THE EXTENT AND INCIDENCE OF HOUSEHOLD INDEBTEDNESS IN RURAL INDIA

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ABSTRACT

The present paper attempts to analyse the extent and incidence of household indebtedness in rural India. In this context, the nationally represented secondary data from the key indicators of Debt and Investment in India has been used; that is being extracted and scrutinized from 70th round of National Sample Survey Office (NSSO 2014). This paper depicts that in the year 2013, 31.44 per cent Incidence of Indebtedness (IOI) has been found among the rural households in India, whereas the corresponding figure was 26.5 per cent during the previous NSSO survey in 2002. In addition to this, the incidence of indebtedness and the average amount of loan across the occupational categories of the households has also been taken into consideration. In rural India, indebtedness has been found to be more skewed towards the cultivator households than their non-cultivator counterparts. In contrast to this, the proportion of indebted cultivator and non-cultivator households is 46 per cent and 29 per cent respectively, at all India level. It's also noteworthy that either the debt is provided by the institutional or non-institutional credit agencies, the crucial aspect of increasing indebtedness in rural area is mainly concerned with its lane of purpose. Therefore, to eradicate the problem of growing indebtedness, the central government along with state bodies should take suitable remedial measures like settlement of old debts, reduction in dependence on informal sources of finance 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: Cultivators and non-cultivators, institutional credit, non-institutional credit, rural indebtedness.

INTRODUCTION

Majority of the world's working poor live in rural areas where the lack of decent work opportunities is pervasive. Therefore, the challenge of ending poverty is fundamentally one of ending rural poverty. Common constraints to unleashing the potential of rural economies include: a lack of decent jobs and reliable incomes; low productivity; informality; weak enforcement of the rule of law; ineffective organization and participation of rural people in decision-making; poor agricultural conditions and trade-related challenges, non-farm rural employment and infrastructure; and limited or no access to social protection and services. Additional pressures result from land and water scarcity, increasing population, poor access to education, unemployment; poor health status, poor infrastructure, insufficient information and lack of assess to market. Rural poverty has numerous root causes, ranging from climate change, natural resource degradation, and weak institutions. Rural poverty is a driver of a host of social problems, including hunger and malnutrition, poor working conditions (ILO, 2011).

The Green Revolution has led the capitalist mode of production to emerge as the dominating mode in agriculture. This mode of production is creating tendencies towards social polarisation and class conflicts in the rural areas, thus leading to the sharpening of contradictions in the old feudal and semi-feudal relations of production. All the landless, marginal, and small farmers are poor. Not all the middle farmers and big farmers are rich. Nearly all the rural classes are adversely affected by the current inflation in economy. The inflationary rise in prices of industrial commodities consumed by farmers, as compared with that of their own farm commodities has seemingly turned the terms of trade against them. In addition to this, the classes of landless agricultural workers and of marginal and small farmers suffer also from the development of capitalism in agriculture, because of their relatively inferior class positions (Azad, 1975).

Transformation of agriculture led farms of all size to use the modern machines like tractors, threshers, harvesting combines, tube-wells, diesel and electricity and chemicals, fertilisers, insecticides and herbicides (Shergill, 1998). In general, all the capacities of the agricultural sector were exhausted further as increase in productivity, also led to increase in cost of production, which resulted into declining profitability. Thus the mismatch between the returns and cost of production, increasing uncertainty of weather as well as dependence on borrowing at an exorbitant rate of interest from informal money lenders, were the significant reasons behind increasing indebtedness among the rural households (Gill and Singh, 2005).

Rural indebtedness is recognized as the main reason of the extreme poverty and agrarian distress that compels the cultivators and non-cultivators to take their own lives and causing rural sector unrest. Indebtedness along with poverty in India has been an enduring issue over the decades. A well-known axiom regarding critical condition of the cultivators is quoted, " The Indian peasant is born in debt, lives in debt and dies in debt" (Darling, 1925). The situation is same even today. It has its roots in the credit policy that has been followed over a number of years. 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 (Mohanty, 2007). Not only their agricultural income declined, the cost of cultivation has also increased as they have to purchase seeds, implements, cattle etc. and since they have no past savings to draw upon, they are forced to borrow at an exorbitant rate of interest (Vani, et. al., 2012). Due to this they were experiencing increasing trend towards individualisation (Mohanty, 2007).

