

## **INDEBTEDNESS SCENARIO IN PUNJAB DURING 2002 AND 2012**

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### **ABSTRACT**

*Rural indebtedness is known as one of the most serious evil prevailing in India as well as in Punjab. Indebtedness has been increased over the decades among the state of Punjab. In this context, the paper examines the comparative picture of households indebtedness in the state of Punjab over two periods of time (2002 and 2012) using the unit record data from the 59<sup>th</sup> round (2005) and 70<sup>th</sup> round (2014) of the National Sample Survey Organization. The results of the study indicate that the average amount of debt among the rural households has been increased during the last decade. However, the situation of credit providing mechanism of formal sector has improved between 2002 and 2012 in terms of amount of loans disbursed. On the other hand, rely upon the big landlords and other non-institutional sources were also noticed which charge from them hefty rates of interest which leads to a never ending debt-trap. We can see that between 2002 and 2012, the average amount of loan outstanding against average amount of loan disbursed has increased with little diversion of share of loan from Income Generating Activities to Non income Generating Activities. However, during the same period of time, the average amount of loan outstanding against average amount of loan disbursed has increased with little diversion of share of loan from Income Generating Activities (IGA) to Non income Generating Activities (NIGA). Given the extend over a large area and seriousness of the problem, a critical minimum efforts is needed from all concerned institutions. Given the magnitude of the problem, it is worthwhile to consider that along with expansion of institutional credit, there should be regulation of non-institutional lenders as well as push for the establishment of non-farming ventures, along with the efforts should be targeted to reform the entire rural structure in an improved way, where in, the relief is not given on a drought basis or any crop failure basis, rather they are taught to overcome their difficulties through their own skills and capabilities.*

**Keywords:** *Indebtedness, Income Generating Activities (IGA), Non income Generating Activities(NIGA)*

## INTRODUCTION

Agriculture is the main occupation especially of rural population of the country. As per the Census of India 2011, 68.84 per cent of its population resides in the rural areas (GoI, 2011). The rural sector forms the backbone of Indian economy. More than half of the workforce of the country is engaged in farming or other allied activities (NSSO, 2006). Agriculture, rural crafts, cottage industries, small business and services are the mainstay of the rural economy. Performance of the national and sub-national economies draws heavily on rural development and hence on the pace of growth of these activities and on the economic well-being of people engaged in them (Patra and Agasty, 2013).

The direct contribution of the agriculture sector to national economy is reflected by its share in total GDP. Due to structural transformation in the Indian economy during the past few decades, the composition of Gross Domestic Product reveals that the share of agriculture including forestry and fishing has declined as growth in industrial and service sectors far outpaced agricultural sector (GoP, 2011). The share of agriculture employment has also been decreased due to expanding of non-farming activities in the state of Punjab (Singh, et al, 2012). The share of workers engaged in agriculture in total workforce has declined because they don't like farming due to many reasons such as, no-profitable, high cost of production, high risk, etc (GoP, 2011).

Despite declining share of agriculture in the economy, majority of workforce continue to depend on agricultural sector for employment and in rural areas dependence on agriculture is more as nearly 75 per cent of rural population is employed in agricultural sector. However, there is disguised unemployment in the sector due to limited opportunities for rural non-farm employment. This disguised unemployment leads to lower labour and other resources' productivity in the sector relative to other sectors of the economy. The low labour productivity leads to higher rates of poverty in rural areas (Sharma, 2007).

Agricultural economy of Punjab has been passing through a phase of stagnant productivity, increasing costs, declining returns and squeezing employment. This crisis was not built of a single day as its seeds were sown with the initiation of new agricultural strategies which mushroomed in the wake of liberalisation. The green revolution model introduced in the mid-1960s contorted the self-sufficiency of the state's economy and linked it with market-driven mode of production. In this phase, the financial requirements of the farmers cascaded which increased their dependency on outside funding. The state of Punjab witnessed

a boom in the agricultural sector during the 1970s as the net returns of the farmers increased due to paramount increase in the productivity of principal crops. However, the period of 1980s witnessed a phase of stagnation in the crop yield and net returns from farming (Singh, 2000).

