

RURAL INDEBTEDNESS AMONG AGRICULTURAL FARMERS WITH REFERENCE TO VELUR PANCHAYATH

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Abstract: Indebtedness means an obligation to pay money to another party. It has been acknowledged as one of the most infamous stumbling blocks in the way of rural prosperity. Indebtedness is characterized as unproductive usage of loans, usurious engagement of the borrower, captivation of productive resources, the exercise of coercive and exploitation and social powers by the lender, and feeling, of guilt and helplessness. Poverty is perhaps a major cause of rural indebtedness. The low level of rural incomes and the uncertain and primitive farming of small landholdings make it impossible to meet these needs. One of the major problems concerning rural society is indebtedness. . One of the major problems concerning rural society is indebtedness. This problem is just not related to one individual but is passed on from one generation to the next generation. The study is an attempt to analyze the reason, extent, and impact of indebtedness among the farmer's households in the Velur panchayath. The study carried out the objectives of analyzing the socio-economic condition, nature, and extent of debt and major remedial measures.

Primary data were collected from randomly selected 4 wards and from 100 households. The collected data were analyzed with simple statistical tools and interpretations were made based on the analysis. From the study, it is seen that 92% of HHs were taken different types of loans for agriculture, housing, education, vehicle, gold loan, etc. their income was not sufficient to repay the loan regularly. The major reasons for the delay in repayments were crop failure, high-interest rate, unexpected loss, unorganized debt source, unproductive debt, labor problems conspicuous consumption, etc.

Agriculture is a seasonal product, there is a gap between produce and harvest period. In between the harvest period they don't have any income generated from the field. To meet their wants, they create debt or loan, this debt is a burden to the family. The issue of indebtedness becomes a matter of intensive debate whenever the agricultural sector faces distress. Indebtedness should be pre-empted of the overtone of optimism. Indebtedness is not the state of being under the financial obligation undertaken on account of productive utilization of resources promoting economic achievement of borrower; rather it is state of being under the financial obligation undertaken on account of compulsion and being ensnared in the cobweb of usury. If the identified problem were rectified with suggestive measures, we have to control and limit the rural indebtedness to an extent.

Keywords: Rural indebtedness, Poverty, Farmers ,Income

INTRODUCTION

The Indian farmer is "born in debt, lives in debt and dies in debt". - Royal commission

Indebtedness means an obligation to pay money to another party. It has been acknowledged one of the most infamous stumbling blocks in the way of rural prosperity. Poverty perhaps a major cause for rural indebtedness. The low level of rural incomes, the uncertain and primitive farming of small landholdings makes it impossible to meet the needs required for their living. Often, the rural people take debt to meet these needs. In rural the poor farmers and wage labours are more effected in debt, when are unable to repay a loan and accumulate it, gives rise to the problem of rural indebtedness. Rural indebtedness is an indicator of the weak financial infrastructure of our country which includes inability of our economic system to reach the needy farmers, landless people in the village and the agricultural wage labors. The farmers borrow loan for either agricultural operations or some other uses like supporting the family in the lean season or to buy equipments. Due to lower income or wasteful expenditure, when the farmers are unable to pay the loans they are unable to pay off their debts and thus accumulate the debt as well as pending internal on the amount. The weaker financial inclusion in India has given the local money lenders as opportunity to exploit such farmers from generations to generations. History teaches us the account of the reproach received by the lenders and usurers from most of the religious scriptures and social reformers. Socrates had his last wish that they should not forget to repay the debt of the cock that he owed to repay. Then indebtedness must be a curse, a plight, and a desolating experience. The social sanction of lending since the sixteenth century speaks volumes of the changes in the socioeconomic condition of Europe while borrowing emerged as a means to financing enterprises and lost the connotation of the plight of the indebted. But indebtedness of the Indian rural people is yet to lose the said connotation.