As the consequences of indebtedness cultivators mortgage their landed property to the moneylenders and ultimately lose it to the latter. Therefore to get rid from poverty and indebtedness landless farmers have to find additional work in non-farm and off-farm sector (Kaspol, 2010). In rural areas, the increase in "casualisation" primarily reflects the phenomenon of occupational shift of workforce from agricultural to non-agricultural activities. Therefore one is not compelled to move away from self-employment in agriculture, unless the income situation is likely to improve. It has generally been observed that earnings in most non-agriculture activities are higher than in agriculture (Papola, 1994).

The rural non-farm sector encompasses all non-agricultural activities: mining and quarrying, household and non-household manufacturing, processing, repair, construction, trade and commerce, transport and other services in villages and rural towns undertaken by enterprises varying in size from household own-account enterprises to factories (Jha, 2010). But poor infrastructure facilities, power and telecommunications, increasing focus on cost-competitiveness, market malpractices, uncertain policy environment for small-scale industry discourages rural non-farm sector (Bhalla, 1990).

The agrarian sector of the country has undergone a process of rapid capitalistic change during liberalization leading to concentration of land in few hands and proletarisation of small peasantry (Haque, 1996). The process of growth of capitalist production in Indian agriculture which was well on its way during the decades after 1960s, has ground to halt under the burden of depression and what we see today is the pauperization of the peasantry and the re-emergence of usury and small tenancy (Patnaik, 2007).

REVIEW OF LITERATURE

The review of literature depicts that the incidence of indebtedness is continuously increasing among the rural households relatively higher among those states which are developed in terms of agriculture. The income of rural households could not have grown so high as to reduce their dependence on credit agencies. The rise in the share of non-institutional agencies in the total debt of rural households and fall in the share of debt for productive purposes leads them further to increased indebtedness (Ramachandra and Tripathy, 2001; Narayanmoorthy and Kalamkar, 2005; Ghose, 2009; Sajjad and Chauhan ; 2012). All these studies based on primary and secondary data pointed out that the farmers have no option to seek for non-institutional credit which is more exploitative in nature and majority of the amount of loan is misused which is the sole reason behind low productivity and non-repayment of debt.

Furthermore, (Shiva, 1991; Kavitha, 2007; Mitra, et. al., 2007) have analysed the increasing indebtedness among rural households including landless labourers and examined the exploitation of rural working people in the credit market and burden of indebtedness in rural India. Consequently the rural indebtedness is responsible for poor conditions of cultivators and non-cultivators. Hence, rural indebtedness has drawn the attention of the economists, sociologists, planners, bureaucrats and others.

NEED OF THE STUDY

The problem of indebtedness among the rural households has become more serious. A large number of studies have been carried out in India and abroad to look into the problem of rural indebtedness and its consequences. But most of these studies are either based upon a very small sample of a few districts or cover the farmers only. The present study would be wider in scope as it has also included artisans, agricultural labourers along with the farmers.

Therefore, in the present study, an attempt has been made to analyse the growth, nature and extent of indebtedness among the rural households in India. In this study, an attempt has also been made to explain the utilisation pattern of loan used by rural households.

OBJECTIVES AND RESEARCH METHODOLOGY

The issue of indebtedness becomes a matter of intense debate for whole of the country. In this prospective the present paper is having following objectives:

1. To analyse the Incidence of Indebtedness (IOI) among cultivators and non-cultivators for major states of India.
2. To assess the rural households indebtedness by source in India.
3. To know about the utilisation pattern of loan by them in India.
4. To examine the loan burden on rural households in India.

The present paper is based on the secondary data to examine the trends in the estimates of indebtedness of the rural households based on the Key Indicators of Debt and Investment in India, 70th round of the NSSO 2014. For analysis, simple averages and percentages are used wherever necessary. The households in the rural sector are broadly classified as cultivator and non-cultivator households. Cultivator households are all households having operated area of land 0.002 hectare or more and non-cultivators are all the remaining households.

ALL INDIA AND INTER-STATE ANALYSIS

At the All India level, the incidence of indebtedness among rural households was 31.44 per cent with an average outstanding debt per household of Rs. 32522. This figure rises to Rs. 103457 if we consider only the indebted households (Table 1). Furthermore, incidence of indebtedness and the average outstanding debt across occupational categories of rural households in rural India than it is found that indebtedness is more widespread among the cultivator households than among their non-cultivator counterparts. At the all-India level, 45.94 per cent and 28.85 per cent of the cultivator and non-cultivator households, respectively, were indebted. Also, compared to the cultivator households, the average amount of debt (AOD) is observed to be much less (little more than one third) among the non-cultivators. The AOD for cultivator households was found to be Rs. 70580.