In Punjab, the contribution of agriculture sector in total Gross State Domestic Product (GSDP) has been decreasing over the period due to high growth in manufacturing & service industry, and slower rate of growth in agriculture sector of the State. It's share in the GSDP has declined from 17.51 per cent during 2007-08 to 15.47 per cent during 2010-11 and during the same period, the share of overall primary sector including live stock, forestry and allied agricultural activities along with agriculture, declined from 27.66 per cent to 24.12 per cent. The share of agriculture employment has also decreased due to expanding of non-farming activities in the state of Punjab (Singh, et al, 2012).

In addition, the psychological unrest leads them to take their own lives. The above symptoms indicate that the agriculture sector of the State of Punjab has been shifting from accelerating to decelerating since 1990s. Although, there are a number of reasons i.e., marketing, cost of cultivations, indebtedness, climate, surge in food grains prices, reduced per capita food grain availability, etc. behind slow down in agriculture sector of the State. But, indebtedness of rural households in the State has emerged as a central issue. This is because, the problem of indebtedness, damaged the social status of farmers and triggered to commit suicide. In India, suicide has become an ever growing phenomenon mainly due to indebtedness (Sarkar, 2010).

The concern about indebtedness of the farmers and their plight dates back to as many as nine decades when M. L. Darling (1925) quoted that "the Indian peasant is born in debt, lives in debt and dies in debt". The nature of indebtedness is still quite applicable to the rural sector of our economy. However, the farmers had no hiatus since then instead their situation has worsened over a period of time. The farmers, especially the smaller ones, had been adversely affected by neoliberal economic policies during the 1990s to the extent that some of them even over extended themselves financially. Not only had their agricultural income declined, the cost of cultivation increased. They were experiencing increasing trend towards individualisation (Mohanty, 2005). As a result of such policies, the debt burden of Punjab peasantry started to bulge. The total debt of the Punjab farmers during the mid-1990s was Rs. 5,700 crores with an average of Rs. 51,029 per farm household (Shergill, 1998). Further, in 2002-03, the debt burden of Punjab farmers surged at Rs. 9,886 crores and the average debt per farm household was to the tune of Rs. 92,394 (Singh and Toor, 2005). The National Sample Survey Organisation found that Punjab farmers were the most heavily indebted (65.4

per cent) as the average debt per farm household was the highest amongst all the states of the country (NSSO, 2005).

During 2005-06, as much as 89 per cent of the farmers were under severe debt in Punjab and per farm household debt was Rs. 1,78,934. The total debt on Punjab peasantry was Rs. 21,064 crores, out of which 38 per cent was owed to non-institutional sources (Singh *et al.*, 2007). The role of non-institutional sources for providing ready credit to the farmers has been of great importance as the small and marginal farmers are heavily dependent on them (Samal, 2002).

Although every loan is debt, but when the borrower does not repay loan promptly and goes on accumulating it, he becomes indebted. Rural indebtedness is one of the serious problems of the rural economy. Actually this problem is the sign of weak financial infrastructural atmosphere available to the farmers, poor and landless people and agricultural labour force for their survival and development.

Therefore, the issue of rural indebtedness becomes a matter of intense debate for whole of the country as well as for Punjab. In this background, the present paper is an attempt to examine the status of rural indebtedness in the state. The main focus is to highlight the amount of loan borrowed, amount of loan outstanding along with the loan utilization pattern of rural households and its composition according to the cost of raising money as well as source.

## **OBJECTIVES AND METHODOLOGY OF THE STUDY**

On the basis of many other studies, it is to be said that it is growing indebtedness along with poverty compels attention of researchers and policy makers to cure for stress arises due to the problem of indebtedness. So in this background, the present paper is an attempt to examine the status of rural indebtedness in the state of Punjab during 2002 and 2012. In this prospective the present paper is having following objectives:

- 1) To find out the rural indebtedness by source in the state of Punjab.
- 2) To know about the utilisation pattern of loan in the state.
- 3) To examine the loan burden on rural households according to the size of land holdings in the state of Punjab.

