something between institutional loans and the local informal credit .Arthias had a fairly good assessment of how much wheat or paddy a particular farmer was likely to bring to him .They generally advanced up to 50to 60 per cent of the value of the expected yield .The amount was usually advanced by taking signatures or thumb impressions of the borrowers farmers was likely to bring to them .Arthiyas rarely asked for securities .When a farmer approached an arthiyas for the first time , he was asked to bring an introducer from the village who rarely had business with the arthiyas. The arthiyas would cross –check about the character of new client .his land and standing crop.etc. from a few other farmers of the village and if he was satisfied ,he would advance money to the new client ,his land and standing crop in their fields on the basis of which they assessed how much they could safely advance to a particular farmer .their source of information whom were the farmers themselves from whom they kept inquiring about one another stand crops and expected yields. Arthiyas credit was more flexible than the institution loans .T5hough most of the time farmers borrowed for their shot term investment in the land ,they could also get money for wedding in the family ,Arthiyas rarely bothered about the use their loans were put as long as they were sure that the farmer would be able to clear off the debt .Though in most cases they charged 2percent monthly ,the prime motive of their lending was commercial .They could not expect much business .And unless the money was advanced ,they could not expect much business .And unless the business .On the other hand an indebted farmer not only sold his yield through the arthiya form whom he borrowed . credit it make also sure the farmer took his yield to the mandi even if he had no surplus .The compulsion was obviously felt mainly by the smaller farmers .The bigger felt no such compulsions. They often had more than one mandi .Arthiyas was fairly united relation top the farmers .They did not encourage the farmers, to shift from one arthiyas to another with a mandi Perception s of farmer about their relationship .

With arthiyas were largely positive .It was small and marginal farmers ,who also depended more than one their loan ,who had complain against arthiyas. They felt that arthiyas cheated by manipulating the scaling of their yield and charged high rate of interest However arthiyas

was not powerful enough to dictate terms to the farmers so fluctuate prices. The main attraction of their credit was their easy availability. Farmers generally had informal relations with their arthiyas. Whenever they needed credit, they had to just sign on the account book and they got their money. At times a farmer could get the money simply sending a note through another person. In contrast most farmers found that institutional credit quite cumbersome also. Many small farmers had to borrow from arthiyas even if they had to borrow from bank because their need exceeded the maximum amount they were allowed to borrow. (Jodhka Surender, who sells who borrows? 2006)

ROLE OF COLLATERAL SECURITY:-

The lender's collateral requirements are compulsory while we get a loan from arthiyas. The terms upon which credit can be obtained depend on the type of collateral security that is provided by the borrower. The lender can insure the loan through some middlemen whom they know and take the security that he will provide the loan at exact time. Farmers' Arthiyas relationships are based on multiple ways. For agricultural labour the big/very big and small farmers are totally dependent on Arthiyas for credit which is needed for agriculture expenses. The success of the green revolution not only increased the land productivity it also increased the land expenses. The using input of HV seeds, fertilizers, pesticides, modern agriculture also needs long term investments on the land. In this way institutional credit remained limited to the some specific categories of cultivation fulfilling only specific needs. Arthiyas filled this gap they advanced the credit to all categories of farmers and particularly to small and middle class. (Jodhka Surender, debt dependence and agrarian change 2006)

Arthiyas usually lend to a farmer up to a value of 10 percents of expected yield that farmers were to likely to bring to Mandi. At the time they might lend even more depending upon farmers relationship with Arthiyas. The main interest of the Arthiyas in lending to the farmers was commercial. Though in the most of cases a monthly interest was charged on these loans. Earning interest was not more the main motive behind Arthiyas lending. He was more interested in the farmer's farm yield. Formal credit institution while giving long term loans, demand land as a collateral, the another loan cannot be repaid. Crop is only collateral that can insure the ready loan. Loan availability depends on the types of collateral securities offered by the borrowers. In this case of market of market able collateral. In this absence of such

absences borrowers were borrowed less .The borrowing may also attempt to move the collateral substitutes .third party guarantee .The lender can insure the repayment of loan through some informal sources of borrowers .Third party may have a relationship with the lender other than of borrowing transaction .In such a triangular relationship the lender can minimize the default of loan s and earn the interest income of the loan(K.Sharp,1986)

Demanding crop is very use full for the lender. Pledging the crop means that the cultivator will sell his crop s to the lender who deduct the loan amount and interest rate from it .He then sells the crop on a commission to the government authorities. Not only he earn the rate of interest, but also enhance his income on sale of crop –greater the amount of crop sold ,large the commission the commission agent income .And if some reason crop fail there was always the next crop season with a waiting period of only six month .All the commission agent a definite understanding among them ,and it is next to impossible to sell his crop to another moneylender .

