

## CAUSES OF INDEBTEDNESS AMONG THE FARMERS

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### ABSTRACT

*The study was conducted in Etawah district of Uttar Pradesh and 240 respondents, representing 2 blocks and 8 villages of the district constituted the study sample. The main objective of this study was to examine the causes of indebtedness among the farmers. Majority of the respondents feel that most serious causes of indebtedness were imbalance, adulterated, unorganised pricing of products and extravergent and improvident borrowing was the least serious cause in Barpura Block (0.98) while In case of Mahewa block farmers' most serious cause of indebtedness was inadequate and untimely disbursal of loan by farm credit agencies and extravergent and improvident borrowing was the least serious.*

**Key words:** *Indebtedness; Borrower farmers; Causes of indebtedness*

### INTRODUCTION

The new technology is undoubtedly highly productive but at the same time it requires relatively larger quantity of investment. Unless proper credit facilities in consumption with careful extension advice and other necessary institutional infrastructure are provided to the majority of cultivators, no substantial gains can be expected. Since the majority of the farmers belong to the category of small and marginal farmers, they usually need timely financial assistance.

For a long time in the past, people in rural areas had no alternative except borrowing from private moneylenders. The studies on the rural indebtedness revealed that the farming community was in clutches of the local moneylenders who were unfavourable and callous enimical to the interest of the farmers. To tackle the problem of farm credit in an effective manner, the Government has assigned the task mainly to three agencies, viz; (i) Co-operatives, (ii) Commercial Banks, (iii) Regional Rural Banks (RRBs). The institutional agencies became a powerful instrument for economic development by providing credit facilities to rural masses on liberal terms for agriculture and allied activities, rural industries and tertiary sector.

The question of indebtedness in the context of rural India has always been viewed as a problem rather than a harbinger of prosperity. This has been so primarily due to the preponderance of the deficit nature of rural family budget especially in case of agriculturists possessing small holdings and all others having poor means of income. The vagaries of weather, the small and uneconomic size of land holdings, a high rate of illiteracy, the mounting burden of old debt awaiting repayment, the extravergent unproductive spending on marriages and social ceremonies, are some of the important factors responsible for the gravity of the problem of rural indebtedness prevailing at the time. Indebtedness is a sin

when incurred disproportionately to ones repaying capacity and is not put to productive use in right manner. Keeping these facts in view, a study was conducted to investigate the causes of indebtedness among the farmers.

### METHODOLOGY

The present study was carried out in district Etawah, Uttar Pradesh. Etawah district was purposively selected. There were eight blocks in district, out of which two blocks Barpura and Mahewa were selected randomly. Further, four villages from each block were also selected randomly. Thus, in all eight villages from two blocks of Etawah district were selected for the study.

For the selection of the respondents a list of bank borrowers was prepared and 240 respondents were selected randomly from 680 borrowers. The structured interview schedule was used for collecting data from respondents. The data were analysed and interpreted by using statistics like percentage, mean score, rank order and correlation coefficient.

### RESULTS AND DISCUSSION

It is evident from Table 1 that, about 46.00 per cent of the respondents were from middle age group followed by young age and old age group while 71.25 per cent were literate. Half of the respondents was belonged to upper caste followed by middle and lower, respectively. Majority of the respondents were from Hindus.

Regarding the size of land holding, majority of the respondents 67.50 per cent had small land holding. In case of annual income majority of respondents were from middle (75.42%) income group while occupation (74.58%) of the respondents was farming. A sizable of the respondents (56.67 %) belonged to joint family system and their family size was large (>5 members).

Thus, the findings indicate that the respondents had

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Table 1. Background information of respondents. N = 240

S.N.	Variables	Frequency	Percentage
1.	Age		
	Young	35	14.58
	Middle	110	45.83
2.	Old	95	39.58
	Education		
	Illiterate	69	28.75
3.	Literate	171	71.25
	Caste		
4.	Upper	126	52.50
	Middle	73	30.42
	Lower	41	17.08
	Religion		
5.	Hindu	235	97.92
	Muslim	5	2.08
	Land holding size (ha)		
6.	Small	162	67.50
	Medium	68	28.33
	Large	10	4.17
7.	Income annual (Rs.)		
	Low (<30000)	6	2.5
	Medium (30000-60000)	181	75.42
	High (>60000)	53	22.08
8.	Occupation		
	Agriculture	179	74.58
	Agriculture with labour	4	1.67
	Agriculture with service	10	4.17
9.	Agriculture with business	47	19.58
	Family type		
	Nuclear	104	43.33
10.	Joint	136	56.67
	Family size		
	Small (<5)	93	38.75
11.	Large (>5)	143	61.25

fairly satisfactory economic status as majority of them were engaged in one or the other occupation besides agriculture.

It is apparent from Table 2 that mean score of respondents with regard to different causes of indebtedness among farmers of different two blocks Barpura and Mahewa ranged from 0.93 to 2.21. In case of Barpura block farmer's most serious causes of indebtedness of farmers were (2.26). Imbalance, adulterated, unorganised pricing of farmer's products and (0.98) extravergent and improvident borrowing was the least serious. In case of Mahewa Block, inadequate and untimely disbursed of loan by farm credit agencies (2.16) and extravergent and improvident borrowing was the least serious 0.98 were the most serious causes of indebtedness.

To find out association between Barpura and Mahewa blocks farmers regarding causes of indebtedness Spearman's rank order correlation was applied. The correlation value between Barpura and Mahewa block was 0.98, which was

Table 2. Causes of indebtedness among the farmers

S. N.	Causes of indebtedness	Barpura Block		Mahewa Block		Overall	
		Mean	Rank	Mean	Rank	Mean	Rank
1.	Farmers' illiteracy	1.56	6	1.60	6	1.58	6
2.	Ignorance	1.70	5	1.63	5	1.67	5
3.	High interest rate	1.13	9	1.40	9	1.27	9
4.	Imbalance, adulterated, unorganised pricing of product	2.26	1	2.16	1.5	2.21	1
5.	Burden of traditional and ancestral debt	1.00	12.5	1.00	12	1.00	12
6.	Improper use of loan by the farmers	1.20	7	1.45	8	1.33	7
7.	Inadequate and untimely disbursal of loan by farm credit agencies	1.79	4	2.16	1.5	1.99	3
8.	Crop failure	1.13	8	1.50	7	1.32	8
9.	Various complicated norms	1.10	11	1.01	11	1.06	11
10.	Defective method of charging interest	0.99	14	0.96	14	0.97	14
11.	Lack of marketing facilities	2.18	2	2.10	3	2.14	2
12.	Fragmentation of holdings	1.12	10	1.13	10	1.13	10
13.	High cost of inputs	2.06	3	1.78	4	1.92	4
14.	Risk in agriculture	1.00	12.5	0.99	13	0.99	13
15.	Extravergent and improvident borrowing.	0.98	15	0.89	15	0.93	15

rs = 0.98 \*

\* Significant at 0.05% level of probability

highly significant at 0.05 per cent level of probability, which implied that there was similarity in the cause of indebtedness of two blocks of Etawah district.

### CONCLUSION

It is concluded that farmers got imbalance, adulterated, unorganised pricing of farmers' products. Another most serious cause was inadequate and untimely disbursal of loan by farm credit agencies. Thus, there is need to improve farm credit system by the different agencies, banks, etc. Therefore, effort should be made by the Government to provide proper price of products and adequate amount of timely loan for better utilization and control the indebtedness.

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