The present paper is based on secondary data. The major source of data is unit record data from the All India Debt and Investment Survey and key indicators of Debt and Investment in

India; that is being extracted and scrutinized from 59<sup>th</sup> (NSSO 2002) and 70<sup>th</sup> rounds of National Sample Survey Office (NSSO 2014), respectively. For analysis, simple averages and percentage share is used wherever necessary.

## RESULTS AND DISCUSSIONS

In the light of above studies the problem of indebtedness has its roots in deep. To tackle with the problem an analysis has to be done.

### SOURCE OF BORROWINGS

While analysing the incidence of indebtedness by credit agency, here the sources of borrowings are classified into two broad groups, viz., formal (institutional credit agencies) and informal (non institutional agencies) sources, where the sources such as the government, co-operative societies, financial corporations and companies, commercial banks and other institutional agencies fall under the formal source while landlords, agricultural and professional moneylenders, input suppliers, relatives and friends, doctors, lawyers and others belong to the informal category.

**Table 1: Loan Outstanding from Different Sources: 2002 at constant prices  
(1986-87=100)**

Source	Share of Households	Average Amount of Borrowings (Rs.)	Share of Loan Borrowed (%)	Average Amount of Loan Outstanding (Rs.)	Percentage of Amount Outstanding to Amount Borrowed
Government	0.69	24382.34	1.34	16131.09	66.16
Co-operative Society/ Bank	27.35	10943.13	23.83	10600.35	96.87
Commercial Bank ( RRBs)	12.23	26576.06	25.88	23197.84	87.29
Provident Fund	0.07	12107.95	0.07	12230.57	101.01
Financial Corporation	0.18	46579.46	0.80	37288.79	80.05
Financial Company	1.12	47435.68	5.10	45427.98	95.76
Other Institutional Agencies	0.09	14226.16	0.10	18188.62	127.85
<b>Formal (Institutional Agencies)</b>	<b>41.73</b>	<b>14967.43</b>	<b>57.12</b>	<b>13498.24</b>	<b>90.18</b>
Landlord	4.48	4710.88	1.68	6175.40	131.09

Agricultural Moneylenders	13.34	17022.72	18.08	19099.07	112.20
Professional Moneylenders	9.41	10702.03	8.02	12163.63	113.66
Input Suppliers	4.62	7262.38	2.67	6798.51	93.61
Relatives and Friends	23.95	5989.72	11.42	5146.90	85.93
Doctors, Lawyers and Other Professionals	0.12	3702.08	0.04	4546.63	122.81
Other	2.35	5190.72	0.97	5464.65	105.28
<b>Informal (Non-Institutional Agencies)</b>	<b>58.27</b>	<b>8288.32</b>	<b>42.88</b>	<b>8695.28</b>	<b>104.91</b>
<b>Total</b>	<b>100.00</b>	<b>9462.12</b>	<b>100.00</b>	<b>9112.03</b>	<b>96.30</b>

**Source:** All India Debt and Investment Survey (NSSO, 2005)

Note: RRBs - Regional Rural Banks

A very small proportion of loan is disbursed by other remaining institutional credit agencies like 1.34 per cent by government, 6 per cent by other financial companies and corporations and other institutional agencies. Very important fact that has been found is that the percentage of loan outstanding to loan borrowed is more than hundred. In case of other institutional loan agency amount of loan outstanding to amount borrowed is 127.85 per cent. This type of situation may occur due to non repayment of debt, which may cause accumulation of debt.

