



## Levels and Pattern of Indebtedness among Landless Agricultural Labour in Rural Punjab

Varinder Kumar and Balbir Singh<sup>‡</sup>

### ABSTRACT

*Agricultural labour the weakest segment of society constitutes around two-third of the total labour force in the country. This segment of the labour force being unorganized is deprived most of the benefits of the labour enactments. They had almost no alternative for better employment opportunities in non-agricultural sectors of the economy. In fact, the economic conditions of agricultural labour have become miserable, so it becomes desirable to study the economic conditions of the agricultural labour in Punjab. The study found that 85.37 per cent of the landless agricultural labour households were under debt. Majority of them availed credit from large farmers, landlords and village money lenders who charged very high rate of interest. Because of the low levels of their income they were not in a position to provide adequate collateral security required for institutional sources. The main objective of the paper was to estimate the extent among agricultural labour households in Punjab.*

**Key words:** Agricultural labourer, indebtedness, landless, rural and Punjab

**JEL Classifications:** H31, Q14, R20

### INTRODUCTION

According to Rural Labour Enquiry Report (1999-2000) the landless agricultural labour and marginal farmers predominate the rural society. Agricultural workers constitute the most neglected section in Indian rural economy. Due to seasonal nature of agricultural activities their income is very low and employment irregular. Since they possess no skill or training, they have no alternative employment opportunities in non-agricultural sectors of the economy. Socially, a large number of agricultural workers belong to schedule castes and scheduled tribes (Padhi, K., 2007). The economic and social status of agricultural labour is weak as compared to other workers e.g. industrial workers. Moreover, agricultural labour is

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<sup>‡</sup>Research scholar, Department of Economics and Professor of Economics, Department of Distance Education, Punjabi University, Patiala, respectively.

unorganized. Unlike industrial workers, agricultural workers mostly do not have trade unions. The unorganized workers account for 93 per cent of the total workforce. Agricultural workers constitute the largest segment of workers in the unorganized sector (Das, A.C. and M. Helen, 2008). The National Sample Survey Organization (NSSO) estimated that in the year 2004-05, 52 per cent of the total workers were found in agriculture (Economic Survey 2007-08). Even some marginal farmers, because of their uneconomical holdings and low yield, also work on the land of others and hence qualify as agricultural labourers.

Employment in agriculture had declined from 60 per cent to 57 per cent in just one year. Moreover between 1991 and 2001 some 3 crore 30 lakh peasants who lost their land had entered the ranks of landless and migrant labour. Every year some 30 lakh such people join the ranks of agriculture labour reducing the possibility of employment even further, over the last fifteen years. The economic condition of the landless agricultural labourer has deteriorated considerably. (Chopra, S., 2005). Seasonal unemployment is a feature of agriculture and underemployment of man power is inherent in the system of farming. According to the first Agricultural Labour Enquiry Committee (ALEC, 1950-51), about male agricultural labourers were employed on wages for 189 days in agricultural work and for 29 days in non-agricultural work i.e. 218 days in all. Casual male workers found employment for only 200 days, while regular workers were employed for 326 days in a year. Women workers employed for 134 days in a year.

The first Agricultural Labour Enquiry Committee (ALEC) (1950-51) defined agricultural labourers as 'those people who are engaged in raising crops on payment of wages'. The second ALEC (1956-57) enlarged the definition of agricultural labourers to include 'those who are engaged in other agricultural occupations like dairy farming, horticulture, raising of livestock, bees, poultry etc; According to the National Commission on Labour (NCL), 'an agricultural labourer is one, who is basically unskilled and unorganized and has little for his livelihood other than personal labour'. Thus persons whose main source of income is wage employment in agriculture fall in this category. Due to the use of New Agricultural Technology, production in agriculture sector increased in Punjab and it further increased the demand for labour. But due to segmented labour market a large number of agricultural labour came to the Punjab agriculture from other states like Uttar Pradesh and Bihar etc. which increased the total supply of agricultural labour. It was mainly because of the fact that the wage rate did not increase up to the expectations of the local labour. So their level of income remained very low. With the advent of the Green

Revolution money wage rates started increasing considerably but the real wage rates did not increase much (H.K.M.Singh,1979).