The advent of new technique in the field of agriculture has given rise to the capital required build the farm infrastructure and meeting the operational costs. However, the Indian farmers have been suffering from stagnation owing to low productivity arising from inadequate investment. Hence, they are unable to transform traditional subsistence agricultural into modern scientific farming. The loan obtained bare subsistence and fulfillment of their social obligations. Mechanization of agriculture has brought the rural people closer to those in the cities, resulting in a mad race of having good standard of living. In this way the farmers are caught the vicious net of indebtedness. An analysis of levels and pattern of the marginal and small farmers brings out the fact that the generation

by them is not sufficient to meet their day to day expenses. The average propensity to consume is greater than one for marginal and small farm categories. The farmers have no other option than to avail loan from various institutional agencies. For providing loans institutional arrangements have not yielded the expected results. As a consequence the farmers are forced to approach the non institutional agencies for credit to meet their needs. For a long time in the past people in rural areas had no alternative except borrowing from private money lenders. The studies on the rural indebtedness revealed that the farming community was in clutches of the local money lenders, who are unfavourable and follow inimical the interest of the farmers. To tackle the problem of farm credit in an effective manner the govt. has assigned the task mainly to their agencies are co-operative banks, commercial banks, regional rural banks (RRBs). The institutional agencies become a powerful instrument for economic development by providing credit facilities to rural masses on liberal terms for agricultural and allied activities, rural industries and tertiary sectors.

REVIEW OF LITERATURE

Mohan Kumar (2016): this study deals with Greece Debt Crisis. The country know as ancient city states direct democracy and Alexander the Great is again in the news not because of its glory but because of external debt insolvency and internal financial crisis, it is none other than Greece a member of EURO zone. Academia defines a sovereign debt crisis as financial difficulties that countries have to support their debt liabilities. As nations fund their sovereign financial needs by using govt. bond, liabilities concerning the individual countries external debt rise accordingly certain political macroeconomic and other unforeseen circumstances provoke nervousness with in the financial market concerning the countries capability to cover their loans. The Greek sovereign debt crisis is accepted to have far reaching implications for the mechanism of the EURO zone as well as for the European Union. Over consumptions financed by increasing borrowing over the 1980-2009 periods, current account deficit and govt. budget deficits are the main source of the current dramatic state of affairs of the Greek economy. The current debt crisis has shown that a reform of current EU mechanisms must be put in force, otherwise the stability of the EURO zone will be jeopardized and the euro currency itself will be negatively affected.

Ramamurthy et. al., (2015) in their analytical study found that co-operative banks, commercial banks and money lenders were the main source of supply of credit to sample farmers of two districts in Tamil Nadu. The credit from the government was conspicuous by its absence. The study further showed that the co-operatives banks were the most important sources accounting for 61.73 per cent followed by the commercial banks and money lenders constituting 12.61 per cent and 25.05 per cent, respectively. They further observed that commercial banks which started financing for agriculture recently had made significant contribution in the field of agriculture finance. Agricultural farmers forced credit to agricultural sectors has led to a situation where regular debt waiver is needed. Even if that comprises nearly 20% of the total credit, still they are not making any capital as they are short term loans. So, these distress farmers become a liability for the banks. This lead to more non institutional loans, which will make farmers totally in the debt trap, and even govt. may not be able to help in that situation.

K. Kanagasabapathy and Charan singh (2014): this study deals with the debt management in India. The reserve bank of India being the major investor in govt. securities, its market interventions through open market operations in govt. securities and liquidity management operations through the CRR or LAF is highly susceptible to be clouded by debt management objectives. As the role of RBI is restricted to management of market loans, debt management should be viewed in a holistic manner while structuring the new DMO. The interests of all stakeholders namely, central govt. state govt. and the RBI also need to be kept in view. The public debt of the country has been estimated at 66.0% of GDP at end march 2013. The overall amount of total market borrowing is decided in consultation with the planning commission state govt. the central govt. The RBI also advices the central and state govt. on the quantum timing and terms of issue of new loans for each of the branches. The govt. also offers a variety of small saving schemes to meet the varying needs of different groups of small investors. In respects of each scheme statutory rules are framed by the central govt. indicating varies details including the rate of interest and the maturity period. Small saving instruments can be classified under the following three heads postal deposit, savings certificates and public provident fund (PPF) with PPF being a small component. The ownership pattern of small saving is not available though a few adhoc surveys have been undertaken.