Non-institutional agencies are visibly playing a major role in advancing credit to the households in Punjab, as 43 per cent of total loan is provided by non-institutional credit agencies and accounted for Rs. 8695.28 average amount of loan outstanding which is 104.91 per cent of total amount borrowed from all non-institutional credit agencies. Among the non-institutional credit agencies, money lenders, both professional and agricultural money lenders, were found to be important sources of finance in rural areas, their respective shares in amount of cash loan is being 18.08 per cent and 8.02 per cent. The share of relatives and friends constitutes another 11.42 per cent of the cash dues of rural households. Remaining 5.36 per cent share of loan is provided by landlords, input suppliers, doctors, lawyers and other professionals and others and accounted for more than hundred per cent of amount of loan outstanding to amount of loan borrowed from different non-institutional credit agencies. It can also be observed from the table that near about 42 per cent of rural households get institutional credit and 58 per cent have to rely upon non-institutional credit. Thus in 2002, fewer of the households have access to formal credit system than the informal credit system,

while the proportion of loan availed from the formal credit system was higher than from the informal credit system. We can see that 57 per cent of total loans outstanding in 2002 were availed from the institutional agencies while 43 per cent was raised from the non-institutional agencies.

Table 2 shows that although, the access of the rural households to the formal credit institutions has increased marginally (by one percentage point only) in 2012 as compared to 2002, yet the share of credit from these institutions out of total rural credit has increased by 6 percentage points during this time. We can see that during 2012, 43 per cent of rural households have access to formal mechanism of credit supply which constitutes more than 63 per of total loan availed by these households during 2012.

**Table 2: Loan Outstanding from Different Sources: 2012 at constant prices  
 (1986-87=100)**

Source	Share of Households	Average Amount of Borrowings (Rs.)	Share of Loan (%)	Average Amount of Loan Outstanding per household (Rs.)	Percentage of Amount Outstanding to Amount Borrowed
Government	0.53	41863.62	1.27	42382.42	101.24
Co-operative Society/Bank	25.55	18948.27	27.67	19850.86	104.76
Commercial Bank (RRBs)	15.13	36667.81	31.71	29612.27	80.76
Provident Fund	0.07	74404.76	0.32	56547.62	76.00
Financial Corporation	0.12	10302.19	0.29	2421.23	23.50
Financial Company	0.73	25622.24	1.06	24710.79	96.44
Self-Help Group (Non Banking Financial Companies)	0.02	7440.48	0.10	2455.36	33.00
Other Institutional Agencies	0.81	16394.80	0.98	18047.36	110.08
<b>Formal (Institutional Agencies)</b>	<b>42.96</b>	<b>29804.86</b>	<b>63.40</b>	<b>26624.48</b>	<b>89.33</b>
Landlord	2.16	7024.79	0.77	10621.66	151.20
Agricultural Moneylenders	8.96	17052.03	8.73	18613.51	109.16
Professional Moneylenders	12.00	17867.13	12.25	20147.80	112.76
Input Suppliers	0.15	28769.99	0.21	30065.59	104.50

Relatives and Friends	30.89	7450.02	13.05	6255.23	83.96
Doctors, Lawyers and Other Professionals	0.58	8812.39	0.21	8622.14	97.84
Other	2.31	11912.69	1.38	11364.88	95.40
<b>Informal (Non-institutional Agencies)</b>	<b>57.04</b>	<b>11385.27</b>	<b>36.60</b>	<b>11578.67</b>	<b>101.70</b>
<b>Total</b>	<b>100.00</b>	<b>17494.25</b>	<b>100.00</b>	<b>16753.76</b>	<b>95.77</b>

Source: All India Debt and Investment Survey (NSSO, 2014)

Note: RRBs- Regional Rural Banks

The average amount of debt outstanding per household from the formal agencies has been found to be Rs. 26624.48 which is 89.33 per cent of total amount supplied by formal credit system. Simultaneously, the co-operative societies and commercial banks together play a major role in financing around 59 per cent of total loan and accounted for Rs. 19850.86 and Rs. 29612.27 loan outstanding per household which is 104.76 per cent and 80.76 per cent of the total amount borrowed by the rural households from these two sources, respectively. A very small proportion of loan i.e. around 4 per cent is disbursed by other remaining institutional credit agencies like government, other financial companies and corporations and other institutional agencies. But the percentage of loan outstanding to loan borrowed is more than hundred per cent in case of government, co-operative banks and other institutional agencies. In case of other institutional loan agency amount of loan outstanding to amount borrowed is 110.08 per cent and loan outstanding to government and co-operative societies is 101.24 per cent and 104.76 per cent.

