



Impact of Rural Indebtedness: A Study in Patiala District (Punjab)

RAMA RANI
M.A. (Eco.), M.Phil

Abstract

Credit is a critical input for agricultural operations as the farmers have to purchase inputs like fertilizers, pesticides and make payments for irrigation, labour and hiring machinery, etc., for agricultural operations. The main objective of this paper is to highlight the consequences of indebtedness among the farmers. Data was collected from a sample comprising of total 120 farmers in Patiala district (Punjab) regarding their attitude towards borrowings, positive effects of borrowings and negative effects of borrowings.

Introduction

An important aspect that has emerged in last three decades is that the credit is not only obtained by the small and marginal farmers for survival but also by the large farmers for enhancing their income. For agricultural operations, availability of credit is a critical input as the farmers have to purchase inputs like fertilizers, pesticides and make payments for irrigation, labour and hiring machinery, etc., for agricultural operations. Small and marginal farmers are dependent on credit as they are resource poor.

The main objective of this paper is to highlight the consequences of indebtedness among the farmers. For this purpose a sample comprising of total 120 farmers was selected for intensive investigation from Samana Block (Mavikalan, Kakrala, Kularan and Chupki) and Patran Block of Patiala District (Hemcheri, Duggal, Ghagga and Kangarh). Data was collected with the help of structured questionnaire pertaining very simple questions in respect of credit utilization from four categories of farmers i.e. Marginal farmers (Upto 2.5 acres), Small farmers (2.5-5.0 acres), Medium farmers (5.0-10.0 acres) and large farmers (10.0 acres and above).

Attitude of farmers towards borrowing

During the field work an effort was made to know the attitude of the farmers towards the borrowings and data related to it is shown in Table 1.1. Data reveals that 73.33 per cent of the respondents felt that loans are difficult to be repaid, 64.17 per cent of the respondents told that



loans are necessary for the farmers. Further, sixty per cent of the respondents were of the view that loans should be taken by the farmers. About 58 per cent of the respondents said that loans can be helpful for the farmers. Half of the respondents i.e. 50.00 per cent were of the view that easy availability of the loans leads to indebtedness while 45.00 per cent of the respondents held the view point that loans can be helpful at time of emergency. 40.00 per cent of the respondents were of the opinion that loans should not be taken by the farmers.

Table1.1 : Distribution of respondents on the basis of their attitude towards borrowing

Particulars	Marginal	Small	Medium	Large	Grand Total
Loans should be taken by farmers	13(65.00)	18(48.65)	21(55.26)	20(80.00)	72(60.00)
Loans can be helpful for farmers	14(70.00)	21(56.76)	18(47.37)	17(68.00)	70(58.33)
Loans are necessary for farmers	9(45.00)	24(64.86)	26(68.42)	18(72.00)	77(64.17)
Loans are helpful at the time of emergency	10(50.00)	11(29.73)	19(50.00)	14(56.00)	54(45.00)
Loans should not be taken	7(35.00)	19(51.35)	17(44.74)	5(20.00)	48(40.00)
Loans are difficult to repay	20(100.00)	31(83.78)	29(76.30)	8(32.00)	88(73.33)
Easy availability of loans leads to indebtedness	13(65.00)	24(64.86)	19(50.00)	4(16.00)	60(50.00)

*Multiple response, Figures in parentheses indicate percentages

It is further clear from the table that all the marginal farmers were of the view that loans are difficult to be repaid followed by 83.78, 76.32 and 32.00 per cent of the small medium and large farmers, respectively. 65.00, 48.65, 55.26 and 80.00 per cent of the marginal, small, medium and large farmers, respectively held the attitude that loans should be taken by the farmers. Half of the respondents (50.00%) in marginal and small farmers each were of the view that loans are helpful at the time of emergency whereas 29.73 and 56.00 per cent of the small and large farmers respectively held this attitude.

Positive effects of loan

An effort was made to identify the positive effects of taking credit and data in this regard is presented in Table 1.2. It comes out that 44.17 per cent of the respondents told that loan helped them at the time of uncertainties while 25.83 per cent of the respondents felt that loan helped them to meet their social obligations especially at the time of marriages. Loans helped to buy better machinery and agricultural equipments in case of 21.67 per cent of the respondents while



17.50 per cent of the respondents felt that it helped them to raise their economic standard. 15.00 per cent of the respondents told that credit acquired helped them after the natural calamities.

Table 1.2: Distribution of respondents on the basis of positive effect of loan as felt by them

Positive effect*	Marginal	Small	Medium	Large	Grand Total
To buy better machinery/equipments	3(15.00)	4(10.81)	7(18.42)	12(48.00)	26(21.67)
At the time of natural calamities	6(30.00)	5(13.51)	4(10.56)	3(12.00)	18(15.00)
At the time of uncertainties	9(45.00)	14(37.84)	16(42.11)	14(56.00)	53(44.17)
To meet social obligations	7(35.00)	11(29.73)	6(15.79)	7(28.00)	31(25.83)
To raise economic standard	4(20.00)	3(8.11)	5(13.16)	9(36.00)	21(17.50)

*Multiple response, Figures in parentheses indicate percentages

Table shows that **41.67** per cent of the respondents felt that loans are passed to next generation when not repayed while 40.83 per cent of the respondents felt that it leads to illness which include depression and hypertension etc. About 38 per cent of the respondents told that family disputes were there due to the loans taken by them while 35.83 per cent of the respondents felt that it led to social degradation,. About 33 per cent of the respondents told that they were economically degraded due to the loans whereas it created problem of drug addiction and alcoholism in case of 25.00 per cent of the respondents and gambling among 23.33 per cent of the respondents.