SIGNIFICANCE OF THE STUDY

The issue of indebtedness becomes a matter of intensive debate whenever the agricultural sector faces distress. Indebtedness should be pre-empted of the overtone of optimism. Indebtedness is not the state of being under the financial obligation undertaken on account of productive utilization of resources promoting economic achievement of borrower; rather it is state of being under the financial obligation undertaken on account of compulsion and being ensnared in the cobweb of usury. The borrower need not repay his debt in terms of pound of flesh; a pint of fresh blood would suffice. Sometimes indebtedness originates in the loan incurred for productive activities as well. We know well that farming in most of regions of India is to gamble with nature. If not the flood, then the drought, and if the farmer is lucky, then an untimely rainfall! A Farmer who has financed cultivation by borrowing has now a scant chance of paying off his debt. If he has succeeded in raising some production, he is forced to dispose it off to the lender. In the literature on agricultural economics in India we often come across the terms like 'forced surplus' and 'perverse supply of food grains', etc.

Indebtedness of the Indian peasantry explains all these 'surprises' and 'paradoxes' of a 'standard economist.' If prices of the agricultural produce increases (during the period between the current and the next crop season) by a growth rate r_1 and the principal (debt) multiplies itself by a growth. In recent year, agricultural farmers face indebtedness because they did not get enough outcomes from agricultural land. They stress to meet their needs and wants and compel to take loan from institution. Loan is a liability to the family. Increasing cost of production is one of the main reasons to increase the indebtedness. People get unproductive profit from agriculture land so they are dropping agricultural land to service sectors. The reason for increasing the debt firstly because of

household hardly saves enough to meet such needs. Agricultural is a seasonal product, there is a gap between produce and harvest period. In between the harvest period they don't have any income generates from the field. To meet their wants, they create debt or loan, this debt is burden to the family. This is the reason that indebtedness among agricultural farmers is relevant one.

The report of comptroller and audit general state that the Kerala government in debt traps. After 2011-2012 the primary expenditure of Kerala govt. depend up on debt fund. Total debt of Kerala govt. in April 2014 is 1, 24,081 crore and it increased to 1, 41,947 crore in March 2015. 44% of this debt is RS 42,362 crore repay within 7 years. Last year RS 18,509 crore take as debt but only Rs. 5365 is useful for the govt. because of payment of interest and repayment of other loans. In 2014-2015 the growth of tax is only 10%. In 2014-2015 the development expenditure were reduced 26 crore than past year.

OBJECTIVES OF THE STUDY

1. To trace out the major causes of debt and their remedial measures.

HYPOTHESIS

HO: Unproductive capital, increase in cost, change in land cropping pattern, market problem, climate change, credit facility, cumulative debt are the main reason for indebtedness among the farmers.

H1: Conversion of land, unproductive capital, market problem, pest and plant diseases, credit facility are not the main reason for indebtedness

METHODOLOGY

The study is based on both primary and secondary data. Primary data were collected from the study area of velur panchayat through interview schedule and observation techniques. For present study is purposive and simple random sampling technique have been used. Analysis and interpretation of collected data are represented and simple statistics method likes correlation are used.

