

Composition of Debt in Different Regions of Rural Punjab

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Abstract: The transformation of primitive modes of production to the new technology of agricultural production is good, but the small farmers could not come up with the money for farm investment from their own savings to change conventional agriculture to scientific farming. To do so farmers had borrowed money from various institutional and non-institutional agencies. Marginal farm (MaFs), small farm (SFs), medium farm (MeFs), large farm (LFs) and 'Other' households in all the three regions and artisan households (ARTs) of Majha and Doaba have borrowed maximum amount of their debt from the commercial banks and primary agricultural co-operative bank/co-operative societies. Agricultural labour households (ALs), non-agricultural labour households (NALs) of all the three regions and ARTs of Malwa have taken a major part of their debt from large farmers, private finance companies and traders. The major share of debt goes for domestic needs. Second purpose, where a sizable proportion of debt has been spent, is purchase of farm inputs, machinery and implements.

INTRODUCTION

At the time of independence the agriculture production and productivity was very low in India, and as a result the rate of return on factors of production was very low. The reasons were poor farm management practices, lesser use of modern agricultural technology and poor infrastructure including marketing. The adoption of New Agricultural Technology, like modern machinery, fertilizers, pesticides etc., has helped in transforming the subsistence agriculture into commercial one. New Agricultural Technology was unable to impact every person involved in agriculture because there was not a unwavering agrarian system in India. Reason behind could be unbendable social composition which was never in favour of those who did not have wealth to get better their social conditions. Those with additional wealth (and hence extra

land) can meet the expense of the seeds and chemicals essential to compete in the market (Sebby, 2010).

Punjab adopted New Agricultural Technologies in the initial stage. The modern technology is quite expensive; one and consequently, expenditure on crop production is increasing. The farmers have spent a huge amount on farm assets like pumping sets, tube wells, submersibles, tractors and allied machinery. The transformation of primitive modes of production to the new technology of agricultural production is good, but the small farmers could not come up with the money for farm investment from their own savings to change conventional agriculture to scientific farming (Singh & Toor 2005). To do so farmers had borrowed money from various institutional and non-institutional agencies (Singh & Mehrotra, 1973; Balishter & Naresh, 1984; Purkayastha, 2001; Satish, 2006; Toor, *et al.* 2016; Kumar, *et al.* 2021). A better part of these borrowings were spent on household consumption and other social ceremonies (Sivakumar, 1978).

The introduction of Green Revolution in Punjab has brought in general affluence to peasantry. All the classes of peasantry, i.e. LFs, MeFs, SFs and MaFs and ALs have reaped the benefits of Green Revolution. But one-third of the MaFs, one-fourth of the SFs and about one-fifth of the MeFs are living in poverty in the state as a whole (Saini, 1976; Bhalla & Chadha, 1982). The main causes of indebtedness in rural areas are imbalance, adulterated, un-organized pricing of product (Sharma, *et al.* 2006). Declining income, stagnating yield, repeated crop failures and swelling debt proved to be the major causes of non-repayment of loans.

OBJECTIVE AND RESEARCH METHODOLOGY

Keeping in mind the above described situation present paper, main objective of this paper is to assess the overall debt position of the rural households in different regions of Punjab. It is an attempt to estimate the patterns of debt among the different households of different regions of Punjab. Further, an attempt has been made to estimate and compare the debt position of the sampled households of the different categories in the rural areas of Punjab. Sources of debt have been classified according to the lending agencies. The various purposes, for which the different categories of the rural households take loans, have also been studied. The loan taken by the different household categories at various rates of interest has also been discussed.

This paper by means of primary data of 591 sampled households belonging to 23 villages of four districts (Mansa, SAS Nagar Mohali, SBS Nagar Nawanshahr

and Amritsar), situated in three different geographical regions (Malwa, Doaba and Majha) of the Punjab state, tries to measure by and large debt position of the rural households of different regions in Punjab. Standard statistical tools like mean values have been used while carrying out the tabular analysis.

RESULTS AND DISCUSSION

Region-wise Debt According to Source of Credit

The role of various credit agencies in the study area has been presented in Table 1. An average rural household in Majha, Malwa and Doaba has incurred major part of their debt from the institutional agencies. MaFs, SFs, MeFs, LFs and 'Other' households in all the three regions as well as ARTs of Majha and Doaba incur a major part of their debt from the institutional organizations. Contrary to this ALs and NALs of all three regions as also the ARTs of Malwa, owe a major part of their debt to non-institutional organizations.

Among the institutional agencies, commercial banks and primary agricultural co-operative societies/cooperative banks take the lead in advancing loans to the rural households. However, among the non-institutional sources, the money-lenders/commission agents, traders/shopkeepers and large farmers play a major role in advancing loans to the rural households.