The Green Revolution's technology might have brought prosperity and fortune for some, but not for the agricultural labour. It, in fact added to the economic and political clout of the jat landowning class in general, while further widening social inequalities. Things could have improved had land reforms been allowed. (Puri 2003). The social aspect is also contributing in the indebtedness among the landless agricultural labour households. With the mechanization of agriculture, the production and income from crop cultivation increased. This mechanization of agriculture has created cultural link of the rural people with the cities, resulting in the race of maintaining good standard of living. In this race the agricultural labourers were caught in the vicious net of indebtedness. (Singh, G. 2011). Even when it comes to rural credit, it is unavailable to those who needed credit i.e. mostly, agricultural labour. They are forced to borrow money as subsistence loans for marriages and deaths ceremonies, etc. Both social and economic necessities force them into debt and often into bondage. (Chopra, S. 2005)

It is generally held that the economic condition of landless agricultural labour has not been satisfactory. The analysis of levels and patterns of income and consumption of the sampled agricultural labour households brings out the fact that the income of the sampled agricultural labour households is not sufficient to meet the day to day expenses. The average propensity to consume is greater than one ( $APC > 1$ ) for the sampled agricultural labour households. In this paper an attempt has been made to assess and analyse the debt position of the agricultural labour households in the rural areas of the Punjab. The main objectives are to estimate the extent and distribution of indebtedness among landless agricultural labour households according to sources, rate of interest, purpose and range of indebtedness.

#### METHODOLOGY

Since agricultural productivity is the major determinant of rural incomes in the agricultural economy of Punjab, the state has been divided into three regions according to the agricultural productivity.

On the basis of this criterion, one district from each region was selected. The sample districts selected for our study taken are; Rupnagar from semi-hilly region, Patiala from the central region and Mansa from south-western region. Fifteen per cent sample

households were taken from each district of the total number of agricultural labour households. There are eight development blocks in Patiala district, five development blocks in Mansa and the five in Rupnagar district. One village is selected from each development block of the respective districts. Thus, in all, eighteen villages were selected from the three districts. The total 410 agricultural labour households were selected from the three districts on random basis. We have mainly collected primary data though some information related to this study was also taken from secondary sources. The data were collected from the sampled households through personal interviews.

## RESULTS AND DISCUSSION

### Extent and Distribution of Indebtedness

The extent and distribution of indebtedness among the landless agricultural labour households can be observed from the Table 1. It was found that 85.37 per cent of the landless agricultural labour households were under debt in the rural areas of Punjab. It is the significant obstacle for their development. Regarding the debt position per household and per indebted household the average amount was Rs. 28396 and Rs. 33264, respectively.

**TABLE 1: EXTENT AND DISTRIBUTION OF INDEBTEDNESS AMONG AGRICULTURAL LABOUR HOUSEHOLDS**

Particulars	Sampled Households	(Rs./hectare)
		Households under debt
Number of households	410	350
	(100)	(85.37)
Debt amount per household (Rs)	28396	33264

Note: Figures in brackets indicate percentage

### Pattern of Indebtedness According to Sources of Credit

The average amount of debt taken by landless agricultural labour from various institutional and non-institutional agencies has been enlisted in Table 2. The table depicted that an average sampled agricultural labour household in rural areas of Punjab state has Rs. 22994 from non-institutional sources, while from the institutional sources the debt came to be Rs. 5401. The overall average debt on sampled agricultural labour household came to be Rs. 28396. The information given in this table brings out that the non-institutional sources played a major role in providing loans to sample labour household.

The table also shows that among non-institutional sources, large farmers and landlords were the main source of borrowing which provided the highest amount of Rs. 10062 to sampled agricultural labour household followed by the money lenders from which on a household had taken Rs. 6268. Another source of credit was cloth merchants and grocers which provided to a sampled household Rs. 5261 as loan. The average amount of debt from relatives and friends which accounted for Rs. 1403 of the total debt of an agricultural labour household which turned out to be minimum among all the non-institutional sources.

**TABLE 2: STRUCTURE OF INDEBTEDNESS AMONG AGRICULTURAL LABOUR HOUSEHOLDS**

Sl. No.	Sources of Credit	Average Values (Rs.)	Per cent
<b>A</b>	<b>Non-institutional Sources</b>		
	(i) Large farmers and landlords	10062	(35.44)
	(ii) Money- Lenders	6267	(22.07)
	(iii) Relatives and friends	1403	(4.94)
	(iv) Cloth merchants and grocers	5261	(18.53)
	Sub-total	22994	(80.98)
<b>B</b>	<b>Institutional Sources</b>		
	(i) Commercial banks	3950	(13.91)
	(ii) Co-operative societies/banks	1451	(5.11)
	Sub-total	5401	(19.02)
	Total	28396	(100.00)