The inter-state analysis indicates a wide variation across the states with Telangana having the highest IOI near about sixty per cent and Assam the lowest at ten per cent. If detailed interstate analysis has been taken into consideration then high level of incidence of indebtedness is in Telangana (59.06) followed by Andhara Pradesh (54.06 per cent); Madhya Pradesh (49.50 per cent); Karnataka (46.43 per cent); Tamil Nadu (39.68 per cent); Rajasthan (37.39) and Punjab (33.06 per cent). These are the states with good banking network, and a good network of informal lenders, which possibly result in such high percentages. Approximate value of incidence of indebtedness among farm households is also highest in Telangana i.e. 69.99 per cent and the average amount of loan outstanding per household is Rs. 84423 and the amount of debt increased to Rs. 114313 when we take into account only indebted farm households. Average amount of debt per farm household and per indebted farm household is highest in Kerala i.e. Rs. 441589 and Rs. 648734 respectively and lowest in farm households of Assam i.e. Rs. 7856 and Rs. 55640 respectively. The other major states like Andhra Pradesh, Tamil Nadu, Punjab and Haryana are also showing heavy burden of debt on their peasantry class.

Table 1: IOI and Average Outstanding Debt (AOD) by Different Occupational Categories

States	Share of households (per cent)	Cultivators			Non Cultivators			All		
		IOI (per cent)	AOD per household (Rs.)	AOD per indebted household (Rs.)	IOI (per cent)	AOD per household (Rs.)	AOD per indebted household (Rs.)	IOI (per cent)	AOD per household (Rs.)	AOD per indebted household (Rs.)
Andhra Pradesh	3.97	69.99	130599	186596	50.02	39914	79795	54.06	58263	107773
Assam	5.72	14.12	7856	55640	9.35	4797	51285	10.07	5256	52200
Bihar	7.04	40.99	48674	118734	28.56	15009	52548	29.08	16405	56416
Chattisgarh	2.20	21.76	16810	77252	10.61	7360	69387	13.90	10148	73020
Gujarat	4.41	42.60	53717	126109	20.88	16932	81108	25.96	25536	98382
Haryana	2.00	32.92	99212	301416	20.66	26711	129258	23.93	46013	192312

Jharkhand	2.63	24.01	9250	38529	18.15	6227	34309	18.49	6401	34624
Karnataka	4.49	55.74	83987	150670	43.65	41640	95405	46.43	51375	110659
Kerala	4.16	68.07	441589	648734	49.1	141029	287212	49.50	147402	297752
Madhya Pradesh	6.57	40.89	48723	119164	17.31	8766	50643	24.70	21294	86205
Maharashtra	8.80	55.80	68532	122818	21.94	20683	94286	31.29	33893	108336
Odisha	5.66	39.60	25389	64120	24.64	12716	51617	25.73	13643	53023
Punjab	2.44	40.19	216524	538748	31.72	35919	113251	33.06	64548	195250
Rajasthan	5.62	46.33	72453	156375	33.07	35291	106704	37.39	47397	126754
Tamil Nadu	6.57	54.70	100266	183312	38.62	41943	108604	39.68	45803	115420
Telangana	2.57	73.85	84423	114313	53.99	39142	72497	59.06	50692	85836
Uttar Pradesh	16.47	38.47	69794	181416	28.44	16293	57282	29.55	22199	75122
West Bengal	8.68	17.56	10333	58829	23.72	11268	47511	23.62	11253	47643
All India	**100.00**	**45.94**	**70580**	**153640**	**28.85**	**25741**	**89221**	**31.44**	**32522**	**103457**

Source: NSSO, 70th round (2014)

In Punjab average amount of debt is Rs. 216524, Andhra Pradesh accounts for Rs. 130599, Tamil Nadu claims Rs. 100266 and Haryana analysed Rs. 99212 average amount of debt on its farm community and the figures rises when average outstanding debt per farm household is considered for calculations.

Table 2: IOI and Average Outstanding Debt (AOD) by different occupational categories

Occupational Categories	IOI (per cent)	AOD per household (Rs.)	AOD per indebted household (Rs.)
Cultivators	45.94	70580	153640

Non-Cultivators	28.85	25741	89221
All	**31.44**	**32522**	**103457**

Note- IOI: Incidence of Indebtedness, AOD: Average Outstanding Debt per Household, AOLD: Average Outstanding Debt per Indebted Household.