In all the three regions under study, MaFs, SFs, MeFs, LFs and 'Other' households in all the three regions, along with ARTs of Majha and Doaba, owe maximum amount of their debt from the commercial banks and primary agricultural co-operative bank/co-operative societies. ALs, NALs of all the three regions and ARTs of Malwa incur a major part of their debt from large farmers, private finance companies and traders.

Region-wise Debt According to Different Purposes

The purpose-wise distribution of debt is provided in Table 2. An average rural household in Malwa has borrowed Rs. 240622 for different purposes. The corresponding figures for Majha and Doaba are Rs. 199249 and Rs. 73861 respectively.

The major share of debt goes for domestic needs. This is the highest (Rs. 55951) in Malwa, followed by Majha (Rs. 39979) and Doaba (Rs. 27118). Second purpose, where a sizable proportion of debt has been spent, is purchase of farm inputs, machinery and implements. This is the highest (Rs. 90386) in Malwa, whereas the corresponding figure for Majha is Rs. 37262 and that for Doaba is Rs. 6167. House building & main maintenance is another purpose for which rural households have

Table 1: Region-wise debt incurred from various credit agencies

(Mean values, in Rs.)

Source of debt	MaFs			SFs			MeFs			LFs		
	Maiba	Doaba	Majha	Maiba	Doaba	Majha	Maiba	Doaba	Majha	Maiba	Doaba	Majha
Institutional sources												
Primary agricultural cooperative societies/co-operative banks	27000	71182	60909	78943	44286	57857	289800	100000	135000	433333	200000	381000
Commercial banks	58167	136364	72091	165143	75714	119048	556000	180000	296471	876667	600000	1077500
Land development banks	8333	13636	5606	15714	7143	1905	30000	8000	8824	58667	50000	42000
Regional rural banks	3333	5454	3636	7143	4428	2380	8000	0	5881	33333	0	15000
Sub-total	96833	226636	142242	266943	131571	181190	883800	288000	446176	1402000	850000	1515500
Non-institutional sources												
Money-lenders/commission agents	75400	6818	32879	106429	0	91667	96400	20000	144118	133333	120000	250000
Traders/ shopkeepers	0	0	0	0	0	0	0	0	0	0	0	0
Large farmers	8333	0	0	11429	0	0	0	0	0	0	0	0
Relatives and friends	0	13637	0	0	0	0	0	0	0	0	0	0
Private finance companies	0	0	0	17713	0	11904	0	0	0	0	0	0
Sub-total	83733	20455	32879	135571	0	103571	96400	20000	144118	133333	120000	250000
Total	180566	247091	175121	402514	131571	284761	980200	308000	590294	1535333	970000	1765500

Source: Field Survey, 2015-16

Table 1 (Contd...)

Source of debt	ALs		NALs		ARTs		Other		All sampled households						
	Maiba	Doaba	Maiba	Doaba	Maiba	Doaba	Maiba	Doaba	Maiba	Doaba	Maiba				
Institutional sources															
Primary agricultural cooperative societies/co-operative banks	5846	4547	1471	0	1778	6023	2500	6750	0	6574	9789	4310	57016	18273	43644
Commercial banks	2564	2941	1985	2021	3407	6068	16500	0	100000	15556	6922	34483	113354	32463	99538
Land development banks	0	0	0	0	0	0	0	0	0	0	0	0	7732	2417	3533
Regional rural banks	0	0	0	0	0	0	0	0	0	0	0	0	3048	758	1867
Sub-total	8410	7488	3456	2021	5185	12091	19000	6750	100000	22130	16711	38793	181150	53911	148582
Non-institutional sources															
Money-lenders/commission agents	0	0	0	5532	0	0	0	0	0	1759	0	5172	38829	2458	36044
Traders/shopkeepers	9846	9412	10588	2638	11074	2977	500	0	0	648	1053	0	2228	6483	3782
Large farmers	26692	10882	15309	10319	4630	14273	37500	0	0	8333	2631	690	12199	4042	7507
Relatives and friends	0	5882	0	0	4815	0	0	0	0	370	0	0	81	4250	0
Private finance companies	1283	1883	2206	9468	5444	7045	4500	0	0	6464	0	1379	6135	2717	3334
Sub-total	37821	28059	28103	27957	25963	24295	42500	0	0	17574	3684	7241	59472	19950	50667
Total	46231	35547	31559	29978	31148	36386	61500	6750	100000	39704	20395	46034	240622	73861	199249

Source: Field Survey, 2015-16

Table 2: Region-wise debt incurred for different purposes
(Mean values, in Rs.)