ANALYSIS

Reason and Remedial Of Indebtedness

Sl.No	Reasons for Indebtedness	Opinion (%)	Rank	Debt Management Measures	Opinion (%)	Rank
1	Low Productivity	82	2	Multiple Cropping Pattern	78	5
2	Unemployment	62	8	Create Employment Activity	68	8
3	High Interest Rate	78	3	Interest Free Loan	98	2
4	Lack Of Credit Facility	72	6	Proper Govt. Supports	84	4
5	Unproductive Debt	76	4	Proper Utilization Of Loan	87	3
6	Labour Problem	48	9	MNREGA Participation	75	6
7	Conspicuous Consumption	34	10	High Tax on Luxuries Goods	52	11
8	Unexpected Loss	23	13	Insurance Schemes	51	12
9	Alcoholism	24	12	Awareness Class	56	10
10	Crop Failure	85	1	Crop Insurance	74	7

11	Previous Debt	64	7	Debt Conversion/ Avoid Unnecessary Debt	63	9
12	Health Problem	34	11	Health Insurance	42	13
13	Market Problem	72	5	Better Market Condition	98	1

Source: Primary Data

Correlation Analysis

The following table analysis the Spearman's Rank Correlation co-efficient which used to identify the correlation between two variables the identified problem that is the major causes of indebtedness and their recommended solutions.

Spearman's Rank Correlation Co-Efficient

No. of Observation	X (Opinion %)	R1	Y (Opinion %)	R2	R1-R2 =D	D ²
1	82	2	78	5	3	9
2	62	8	68	8	0	0
3	78	3	98	2	1	1
4	72	6	84	4	2	4
5	76	4	87	3	1	1
6	48	9	75	6	3	9
7	34	10	52	11	-1	1
8	23	13	51	12	-1	1
9	24	12	56	10	-2	4
10	85	1	74	7	-6	36
11	64	7	63	9	-2	4
12	34	11	42	13	-2	4
13	72	5	98	1	4	16
n=10						∑D² =90

Source: Primary Data

$$\begin{aligned}
 \text{Spearman's Rank Correlation} &= 1 - \frac{6\sum D^2}{n(n^2-1)} \\
 &= 1 - \frac{6*90}{13(13^2-1)} \\
 &= 1 - \frac{540}{13*168} \\
 &= 1 - \frac{540}{2184} \\
 &= 1 - 0.247 \\
 &= 0.752
 \end{aligned}$$

Here the reason for indebtedness are taken as the opinion value as X on the basis of their percentage. The recommended solutions are also identified as Y values. Rank is placed on the basis of their values. The deviation values are taken as D. the deviations are squared and the total is taken as D^2 . By applying the formula of Spearman's Rank Correlation equation as $1 - \frac{6\sum D^2}{n(n^2-1)}$, the value derived as 0.752 which shows that there is strong positive correlation between the identified causes and recommended solutions. Under this circumstance the null hypothesis is accepted and rejected the alternative hypothesis.

FINDINGS

- The major reason for increasing indebtedness due to the usage of loans for unproductive purpose, conspicuous consumption, using loan for other purpose
- The major reasons like lack of asset, lack of credibility, lack of job, unawareness of loans and repayment of previous debt were the unavailability of credit to farmers.
- The major property loss due to delay on repayment of debt were gold, land, vehicle, house and durable goods.
- Extreme climate change followed by input cost price, pest and plant diseases, land conversion for other purpose, unproductive agriculture operation, marketing, consideration of agriculture as undignified job were the major reason for decreasing agriculture sector and it leads to indebtedness to farmers
- By applying measures like honoring of farmers, creating farmers club, better market condition, creating allied activity, provide interest free loans, effective price to farmers we have to develop agricultural sector in great extent. But the lag and delay in the implementation strategy leads to farmers' indebtedness.
- The major impacts of indebtedness among agricultural farmers were identified as loss of reliability, lack of credit worthiness, loss of friendship, isolation from society.
- Even though the concessional packages like pension, subsidy loan, land, scholarship, palliative care, medical checkup there is an increasing tendency of indebtedness among farmers.
- The major reason for indebtedness among agriculture farmers were low productivity, unemployment, high interest rate, lack of credit facility, unproductive debt, labour problem, conspicuous consumption, family related problems like diseases, death, accidents, unexpected loss, alcoholism, crop failure, previous debt, market problem.
- The correlation value analysis reveals that there is a strong positive correlation (0.752) between the identified problems of indebtedness and their remedial measures.