Non-institutional agencies are still playing a major role in advancing credit to the rural households in Punjab. About 57 per cent of the households reporting cash loans have raised 37 per cent of their total loan from the non-institutional credit agencies. Average amount of total loan outstanding from these agencies was found to be Rs. 11578.67, which turns out to be 101.70 per cent of total amount borrowed from all non-institutional credit agencies. Among the non-institutional credit agencies, again money lenders, both professional and agricultural money lenders, are found to be important sources of finance in rural areas, their respective shares in amount of cash loan are 12.25 per cent and 8.73 per cent. The share of relatives and friends is also 13.05 per cent of the cash dues of rural households. Remaining about 3 per cent share of loan is provided by landlords, input suppliers, doctors, lawyers and other professionals and others and it turns out to be near hundred or more than hundred per



cent of amount of loan outstanding to amount of loan borrowed from different non-institutional credit agencies. Thus, we can say that the situation of credit providing mechanism of formal sector has improved between 2002 and 2012 in terms of amount of loans disbursed.

### PURPOSE-WISE DISTRIBUTION OF BORROWINGS AND CASH LOAN OUTSTANDING

Rural borrowings and rural debt signify two different things, therefore the study of indebtedness is incomplete without the study of purpose of borrowings. Hence, in this section of the study, a light has been thrown on the household borrowings for different broad purposes and amount of loan outstanding against the total amount borrowed for the same purpose of loan. This can be observed from Table 3. The Table shows the amount of loan borrowed for different purposes and the share of loan outstanding to the amount borrowed for different purposes during 2002.

**Table 3: Purpose-wise Distribution of Amount of Borrowings and Cash Loan Outstanding (per household) as on 30.06.2002, at constant prices (1986-87=100)**

Purpose of loan	Share of Loan Borrowed (%)	Average Amount of Borrowing (Rs.)	Average Amount of Loan Outstanding (Rs.)	Percentage of Amount of Loan Outstanding to Amount Borrowed
Capital Expenditure in Farm Business	27.37	32088.81	28216.09	87.93
Current Expenditure in Farm Business	24.14	13219.40	13447.38	101.72
<b>Expenditure in Farm Business</b>	<b>51.50</b>	<b>19227.46</b>	<b>18149.77</b>	<b>94.40</b>
Capital Expenditure in Non-Farm Business	8.77	24558.44	19779.99	80.54
Current Expenditure in Non-Farm Business	2.02	11005.47	11165.10	101.45
<b>Expenditure in Non-Farm Business</b>	<b>10.79</b>	<b>15215.18</b>	<b>12850.74</b>	<b>84.46</b>
<b>Income Generating Activities (IGA)</b>	<b>62.30</b>	<b>15249.27</b>	<b>14131.50</b>	<b>92.67</b>
Household Expenditure	28.05	7387.15	7461.01	101.00
Expenditure on Litigation	1.20	40166.59	40090.68	99.81
Repayment of Debt	0.70	10632.19	11955.46	112.45

Financial investment Expenditure	0.58	6167.84	6315.44	102.39
Others	7.17	9500.86	10148.12	106.81
<b>Expenditure on Households / Non Income Generating Activities (NIGA)</b>	<b>37.70</b>	<b>7950.72</b>	<b>8133.62</b>	<b>102.30</b>
<b>All</b>	<b>100.00</b>	<b>9462.12</b>	<b>9112.03</b>	<b>96.30</b>