*Figures in parentheses are percentages.*

While among the institutional sources, commercial banks were providing the highest amount of Rs. 3950 to a sampled agricultural labour household followed by the co-operative credit societies/banks (Rs.1451). The field survey showed that the sampled agricultural labour households find it easy to get loans from non-institutional sources and they hesitate to take loans from institutional sources. Here, this fact is established that people were still ignorant about the formalities and procedures to take loan from institutional sources. This is because of the several reasons. Firstly, the labour households had not any asset against which they can take loans from institutional sources. Secondly, the labourers were ignorant about the formalities and procedures to take loan from institutional sources or they were irritated by the indifferent bureaucratic attitude of the officials of institutional sources. Therefore, they are left with the only alternative to go to large farmers and landlords or money lenders as they have easy access to private sources. The proportionate shares of different credit sources in total debt are also given in



Table 2. It is clear from the table that sampled landless agricultural labour household takes 80.98 per cent of the total loans from non-institutional sources and the remaining only 19.02 per cent from institutional sources. Amongst the non-institutional sources, landless agricultural labourers take the highest proportion from large farmers and landlords i.e. 35.44 per cent, while 22.07 per cent was taken from professional money-lenders. The proportions were 18.53 and 4.94 per cent from cloth merchants and grocers besides relatives and friends, respectively. Similarly among the institutional sources, the commercial banks on an average constituted 13.91 per cent of the total amount of the loan followed by the co-operative societies/banks with 5.11 per cent to the landless agricultural labour household.

It is clear from by our analysis is that even after 65 years of independence and more than 40 years of the nationalization of banks, the landless agricultural labour households in Punjab are still in the clutches of non- institutional sources of credit.

#### **Rate of Interest Paid by Agricultural Labour Households**

In this section the amount of loans borrowed at different rates of interest from different agencies are discussed. The landless agricultural labour household had taken maximum amount of loan from the non-institutional agencies (large farmers and landlords and money lenders) which charged very high rate of interest per annum. Table 3 clearly shows that the agricultural labour household had taken maximum amount of debt at the high interest rate ranging between 16 to 50 per cent, 31.07 per cent of its total loan at the rate of interest ranging between 24 to 32 per cent. Between 8 to 16 per cent interest rate ranges an average household had taken debt of 21.69 per cent of its total debt.

**TABLE 3: INTEREST PAID BY AGRICULTURAL LABOUR HOUSEHOLDS ON DEBT**

<b>Rate of Interest</b>	<b>Amount of debt (Rs)</b>	<b>Per cent</b>
Zero Rate of Interest	1059.8	3.73
8 to 16	6160.4	21.69
16 to 24	4096.3	14.43
24 to 32	8823.67	31.07
32 to 40	5658.59	19.93
40 to 50	2597.61	9.15
<b>Total</b>	<b>28396.37</b>	<b>100</b>

Another 19.93 per cent of total debt of per household came between 32 to 40 per cent interest rate. Besides, 14.53 per cent go the loan between the range of 16 to 24 per cent interest rate and to one's surprise 9.15 per cent loan was advanced at 40-50 per cent

interest rate. It is important to mention here that regarding the average debt only 3.73 was advanced at almost zero rate of interest.

From above discussion can be said that landless agricultural labour had taken loans at high rate of interest from the non- institutional credit agencies because they cannot give adequate security/surety to get loans from institutional sources.

#### **Indebtedness According to the Purposes of Loans**

The purpose of loan is an important indication of borrower's potential for the repayment. The landless agricultural labour had taken loans for production purpose, consumption and social needs. The productive purposes include purchases of milch animals and self-occupations. The consumption/other purpose include house construction and repairs, healthcare expenditure, domestic consumption and social needs such as marriage and other socio-religious ceremonies and 'other' expenditure such as litigation redemption of mortgaged property, etc. The information regarding different purposes for which the agricultural labour households had taken loan is given in Table 4, which shows that the maximum average amount of debt (Rs. 12388) of a household accounted for social needs. A small amount i.e. Rs. 6594 of the total amount of debt consisted of loan for productive purposes. Among the productive purposes, the highest loan for household had been recorded in the case of purchase of milch animals to Rs. 4921 followed by self-occupation with Rs. 1673.