SUGGESTIONS

The issue of indebtedness becomes a matter of intensive debate whenever the agricultural sector faces distress. Indebtedness should be pre-empted of the overtone of optimism. Indebtedness is not the state of being under the financial obligation undertaken on account of productive utilization of resources promoting economic achievement of borrower; rather it is state of being under the financial obligation undertaken on account of compulsion and being ensnared in the cobweb of usury. The analysis reveals that the major reasons for indebtedness among agriculture farmers are crop failure, high interest rate, marketing, low productivity, alcoholism, previous debt etc. so for reducing the burden of indebtedness, it is suggested that;

- Promoting multi cropping to the agriculture farmers.
- Enhancing allied employment activity to the farmers
- To provide interest free and cheap loan for agriculture purpose.
- Direction to utilization of existing debt for productive purpose.
- MNREGA, SHG and other social participation should be strengthened in agricultural sector.
- Maintain good and health saving habits and thrift.
- Agro based industry have been promoted by government.
- Progressive rate of taxation for conspicuous consumption items and luxuries goods by the govt.
- Awareness classes and botheration should be given through multi media for limiting unnecessary loans, alcoholism and other anti social elements.
- Govt. should provide crop insurance and compensation to agriculture loss.
- Provision should be given to effective utilization of the debt for that purpose and proper monitoring by financial institution.
- The govt. should take strict action towards money lenders.
- Provision should be given to get Kizan credit card facility, concessions given through the Kizan cards.
- Promoting a culture of proper repayment of debt, and provide subsidies and concession only to that farmers.
- Facilitates better market conditions like fairs, exhibition, outlets etc. Should be provided to agriculture farmers.
- Technical help from Krishi Bhavan and directions from agricultural experts, and provisions of improve seeds and manner etc. should be provided
- Social media participations in the case of directions, concessions, financial help, climatic condition, information about new seeds, techniques, marketing etc. through SMS and other methods.

CONCLUSION

The issue of indebtedness becomes a matter of intensive debate whenever the agricultural sector faces distress. Indebtedness should be pre-empted of the overtone of optimism. Indebtedness is not the state of being under the financial obligation undertaken on account of productive utilization of resources promoting economic achievement of borrower; rather it is state of

being under the financial obligation undertaken on account of compulsion and being ensnared in the cobweb of usury. Agricultural is a seasonal product, there is a gap between produce and harvest period. In between the harvest period they don't have any income generates from the field. To meet their wants, they create debt or loan, this debt is burden to the family. The low level of rural incomes, the uncertain and primitive farming of small landholdings makes it impossible to meet these needs. One of the major problems concerning to the rural society is indebtedness. This problem is just not related to one individual but is passed on from one generation to the next generation. Taking or incurring debt for the purpose of agricultural production is indeed necessary as it contributes to production. When the borrower fails to repay in time and loan goes to accumulating. The study identified the major reason for indebtedness among agricultural farmers are low productivity, unemployment, high interest rate, lack of credit facility, unproductive debt, labour problem, conspicuous consumption, family related problems like diseases, death, accidents, unexpected loss, alcoholism, crop failure, cumulative previous debt, market related problem etc. If the identified problem were rectified with suggestive measures like, provision of cheap credit facilities, marketing, insurance, technical help, special economic provisions, MNREGA participation in agricultural participation, irrigation facilities, implementing pension schemes to farmers, conversion of debt, freezing, interest free debt, honouring of farmers and providing allied occupational activities etc. Will help to control and limit the rural indebtedness among agriculture farmers in great extent. In these circumstances the study is relevant.

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