**Source:** All India Debt and Investment Survey (NSSO, 2005)

Table 3 depicts the average amount of loan against various purposes of the loan which points towards the relative importance of each of the purpose for the rural households in Punjab. It has been observed that during 2002, among all the rural households, the average amount of loan outstanding is Rs. 9112.03, as against Rs. 9462.12 of the total amount borrowed. The loan outstanding thus constitutes 96.30 per cent of the total amount borrowed by these households. Further, we can see that the amount outstanding for income generating activities (IGA) was Rs. 14131.50 as against Rs. 8133.62 for non income generating activities (NIGA). This constituted 92.67 per cent and 102.30 per cent, of total amount borrowed for these purposes, respectively. Further, we can see that an average rural household has raised 62.30 per cent of the total loans for IGA and 37.70 per cent for the NIGA. Out of the IGA, the highest share was observed to be that of 'expenditure on farm business' (Income Generating Activities) which comprised 51.50 per cent of the total loan taken by the rural households while among the NIGA, the 'household expenditure' accounted for the highest portion and it comes out to be 28.05 per cent of the total loan by rural households. The expenditure on non-farm business stands at third place with a share of 11 per cent. For capital and current expenditure in farm business, the average amount of cash loan outstanding is Rs. 18149.77 against Rs. 19227.46 for average amount borrowed. Thus the cash loan outstanding for this purpose constitutes 94.40 per cent of total amount borrowed for capital and current expenditure in farm business. Further, 84.46 per cent amount of loan is outstanding against Rs. 15215.18 average amount borrowed for expenditure on non-farm business; the average amount of cash dues is Rs. 12850.74 for this purpose.

It has been found that the highest share of loan is distributed among the productive activities as compared to unproductive activities. During 2012, a little variation has been made while collecting the data, over the non- income generating activities (NIGA), as compared to the year 2002, like expenditure on education, expenditure on medical treatment and for housing

are newly added variables (NSSO 2014) for the year 2012 and expenditure on litigation is somehow excluded from the non- income generating activities in the respective survey. The other variables taken in Table 4 depict the same position as in Table 3.

**Table 4: Purpose-wise Distribution of Amount of Borrowings and Cash Loan Outstanding (per household) as on 30.06.2012, at constant prices (1986-87=100)**

<b>Purpose of Loan</b>	<b>Share of Loan Borrowed (%)</b>	<b>Average Amount of Borrowing (Rs.)</b>	<b>Average Amount of Loan Outstanding (Rs.)</b>	<b>Percentage of Loan Outstanding to Amount Borrowed</b>
Capital Expenditure in Farm Business	20.28	46350.03	59858.80	129.15
Current Expenditure in Farm Business	36.27	25553.87	20481.05	80.15
<b>Expenditure in farm business</b>	<b>56.55</b>	<b>30453.36</b>	<b>29758.27</b>	<b>97.72</b>
Capital Expenditure in Non-Farm Business	1.78	13034.82	10538.21	80.85
Current Expenditure in Non-Farm Business	1.36	26632.31	29444.68	110.56
<b>Expenditure in Non-Farm Business</b>	<b>3.14</b>	<b>13455.54</b>	<b>12606.50</b>	<b>93.69</b>
<b>Income Generating Activities (IGA)</b>	<b>59.68</b>	<b>29491.62</b>	<b>28756.13</b>	<b>97.51</b>
Repayment of Debt	1.55	22474.58	22556.03	100.36
Financial Investment Expenditure	0.21	23911.90	20769.62	86.86
For Education	0.00	1881.11	1881.11	100.00
For Medical Treatment	2.80	7327.77	8520.53	116.28
For Housing	9.56	13609.46	12362.45	90.84
For Other Household Expenditure	23.37	10538.73	9738.11	92.40
Others	2.82	9096.89	7398.92	81.33
<b>Expenditure on Households / Non Income Generating Activities (NIGA)</b>	<b>40.32</b>	<b>10918.94</b>	<b>10175.70</b>	<b>93.19</b>
<b>All</b>	<b>100.00</b>	<b>17494.25</b>	<b>16753.76</b>	<b>95.77</b>

**Source:** All India Debt and Investment Survey (NSSO, 2014)

Table 4 also reveals the distribution of percentage share of debt according to different purposes for the year 2012. We can see an increase in the distribution of average amount of loan to Rs. 17494.25 in 2012 (which is 1.8 times more than this value in 2002 i.e Rs.

