

***GOVT. SHIVALIK COLLEGE NAYA
NANGAL***

Rural Indebtedness

Introduction

- The Indian farmer borrows year after year but he is not in a position to clear off the loans, either because the loans are larger or because his agricultural output is not large enough to pay off his debt. Therefore, the debt of the farmer goes on increasing and this is what is known as rural indebtedness, there is a well known saying in the country “The Indian farmer is born in debt, lives in debt and dies in debt”.

MEANING OF INDEBTEDNESS

- A debt generally refers to something owed by one party, the borrower or debtor, to a second party, the lender or creditor. The lender or creditor can be a bank, credit card company, pay day loan provider, or an individual. One country can also lend money to another country. Debt is generally subject to contractual terms regarding the amount and timing of repayments of principle and interest. The term can also be used metaphorically to cover moral obligation and other interactions not based on economic value.

Meaning of rural indebtedness

- Indebtedness has been acknowledged as one of the most in famous stumbling blocks in the way of rural prosperity. It is cancerous, self-perpetuating, malignant and maleficent. It abates agricultural production, abashes social psyche, aggravates inequalities in the distribution of socioeconomic opportunities and benefits, arrests social progress and misdirects social efforts.



Type of borrowers

- Individual
- Businesses

Per 1000 distribution of outstanding loans by source of loan

| Source of Loan | 59 th Round | %age | 70 th Round | %age | Increase/Decrease (percentage) |
|---------------------------------------|------------------------|------|------------------------|------|--------------------------------|
| Government | 25 | 2.5 | 21 | 2.1 | (+0.4) |
| Co-operative Society | 196 | 19.6 | 148 | 14.8 | (-4.8) |
| Bank | 356 | 35.6 | 429 | 42.9 | (+7.3) |
| Employer/Landlord | 9 | 9 | 8 | 8 | (-1) |
| Agricultural/Professional Moneylender | 257 | 25.7 | 258 | 25.8 | (+1) |
| Shopkeeper/Trader | 52 | 5.2 | 29 | 2.9 | (-2.3) |
| Relatives & friends | 85 | 8.5 | 91 | 9.1 | (+0.6) |
| Other | 21 | 2.1 | 16 | 1.6 | (-0.5) |
| All | 1000 | 100 | 1000 | 100 | |

Source: NSSO 59th and 70th Round

Note: Figures in parenthesis indicates percentage.

In the Indian rural context, indebtedness characterizes:

- Unproductive usage of loan
- Usurious ensuring of the borrower
- Captivation of productive resources
- Exercise of coercive, and exploitative economic and social powers by the lender
- Compulsion, plight, misery and feeling of guilt and helplessness
- Erosion of social status of the borrower

Causes of rural indebtedness:

- The main causes of the indebtedness of the farmers is his poverty. The farmer has to borrow for various purposes, as he has no past saving of his own. Sometimes, the crops fail because of the failure of monsoons, or because of floods etc. when he has to make some improvement on his land as bonding, construction of wells, etc. or when he has to buy costly implements, he is forced to borrow. Just as poverty forces him to borrow, it is his poverty again which forces him to have so little for paying off his debt.

1. Poverty of the farmers
2. passion for land
3. Ancestral debt
4. Ease of taking loan
5. litigation
6. Small sized holdings: *Approximately 72.6 per cent of the operational holdings in India are less than 5 acres in size.*
7. Illiteracy and ignorance
9. Inflation
10. Social & religious needs
11. Backwardness of agriculture



Economic effects

- Loss in productive efficiency
- Transfer of land from cultivators to non-cultivators
- Terms of trade moves against the farmers
- Loss of property

Effect of rural indebtedness:

It can be broadly classified into economic effects, social moral effect and political effect.

- Economic effects
- Social and moral effect
- Political effects



Political effects

- Leads to horse trading and selling of votes
- Political freedom of indebted farmers is curtailed

Social and moral effect

- Birth of new class of landless proletariat Frustration the minds of cultivators
- Fall in incentive to work to make permanent improvement in land and increase in income.

Measures for the Removal of Indebtedness:

- Several points have been made for eradicating rural indebtedness. Of them, major ones are the following:

1. Measures should be devised for cancelling old debts.
2. Measures should be adopted for limiting fresh borrowing to the minimum necessary and to the productive type.
3. The government should make arrangements for giving loans to the farmers at low rates of interest.
4. In order to make loans available to the villagers, the formal procedure for the grant of loans in the co-operative societies and banks should be made as simple as possible.

5. The laws preventing money-lender to take possession of farmer's land should be strictly put to practice.
6. Efforts should be made to desist ruralites from undertaking unproductive and wasteful expenditure. Hence they ought to be educated about the harmful consequences of unproductive debts.
7. In order to reduce the dependence of the ruralites on local money-lenders, the network of institutional credit structure comprising cooperatives, commercial banks and regional rural banks should be rapidly expanded throughout the country to cater to the credit needs of the small farmers and artisans.
8. There should be a check on the practice of private money lending. The account register of the moneylenders should be checked to find out how far they have increased their landed property during the period under review. Besides, only the registered and licence holders should be allowed to advance loans.

THANK YOU