On watching the different categories of farmers, it comes out that 50.00, 48.65, 36.84 and 28.00 per cent of the marginal, small, medium and large : farmers respectively faced the illness problem due to borrowing of loans. More percentage of respondents in marginal category (55.00%) faced the problem of drug addiction and alcoholism as compared to other categories i.e. 18.92 per cent in case of small farmers, 23.68 per cent among medium farmers and 12.00 per cent among large farmers. The percentage of the respondents who faced social degradation was 35.00, 43.24, 36.84 and 24.00 per cent among marginal, small, medium, large farmers respectively whereas the percentage of the respondents who faced economic degradation was 40.00, 37.84, 28.95 and 28.00 per cent among the marginal, small, medium and large farmers., respectively.



Table 1.3: Distribution of respondents on the basis of negative effects of loan as felt by them

Negative effect*	Marginal	Small	Medium	Large	Grand Total
Economic degradation	8(40.00)	14(37.84)	11(28.95)	7(28.00)	40(33.33)
Social degradation	7(35.00)	16(43.24)	14(36.84)	6(24.00)	43(35.83)
Leads to illness	10(50.00)	18(48.65)	14(36.84)	7(28.00)	49(40.83)
Drug addiction/Alcoholism	11(55.00)	7(18.92)	9(23.68)	3(12.00)	30(25.00)
Gambling	9(45.00)	8(21.62)	7(18.42)	4(16.00)	28(23.33)
Family disputes	12(60.00)	18(48.65)	12(21.57)	4(16.00)	46(38.33)
Loans passed to next generation	11(55.00)	17(45.95)	18(47.37)	4(16.00)	50(41.67)

The table further reveals that 45.00, 37.84, 42.11 and 56.00 per cent of the marginal, small, medium and large farmers felt that loans helped them at the time of uncertainties while 35.00, 29.73, 15.79 and 28.00 per cent of marginal, small, medium and large farmers told that loans helped them to meet social obligations. Loans helped 20.00 per cent of the marginal farmers, 8.11 per cent small farmers, 13.16 per cent medium farmers and 36.00 per cent large farmers to raise their economic standard.

Selling of land and valuables

Data related with the selling of land and valuables is presented In Table 1.4. Table shows that majority of the respondents (78.33%) had not sold. their land or valuables while the remaining ones (21.67%) had to sell their land or valuables. Table further highlights the reasons due to which the farmers were forced to sell their possessions and it was found that 7.50 per cent of the respondents had sold their land or valuables for the repayment of loans. An equal number of respondents (5.00%) did so, because of subdivision of the family and to meet their expenses on the socio-religious ceremonies. A small percentage of the respondents i.e. (0.83%) sold their land or valuables due to natural calamity.

Table 1.4: Distribution of respondents on the basis reasons for selling land/valuables

Expenditure (Rs.)	Marginal	Small	Medium	Large	Grand Total
Not sold	11(55.00)	27(72.97)	33(86.84)	23(92.00)	94(78.33)
Subdivision of family	1(5.00)	2(5.41)	2(5.26)	1(4.00)	6(5.00)
Uneconomically land holding	2(10.00)	2(5.41)	-	-	4(3.33)



Repayment of loan	3(15.00)	4(10.81)	2(5.26)	-	9(7.50)
Socio religious ceremonies	2(10.00)	2(5.41)	1(2.63)	1(4.00)	6(5.00)
Natural calamity	1(5.00)	-	-	-	1(0.83)
Total	20(100.00)	37(100.00)	38(100.00)	25(100.00)	120(100.00)

Figures in parentheses indicate percentages

Category wise data reveals that maximum percentage of respondents who sold their land or valuables was from marginal farmers followed by small, medium and large farmers respectively. The percentage of respondents who sold their possession for repayment of loans were 15.00, 10.81 and 5.26 among the marginal, small and medium farmers respectively while the percentage of respondents who sold their possession to meet their socio religious obligations were 10.00, 5.41, 2.63 and 4.00 per cent among the marginal, small, medium and large farmers respectively.

Consequences of rural indebtedness

The study highlights consequences of rural indebtedness. Loans affected the respondents both positively and negatively. It was found that 7.50 per cent of the respondents sold their land or valuables for the repayment of loans. 'Credit acquisition positively affected the respondents at the time of uncertainties and natural calamities, it helped (25.83 and 17.50%) of the respondents to meet social obligations and to raise economic standard respectively Negative 'effects of loan were that it led to illness mainly depression and hypertension in 40.83 per cent of the respondents. Loans also led to social degradation when not repaid while passing on to next generation, economic degradation, family disputes, drug addiction, alcoholism and gambling were some of the other negative effects felt by the respondents.

References

- Grover D K, Kumar S, Vatta K (2003) Market imperfections and farmers distress in Punjab. Study by Agro-Economics Research Centre, Punjab Agricultural University, Ludhiana, India.
- JohI S S and Ray S K (2002) Future development of agriculture in Punjab. Future of agriculture in Punjab. Centre for Research in Rural and Industrial Development, Chandigarh. pp.11 ;16.
- Kumar N, Singh Band Bal H S (1988) Analysis of rural credit structure in Ludhiana district. IJAE43: pg 440-441.
- Ray S K (2001) Crisis in Punjab agriculture - new strategy for sustainable growth need of the hour. Tribune, Jan.24. p.1 0
- Soni R N (2000) Leading Issues in Agricultural Economics. Vishal Publications, Jalandhar, India. pp. 533-557.