Source: NSSO, 70th round (2014).

Table 2, analysed IOI and average amount of loan outstanding per household and indebted households among different occupational categories, i.e., cultivators and non-cultivators in brief. An analysis indicates 31.44 per cent of IOI, Rs. 32522 average loan outstanding and Rs. 103457 average loan outstanding per indebted household for all occupational categories. It has been found that average loan outstanding among cultivators is more than non-cultivators. The average amount of loan outstanding for cultivators is Rs. 70580 and for non-cultivators the same value is Rs. 25741 and the amount goes higher to Rs. 153640 for cultivators and Rs. 89221 for non-cultivators, when average outstanding loan for indebted household is being calculated. The average amount of debt per indebted household is more than the average amount of debt of household.

SOURCE WISE LOAN

Table 3, analysed the cash loan outstanding to different sources of credit. Here, the sources of borrowing for different occupational categories i.e., cultivators and non-cultivators, are classified into two broad groups, viz., institutional and non-institutional sources, where the sources such as the government, co-operative societies and banks fall under the institutional category while money-lenders, traders, relatives and friends, doctors, lawyers and others belong to the non-institutional category. The outstanding debt in most of the states of India is financed more by institutional sources than the non-institutional sources (Table 3).

Table 3: Cash Loan Outstanding by Credit Agencies

Credit Agency	Cultivators		Non-cultivators		All	
	Percentage share of households	Percentage share of loan outstanding	Percentage share of households	Percentage share of loan outstanding	Percentage share of households	Percentage share of loan outstanding

Institutional Agencies	**61.63**	**64.00**	**44.00**	**52.10**	**47.64**	**56.00**
Government	1.50	1.30	0.86	1.10	1.05	1.20
Co-operative societies/ Bank	28.00	28.90	14.98	22.90	18.06	24.80
Commercial banks(RRB)	24.67	30.70	15.27	22.30	17.28	25.10
Insurance	0.00	0.10	0.28	0.20	0.26	0.20
Provident fund	0.00	0.00	0.00	0.10	0.00	0.10
Financial institutions	0.34	0.40	0.58	0.60	0.52	0.60
Financial companies	0.34	0.90	1.16	1.20	0.78	1.10
Self help groups bank linked	6.11	1.10	8.36	2.40	7.85	1.90
Self help group non banking financial Companies (NBFC)	0.34	0.30	1.44	0.30	1.05	0.30
Other institutional agencies	0.34	0.30	1.16	0.90	0.78	0.70
Non Institutional Agencies	**38.37**	**36.00**	**56.00**	**47.90**	**52.36**	**44.00**
Landlords	0.51	0.40	1.16	0.90	1.05	0.70
Agricultural money-lenders	6.11	6.50	4.61	4.20	4.97	5.00
Professional moneylenders	20.88	23.10	28.81	30.80	27.00	28.20
Input suppliers	0.34	0.20	0.00	0.10	0.25	0.10
Relatives and friends	8.66	4.30	18.73	9.80	16.49	8.00
Docters, lawyers and other professionals	0.68	0.50	0.29	0.40	0.52	0.50
Others	1.19	1.00	2.31	1.60	2.10	1.40

All	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: NSSO, 70th round (2014)

At All India level 56 per cent of credit supplied to 48 per cent of the total indebted households (cultivators and non-cultivators) by institutional sources and the rest of the total amount of debt i.e., 44 per cent loan is provided by non-institutional sources to 52 per cent of the total indebted households (cultivators and non-cultivators). Banks play a major role in financing 50 per cent of the loan, while near about 25 per cent of the outstanding loan is taken care of by co-operative banks and a small portion, i.e., 1.2 per cent, by government sources. The rest of the loan i.e., 44 per cent of the total loan is financed by non-institutional sources within which professional money-lenders played a major role as they have financed 28.2 per cent of total loan outstanding to 27 per cent of indebted households, who relied upon non-institutional sources of credit. An exorbitant rate of interest charged by money-lenders is also one of the reason of increasing amount of indebtedness. In case of farmer category 62 per cent of total farm households owed 64 per cent of total debt to institutional credit sources on the other hand 38 per cent of total farm households accounted for 36 per cent of total debt outstanding to non-institutional credit agencies. Rural households belong to non-cultivators i.e., agricultural labourers, artisans etc., accounted for 44 per cent of total share of rural households and showing 52 per cent of total amount of loan outstanding to institutional source of credit. On the other hand, remaining 56 per cent of non-cultivator households have been reported 48 per cent of loan outstanding to the same occupational category.