Purpose of debt	MaFs			SFs			MeFs			LFs		
	Maiba	Doaba	Majha	Maiba	Doaba	Majha	Maiba	Doaba	Majha	Maiba	Doaba	Majha
		29091	23303	195657	25714	61429	309400	28000	117941	877000	100000	432000
Farm inputs, machinery and implements	79667	29091	23303	195657	25714	61429	309400	28000	117941	877000	100000	432000
Rent of land	0	0	0	0	0	0	0	0	102941	0	0	120000
Dairying	0	0	15909	0	0	4000	0	0	0	0	0	0
Education	12667	16727	18788	5143	20143	36190	32400	26000	44118	25000	200000	93000
Other productive works	500	0	0	0	0	14762	0	0	0	0	0	40000
House building & main maintenance	1067	23545	21970	8571	13571	42381	71600	136000	181176	133333	0	563500
Marriages and other social religious rituals	7500	15909	15152	0	0	11905	397600	0	0	0	0	0
Domestic needs	68500	40909	53333	170286	47143	63333	95600	60000	77059	150000	200000	200000
Health care	2665	9092	2878	6286	6429	17856	5600	8000	9412	16667	50000	32000
Repayment of loan	8000	8182	7576	16571	18571	21429	64000	50000	47059	333333	200000	285000
Foreign	0	103636	16212	0	0	15476	0	0	10588	0	220000	0
Total	180566	247091	175121	402514	131571	284761	980200	308000	590294	1535333	970000	1765500

Source: Field Survey, 2015-16

Table 2 (Contd....)

Purpose of debt	ALs			NALs			ARTs			Other			All sampled households					
	Doaba			Majha			Doaba			Majha			Doaba			Majha		
	Doaba	Majha	Doaba	Majha	Doaba	Majha	Doaba	Majha	Doaba	Majha	Doaba	Majha	Doaba	Majha	Doaba	Majha	Doaba	Majha
Farm inputs, machinery and implements	0	0	0	0	0	0	0	0	0	0	0	0	0	90386	6167	37262		
Rent of land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13111		
Dairying	3846	0	1985	1468	704	0	0	0	0	741	0	1759	1459	317	3160			
Education	1359	2812	2574	2617	1296	2295	15000	1667	0	7019	1421	7414	9045	6748	15782			
Other productive works	0	1618	0	830	741	1477	9000	0	0	5648	2632	5655	1825	979	4173			
House building & main maintenance	0	0	0	0	0	4091	10000	0	0	926	2632	4828	12488	9033	47333			
Marriages and other social religious rituals	14103	5882	0	5319	1148	3909	25000	1500	0	10556	0	15517	47907	2883	6098			
Domestic needs	21923	23235	24706	16894	24519	13864	2500	3250	16667	14536	12394	8792	55952	27118	39979			
Health care	5000	2000	2294	105	1203	10750	0	333	83333	278	1316	2069	3069	3008	8396			
Repayment of loan	0	0	0	0	0	0	0	0	0	0	0	0	17967	5583	19333			
Foreign	0	0	0	2745	1537	0	0	0	0	0	0	0	524	12025	4622			
Total	46231	35547	31559	29978	31148	36386	61500	6750	100000	39704	20395	46034	240622	73861	199249			

Source: Field Survey, 2015-16

taken debt. This is the highest (Rs. 47333) in Majha, whereas the corresponding figure for Malwa is Rs. 12488 and that for Doaba is Rs. 9033. Repayment of loan is the fourth important purpose of debt for a usual rural household in all three regions.

The above analysis highlights the fact that MaFs, SFs, MeFs and LFs have incurred minimum amount of debt for those purposes which are directly used in the production process. These peasants have incurred the maximum amount of their debt to purchase farm inputs, domestic needs, Marriages and other social religious rituals, house building, health care, education and dairying in the rural areas of Punjab. This highlights the fact that the ALs, NALs, ARTs and 'Other' households of all the three regions have incurred maximum amount of their debt for domestic needs, Marriages and other social religious rituals, house building, health care, education and dairying in the rural areas of Punjab.

Region-wise Debt According to Interest Rate

A normal rural household of Majha has borrowed the maximum amount (Rs. 98733) at the interest rate of less than 6 per cent, followed by Malwa (Rs. 86493) at rate of interest 12-18 per cent. An average rural household of Doaba has borrowed the maximum amount (Rs. 30508) at the rate of interest ranging between 6-12 per cent per annum (Table 3).

The analysis shows that MaFs of Majha have taken the highest amount of debt at interest rate of less than 6 per cent. Same households of Malwa have obtained the maximum amount of debt at interest rate of between 12-18 per cent. MaFs of Doaba have borrowed the maximum amount of debt at the rate of interest in the range of 6 to 12 per cent. SFs of Majha and Doaba have owed the highest volume of their debt at the rate of interest less than 6 per cent. But, in Malwa, SFs have borrowed the maximum amount of their debt in the range of 12-18 per cent interest rate.