**TABLE 4: PURPOSE OF LOAN AMONG AGRICULTURAL LABOUR HOUSEHOLDS IN RURAL PUNJAB**  
(average values in Rs.)

Sl. No.	Purpose of Debt	Total	Per cent
<b>A. Production purpose</b>			
	(i) Purchase of milch animals	4921	17.33
	(ii) Self occupation	1673	5.89
	Sub-total	6594	23.22
<b>B. Consumption/other purpose</b>			
	(i) House construction and repairs	4978	17.53
	(ii) Expenditure on Healthcare	2768	9.75
	(iii) Domestic consumption	1668	5.87
	(iv) Marriages and other socio-religious ceremonies	10677	37.60
	(v) Others	1711	6.03
	Sub total	12388	76.78
	Grand total	28396	100.00

Amongst consumption/other purposes, house construction and repairs was the main motive of loan for which a household had taken the substantial share Rs. 4978 of their total amount of debt. The second main motive was the expenditure on healthcare which accounted for Rs. 2768 of total average debt of household followed by the expenditure on domestic consumption with Rs. 1668, respectively. While amongst the social needs purposes, marriage and other socio-religious ceremonies were the main motive of loan for which sampled household had taken the substantial share of their total average amount of debt. It had been observed that an average sampled labour household had taken Rs. 10677 of their total amount of debt for this purpose followed by others (Rs. 1711). On the whole, the agricultural labour households mostly incurred debts for social needs purpose and house construction is due to conservative approach towards maintaining fake social status, which is far away from reality.

The proportional shares of loan spread on different purposes are also presented in Table 4. The table indicates that 23.22 per cent of the total loans were taken for productive purposes, 76.78 per cent of loan was taken for purpose of social needs by an agricultural labour household. A small proportion i.e. 23.22 per cent of the total amount of debt consisted of loan for productive purposes, out of which the highest proportion of the order of 17.33 per cent was spent on purchase of milch animals followed by 5.89 per cent on self-occupation. Whereas amongst the consumption/other purposes, the highest share i.e. 37.60 per cent came to be spent on marriages and other socio-religious ceremonies, 17.53 per cent was spent for house construction and repairs followed by expenditure on healthcare and domestic consumption with 9.75 per cent 5.87 per cent, respectively.

It may be pointed out that major portion of debt was incurred by majority of the indebted households on day to day living. The other important head was family illness. Much of the loan incurred by the sample households were for social needs. The social requirements of the indebted households show fluctuations and may be justified from the very nature of social require.

#### **Range of Debt**

The total indebted households can also be classified according to the range of debt. Table 5 clearly shows that the maximum number of indebted households belonged to Rs. 20,000-25,000 range. The number of households in this range were 53 (12.93 per cent) followed by 45 (10.98 per cent) households in the range of Rs. 15,000 to 20,000 and further followed by 38 (9.27 per cent) indebted households which were under the debt of ranges



Rs. 10,000 to 15,000. The overall indebtedness picture has also been depicted in the frequency distribution in figure 2.

**TABLE 5: FREQUENCY DISTRIBUTION OF THE INDEBTED HOUSEHOLDS ACCORDING TO RANG OF DEBT**

Sl. No.	Range of Debt	No. of Agricultural Labour Households	Per cent
1	No debt	60	14.63
2	Below- 5000	21	5.12
3	5000-10000	22	5.37
4	10000-15000	38	9.27
5	15000-20000	45	10.98
6	20000-25000	53	12.93
7	25000-30000	36	8.78
8	30000-35000	26	6.34
9	35000-40000	22	5.37
10	40000-45000	23	5.61
11	45000-50000	17	4.15
12	50000-55000	14	3.41
13	55000-60000	10	2.44
14	60000-65000	9	2.20
15	65000-70000	6	1.46
16	70000- 75000	5	1.22
17	75000 & above	3	0.73
	<b>Total</b>	<b>410</b>	<b>100.00</b>

### CONCLUSION AND SUGGESTIONS

The conclusion drawn from the study on the economic conditions of landless agricultural labour in rural areas of Punjab revealed that 85.37 per cent sampled agricultural labour households were under debt. Because of the low level of their income, they have to seek debt off and on. However, because of their extreme poverty, they were not in a position to provide any collateral security. Therefore, institutional agencies were found to be providing a relatively low percentage of loans compared to non-institutional loans. Non-institutional agencies charged relatively a higher rate of interest (16 to 50 per cent) on loans advanced to them compared to institutional sources. It may be pointed out that the main purpose of the loan was the need for social purposes followed by semi-productive purposes and the productive purposes came to be at their lowest preference. There is need to educate landless agriculture labour about the other

occupations like dairying, poultry, piggery, etc. besides, providing financial support at low interest rates. The government should regulate the activities of non-institutional credit agencies and provide institutional credit facilities to landless agricultural labour households at low interest rates with easy procedure of providing loans and repayment facilities.

There is need to make aware the agricultural labour to reduce their unproductive expenditure i.e. on the marriages and other socio-religious ceremonies including intoxicants, etc. Even though the state government has adopted the policy of liberalization, the government must come to their rescue by taking different steps needed for their economic upliftment.

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