PURPOSES OF LOAN

Table 4, explores the cash loan outstanding by the purpose of loan. The purpose wise usage of the credit at the All India level reveals that 40 per cent of credit is utilised by all the occupational categories i.e., cultivators and non-cultivators for the income generating activities (IGA) and 60 per cent of credit is utilised for non-income generating activities (NIGA) for respective categories of rural households. Among the entire asset holding classes 28.7 per cent of loan is used for farm business and 11.4 per cent of loan is used for non-farm business. Variations across the assets holding classes are seen in this respect; both capital and current expenditure in farm business are the main categories for which credit is used. Table 4, depicts that households of the bottom decile class incurred a relatively small part of their debt for productive purposes. In the rural sector of economy, the proportional share of debt for productive purposes is seen to vary from 15.4 per cent to 56 per cent among the decile classes.

On the other hand, among the non-income generating category, expenditures on other household expenditure like marriage and social ceremonies play a dominant role. The rural households end up spending substantial amounts on these festivals and ceremonies by borrowing from the informal source at usurious rate of interest.

Table 4: Cash Loan Outstanding by Purpose of Loan

Purpose of loan	**Proportionate outstanding loan of households of asset holding class**											
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**All**	**Amount of cash loan outstanding (Rs. in billions)**
Income Generating Activities	**15.40**	**11.40**	**13.60**	**17.60**	**22.80**	**27.70**	**38.40**	**36.80**	**44.60**	**55.50**	**40.00**	**2030.86**
Capital expenditure in farm business	1.80	3.10	2.60	4.40	4.50	9.90	9.10	15.60	18.00	17.50	13.30	671.20
Current expenditure in farm business	7.60	4.60	5.40	8.70	12.20	10.30	23.50	15.50	19.20	16.80	15.40	783.07
Capital expenditure in non-farm business	3.10	2.10	4.30	3.10	4.00	4.80	5.20	4.70	6.30	16.20	8.70	442.51
Current expenditure in non-farm business	2.90	1.60	1.30	1.40	2.10	2.70	0.60	1.00	1.10	5.00	2.60	134.08
Non-Income Generating Activities	**84.60**	**88.60**	**86.40**	**82.40**	**77.20**	**72.30**	**61.60**	**63.20**	**55.40**	**44.50**	**60.00**	**3047.09**
Expenditure on litigation	0.00	0.10	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.48

Repayment of debt	11.10	1.50	0.40	0.50	2.50	1.40	1.10	1.50	0.80	4.50	2.60	132.78
Financial investment expenditure	0.10	0.10	0.20	0.00	0.10	0.00	0.00	0.10	0.20	0.10	0.10	5.83
For education	4.60	3.90	3.60	2.30	1.40	2.20	4.80	2.70	2.20	2.10	2.60	131.05
For medical treatment	13.40	17.50	7.40	12.70	9.30	8.40	6.90	6.90	6.60	1.70	6.10	310.45
For housing	5.90	11.40	25.10	26.90	18.30	19.70	18.00	22.00	21.30	20.20	20.10	1021.52
For other household expenditure	42.90	51.00	43.40	32.10	38.20	32.00	24.60	24.50	20.40	11.80	23.20	1178.13
Others	6.70	3.20	6.10	7.60	7.20	8.60	6.20	5.50	4.00	4.10	5.20	265.85
All	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**5077.95**
Share of households	4.89	6.07	7.68	8.97	9.74	10.42	10.36	11.78	14.47	15.62	100.00	-

Source: NSSO, 70th round (2014)

At All India level expenditure on housing and other household expenditure constitute 43.3 per cent of the total credit used for different purposes and the rest 16.7 per cent is used for repayment of debt, education, medical treatment and other expenditure. Further, the percentage share of debt against non-income generating activities is seen to decrease from about 85 per cent in the bottom class to about 44.5 per cent in the top class in the rural households. Moreover, Rs. 5077.95 billion amount of cash loan is outstanding among the all asset holding classes.