HISTORICAL PERSPECTIVE OF MONEYENDERS:-

Traditionally moneylenders had an important position in the village economic and social structure. Seth points out that “the money lenders occupied an important :”niche” in the structure of ancient Indian history. He was rather than an indispensable constituent in the social set up, in a s much as much s it had been laid known in Niti (law) that a person, roughly not to take his residence at a p[lace where the five essentials Raja (king, dhanika (moneylender,) shortiya (scholar of Veda) . the place of money lenders was thus next only to that of king by non means an unenviable position.

Gandhi ji assessment of money lenders was also positive. As Canatch notes,by 1917 Ghandhi has gained the practical experience of the conditions in the rural areas and his experience of conditions in the rural areas and his experience in Champaran had made his question the accepted the opinion of moneylenders “I have found him to be not always relentless not exacting of his pie”. He sometimes serves his clients many ways or even can we to rescue hours of their distress.” My observation is so limited that draw any conclusions from it , but I respectfully inquiries whether it is not possible to make a serious effort to draw out the good in the Mahajan(moneylender) and help him to throw out the evil in him”.There is also some

record of dissenting attitudes one observes precedes the current thought of Ohio school in his assessments moneylenders carries out an important economic function and moreover can be considered unserious –the rate of high interest is high ,its only proportion the risk of the business .Even Sir Darling (peasant prosperity in Punjab) admits that financing the village marketing ,its produce and supplying ,its necessities ,the moneylenders in India frequently stood between the cultivation and death.

Sir William Hunter remarks(1960)“He represent only thrifty person among an improvident population.Without whose help the cultivators would have had nothing to depend upon but the harvest of a simple years”.Whenever therefore ,we have tempted to revile him,he would remember that by his assistance in Agriculture for 2800 years he had made life possible for millions who must otherwise name perished or never been born.Thus for centuries there is a great controversy over the image of moneylenders in the socio economic development process. But there is no consensus that moneylender is completely a parasiter in the rural economy .It is true that during the post independence period ,the government has adopted many policies to institutionalize the rural credit marketing to liberate the rural poor particular rural poor farming population from the exploitive clutches of moneylenders.Moneylenders share of contribution to the total rural credit market is still remarkable .The establishment of various institutional credit agencies has to some extent ,curbed the dominance of the moneylenders in the rural credit market .Though the influence of the moneylenders is decline .Yet there are still dominant and important in the developing process in the rural areaand their role in rural economy ,particular rural economy can not be neglected .Moneylenders has played an important role in civilization process but its effects on social was never so far reaching as it is now in present form. Money is no more wealth of nations to be used to cement social bonds just the opposite .Money in modern society the real; equivalent of potential and actual value of social labour power and represented by paper token It is letter sense that from the Medieval age to present,money has tranversed a long way changing its form from usurious capital to modern capital

As in the rest of Haryana economy in the study village during the colonial period was backward and subsistence-oriented .productivity of land was low and mostly a single crop was grown .Most of the land was owned by the middle level casts group such as Jats,Rors and Guggars. The bigger land owners leased out pan of their land to low caste landless

tenants. A tenant received two thirds to one half share of their yields. Shajhi the attached labourers, who received payment according to the norms of the caste system.

A network of credit relation was the life line of this system. It was locally known Shahi - Sami system. "Sahor" shahukar was the professional moneylender who belonged to bania caste. The sammi (meaning the clients) was peasant. Every peasant, including big landowners needed credit for payment of land revenue, at the time of weeding or some other functions in the family, for visiting the nearby village or town, and at the time of consumption. (long, M.G. 1968, why peasants farmers borrow)

The landless menial who worked as labourers or sharecroppers had an indirect relationship with the bania or shah. The bania did not lend them directly unless they offered some collateral which they rarely had. So most of them had their account along with the account of an attached landowning peasant with whom they worked as attached labourer or tenant or promised to work for at the time of harvesting. Some of the tenants particularly those from the upper caste occupations, depend on the jagman for the credit needs while the jagman himself might borrow from bania.

Bania supplied all the commodities required by the sammis. Even at the time of wedding and other social functions, it was the shah who arranged all the provisions and cash required for the function or for the dowry. The obvious source of recovery for loan was the peasant loans. The peasant yield from the land. In fact it was customary duty of the banias to scale the entire yield of the peasants. Peasants also sold ghee to the banias. Since most of the peasant kept buffaloes and milk was rarely sold in the village. At the time banias took away cattle in order to clear debts. Also there was the case of land mortgages to the banias a phenomenon extensively on agrarian change during the colonial period.

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