9462.12) and reporting Rs. 16753.76 (i.e Rs. 9112.03 in 2002) amount of cash loan outstanding. As compared to the previous year, the amount of loan outstanding to the amount borrowed is showing a decline of 0.5 percentage points in 2012, which comprised 96.30 per cent in 2002 and 95.77 per cent in 2012. Furthermore, out of the total loan distributed in 2012, on an average Rs. 29491.62 were been found to used for income generating activities (i.e. 59.68 per cent of total loan distributed over different purposes) and Rs. 10918.94 (i.e. 40.32 per cent of total loan) used for non- income generating activities. Thus, as compared to the previous year, a decline of 2.62 percentage points has been observed in the share of loan distributed for productive purposes. By segregating the average amount of loan outstanding against the total amount borrowed for different purposes, it can be observed that out of total loan outstanding Rs. 28756.13 average amount of loan is outstanding for income generating activities and remaining Rs. 10175.70 is outstanding for non- income generating activities which comprised 97.51 per cent and 93.19 per cent of loan outstanding to the amount borrowed, respectively. Among all IGAs (Income Generating Activities), the highest share of loan has been taken for 'expenditure in farm business' which comprised 56.55 per cent of the total loan taken by the rural households while among the NIGAs, households raised 23.37 per cent of the total loan for 'household expenditure'. For capital and current expenditure in farm business, the average amount of cash loan outstanding is Rs. 12606.50 against Rs. 13455.54 average amount borrowed. Thus the cash loan outstanding for this purpose constitutes 93.69 per cent of total amount borrowed for capital and current expenditure in farm business. Further, 93.19 per cent amount of loan is outstanding against Rs. 10918.94 average amount borrowed for expenditure on non-farm business; the average amount of cash dues is Rs. 10175.70 for this purpose.

It has been observed that about hundred per cent of amount of loan is outstanding to the amount borrowed for households expenditure (NIGA) and in many cases it is more than hundred per cent, which is a sign of misery and worse economic conditions of rural households. We can see that between 2002 and 2012, the average amount of loan outstanding against average amount of loan disbursed has increased with little diversion of share of loan from Income Generating Activities to Non- income Generating Activities.

### **DEBT PATTERN ACROSS LAND HOLDINGS**

The following section of this paper explains the pattern of indebtedness across land holdings of rural household. We can see the distribution of loan and loan outstanding for different

purposes across each land holding class in rural Punjab during 2002 and 2012 in the tables 5 and 6.

**Table 5: Distribution of Cash Loans by Purpose of Loan for each Land Holding Class as on 30.6.02 (in per cent)**

Area Operated (in 0.000 hectare)	Share of Loan	IGA		NIGA	
		Borrowings	Cash Loan Outstanding	Borrowings	Cash Loan Outstanding
< 0.01	21.7	30.64	28.14	69.36	71.86
0.01 - 0.40	2.48	50.48	59.35	49.52	40.65
0.41 - 1.00	7.99	60.70	55.09	39.30	44.91
1.01 - 2.00	13.64	50.61	45.60	49.39	54.40
2.01 - 4.00	21.17	70.79	69.60	29.21	30.40
4.01 - 10.00	26.51	82.59	81.70	17.41	18.30
> 10.00	6.51	89.08	86.94	10.92	13.06
<b>All</b>	<b>100</b>	<b>62.30</b>	<b>59.95</b>	<b>37.70</b>	<b>40.05</b>

**Source:** All India Debt and Investment Survey (NSSO, 2005)

Note: IGA- Income Generating Activities

NIGA- Non- Income Generating Activities

Table 5 shows that households with smaller size of land also use a relatively small part of their debt for productive purposes. It can be observed that out of the total loan, about 32 per cent was availed by the land holding classes less than 1.00 hectares, 35 per cent of borrowings were utilised by the households owning 1.01 - 4.00 hectares of land holdings and the remaining 33 per cent of the total borrowings were acquired by the households having more than 4.01 hectares. It was also observed that households of the lower land holding groups used a relatively small part of their debt for productive purposes, contrary to this, households with large size of land holdings used higher proportion of loan productively. The percentage share of debt for productive purposes were seen to have increased from 30.64 per cent in the bottom land holding class (upto 0.01 hectare) to 89.08 per cent in the top land holding class (more than 10.00 hectares). Similar trends can be observed in case of cash loan outstanding.