MeFs of Malwa and Doaba have taken the utmost volume of their debt in the range of 6 to 12 per cent interest rate, where as MeFs of Majha have owed the highest size of debt at 18-24 per cent interest rate. LFs of Malwa and Majha have obtained the maximum volume of their debt at the rate of interest less than 6 per cent, where as LFs of Doaba have owed the dominant amount of debt at the rate of interest 6-12 per cent, per annum.

ALs of Malwa has borrowed the highest size of debt in the range of 12-18 per cent interest rate. Same households of Doaba have borrowed the maximum volume

Table 3: Region-wise debt as per rate of interest

Household categories/ rate of interest	(Mean values, in Rs.)											
	MaFs			SFs			MeFs			LFs		
	Malwa	Doaba	Majha	Malwa	Doaba	Majha	Malwa	Doaba	Majha	Malwa	Doaba	Majha
Less than 6	81333	114818	90606	124371	74286	159762	314200	128000	195588	658667	150000	1202000
6-12	0	125455	5424	19143	45714	16667	448000	180000	0	543333	800000	273500
12-18	92566	454	46212	239000	11571	16665	212000	0	7647	333333	0	40000
18-24	6667	6364	26667	20000	0	66667	6000	0	387059	0	20000	210000
24-30	0	0	6212	0	0	25000	0	0	0	0	0	40000
30 and above	0	0	0	0	0	0	0	0	0	0	0	0
Total	180566	247091	175121	402514	131571	284761	980200	308000	590294	1535333	970000	1765500

Source: Field Survey, 2015-16

Table 3 (Contd....)

Household categories/ rate of interest	All sampled households														
	ALs			NALs			ARTs			Other					
	Malwa	Doaba	Majha	Malwa	Doaba	Majha	Malwa	Doaba	Majha	Malwa	Doaba	Majha			
Less than 6	7821	13371	1985	2638	3296	6023	2500	6750	0	14537	4921	4310	80646	25936	98733
6-12	0	0	1471	596	1611	0	500	0	0	648	9158	0	61780	30508	14951
12-18	16538	1176	338	15638	4593	6067	44000	0	100000	18796	263	28966	86493	2992	17045
18-24	7308	1882	12441	7787	8907	21659	14500	0	0	5019	6053	12759	8606	5983	58351
24-30	7000	10000	8779	1362	9019	1205	0	0	0	704	0	0	1524	5475	7911
30 and above	7564	9118	6544	1957	3722	1432	0	0	0	0	0	0	1573	2967	2258
Total	46231	35547	31559	29978	31148	36386	61500	6750	100000	39704	20395	46034	240622	73861	199249

Source: Field Survey, 2015-16

of debt at interest rate of less than 6 per cent. ALs of Majha has obtained the maximum part of debt at interest rate of 18-24 per cent. NALs of Malwa have borrowed the maximum amount of debt in the range of 12-18 per cent. Same households of Doaba have attained the maximum volume of debt at interest rate of 24-30 per cent.

NALs of Majha have acquired the maximum size of debt at the interest rate of 18-24 per cent. ARTs of Majha and Malwa have owed the major share of debt in the range of 12-18 per cent. ARTs of Doaba have owed the whole volume of debt at the interest rate of less than 6 per cent. 'Other' households of Majha and Malwa have owed the highest part of debt in the range of 12 to 18 per cent. 'Other' households of Doaba have owed the utmost share of debt at interest rate ranging between 6-12 per cent.

CONCLUSION

In all the three regions under study, MaFs, SFs, MeFs, LFs and 'Other' households in all the three regions and ARTs of Majha and Doaba have borrowed maximum amount of their debt from the commercial banks and primary agricultural co-operative bank/co-operative societies. ALs, NALs of all the three regions and ARTs of Malwa have taken a major part of their debt from large farmers, private finance companies and traders.

The major share of debt goes for domestic needs. This is the highest in Malwa, followed by Majha and Doaba. Second purpose, where a sizable proportion of debt has been spent, is purchase of farm inputs, machinery and implements. This is the highest in Malwa, followed by Majha and Doaba. House building & main maintenance is another purpose for which rural households have taken debt. This is the highest in Majha, followed by Malwa and Doaba. Repayment of loan is the fourth important purpose of debt for a normal rural household within all three regions.

The analysis leads to conclusion that the money-lenders/commission agents, traders and large farmers who charge higher rate of interest, are the main source of credit for MaFs, ALs, NALs, ARTs and 'Other' households. Even though interest rate charged by non-institutional agencies is very high, but even than these households still prefer to take loans from them for certain reasons.

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