**Table 6: Distribution of Cash Loan by Purpose of Loan for each Land Holding Class as on 30.6.12 (in per cent)**

Area Operated (in 0.000 hectare)	Share of Loan	IGA		NIGA	
		Borrowings	Cash Loan Outstanding	Borrowings	Cash Loan Outstanding

< 0.01	2.55	20.05	22.36	79.95	77.64
0.01 - 0.40	7.90	50.00	50.00	50.00	50.00
0.41 - 1.00	8.95	65.46	75.19	34.54	24.81
1.01 - 2.00	10.81	47.98	41.82	52.02	58.18
2.01 - 4.00	27.55	89.93	91.36	10.07	8.64
4.01 - 10.00	30.95	79.98	85.13	20.02	14.87
> 10.00	11.38	99.60	99.38	0.40	0.62
<b>All</b>	<b>100</b>	<b>59.68</b>	<b>60.77</b>	<b>40.32</b>	<b>39.23</b>

**Source:** All India Debt and Investment Survey (NSSO, 2014)

Note: IGA- Income Generating Activities

NIGA- Non Income Generating Activities

In order to identify the change in pattern over purpose of incurring debt for households with small land holdings and the households with large land holdings in 2012, Table 6 presents the borrowing pattern and corresponding amount of cash loan outstanding by different purpose of loan during this year. Out of the total loan, it was found that only 19 per cent was availed by the households owning land less than 1.00 hectares (which was 32.17 per cent in 2002), 38 per cent was utilised by those owning 1.01 - 4.00 hectares of land holdings (which was 34.71 per cent in 2002) and remaining 43 per cent of the total borrowings were acquired by the households having land greater than 4.01 hectares (which was 33 per cent in 2002). Further segregating the share of loan in IGA and NIGA, a minimal decline of 3 percentage points in the borrowing for IGA has been observed in 2012 as the percentage share of debt against income generating activities declined from 62.30 per cent in 2002 to 59.68 per cent in 2012 while the share of debt for non-income generating activities increased from 37.70 per cent in 2002 to 40.32 per cent in 2012. During 2012 also, the households owning smaller size of land have a greater propensity of using their debt for unproductive purposes vis-a-vis those owning bigger size of land who mainly use it for productive purposes. The share of debt for productive purposes increases from 20 per cent in case of bottom land holding class (up to < 0.01 hectare) to 99.60 per cent for the top land holding class (10.00 hectare and above) which were comparatively higher (i.e. 30.64 per cent) in percentage in bottom land holding class and lesser (i.e. 89.08 per cent) in top land holding class in 2002. Households with small farm size now seem to be using greater proportion of their loan unproductively.

## CONCLUDING REMARKS

Indebtedness is an issue that affects several households, whose impact goes beyond the financial one. The analysis presented in this paper reveals that the share of productive loans raised by formal sector has been shown a rise in the recent period. While cultivators and non-cultivators distress has continued, there were a significant rise in unproductive loan issued by informal sectors of credit, especially households with small farm size now seem to be using greater proportion of their loan unproductively and thus, raising the indebtedness of rural households. Given the extend over a large area and seriousness of the problem, a critical minimum efforts is needed from all concerned institutions. Given the magnitude of the problem, it is worthwhile to consider that along with expansion of institutional credit, there should be regulation of non-institutional lenders as well as push for the establishment of non-farming ventures. Moreover, encouragement should be given to subsidiary occupations or other self employment schemes in rural areas.

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