DIFFERENT RATES OF INTEREST AND CREDIT AGENCY

Table 5, shows the share of households and the percentage distribution of total amount of cash debt outstanding by rate of interest separately for institutional and non-institutional credit agencies.

Table 5: Cash loan outstanding by rate of interest and source of credit (in per cent)

Rate of	Households	Access to credit	Cash Loan

Interest	with Cash Loan Outstanding	Institutional Credit	Non-institutional Credit	Outstanding
Nil	17.0	0.8	18.3	8.5
< 6	7.55	7.1	2.3	5.0
6 – 10	15.88	26.0	0.4	14.7
10 – 12	5.73	12.9	0.7	7.5
12 – 15	15.10	42.6	4.1	25.7
15 – 20	4.18	7.3	5.6	6.6
20 – 25	14.84	2.1	33.9	16.1
25 – 30	0.52	0.1	0.6	0.3
> 30	19.20	1.0	34.1	15.6
All	100	100	100	100

Source: NSSO, 70^{th} round (2014)

It is revealed in table 5, that about 8.5 per cent of the cash loan is outstanding which was interest-free. In the case of total debt outstanding from non-institutional agencies, the interest-free shares were comparatively higher, being 18 per cent in rural areas of India. Compared to this, the share of total debt outstanding was only 0.8 per cent for institutional agencies in rural. The institutional agencies played a significant role in providing credit to the households with a moderate rate of interest from 6 per cent to 15 per cent for rural households. It has been observed that a fairly high amount of total debt outstanding funded by the institutional agencies, about 89 per cent were provided at less than 15 per cent interest rates. On the other hand, the non-institutional agencies provided a significant amount of its total loans to households at an interest as high as 20 per cent or above, the share of such loans to total was 69 per cent.

SOURCE WISE INCIDENCE OF INDEBTEDNESS

Table 6, depicts the average amount of debt per household and the average amount of debt per indebted household and the percentage of indebted households, by asset holding class for institutional (Government, Banks, Insurance companies, Financial companies, Self-Help Groups, etc.) as well as non-institutional credit agencies. It has been analysed that non-institutional agencies plays a key role in advancing credit to the households, particularly in rural India. The non-institutional agencies had advanced credit to 19 per cent of rural households, while the institutional agencies had advanced credit to 17 per cent households. Table 6, shows the pattern of incidence of indebtedness of rural households to institutional and non-institutional credit agencies by decile class of asset holding.

Table 6: IOI and Average Amount of Debt (AOD) by source of credit

Decile class of asset holding	IOI (in per cent)	Source of credit		AOD per household (in Rs.)	AOD per indebted household (in Rs.)
		Institutional (in per cent)	Non-institutional (in per cent)		
1	19.62	7.9	14.0	9705	49478
2	22.30	7.4	17.1	8819	39554
3	27.05	10.8	19.1	13811	51053
4	27.46	12.4	18.2	15673	57077
5	30.95	13.0	21.9	18800	60746
6	32.99	16.9	21.6	23441	71047
7	32.99	19.1	19.3	28770	88006
8	37.33	22.2	21.6	37662	100877
9	42.64	29.2	22.1	56658	132867
10	41.32	32.6	15.3	111884	270747
All	31.44	17.2	19.0	32522	103457

Source: NSSO, 70^{th} round (2014)

IOI among all the decile classes has been seen increasing as revealed in Table 6. A positive correlation between decile class of asset holding and AOD per household and per indebted household has also been observed. The average amount of debt per household was Rs 32522 and the figure has increased to Rs 103457, when the average amount of debt per indebted household has been taken into consideration. IOI is increasing with the increase in every decile of asset holding class.

MAJOR FINDINGS

Through the study, we have been analyzed the nature and extent of indebtedness among rural household categories i.e., cultivators and non-cultivators in India with the help of National Sample Survey Organization (NSSO, 2014) Key Indicators of Debt and Investment in India. State wise incidence of indebtedness, access to and purpose for loan according to asset holding class, average loan outstanding per household and average amount of loan per indebted household, rate of interest, proportionate outstanding loan has been taken has taken in to consideration, while analyzing the problem of indebtedness. The major states, (relatively large in terms of population) are: Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal. Among all these states high level of IOI has shown by Telangana (59.06) followed by Andhara Pradesh (54.06 per cent); Madhya Pradesh (49.50 per cent); Karnataka (46.43 per cent); Tamil Nadu (39.68 per cent); Rajasthan (37.39); Punjab (33.06 per cent). At All India level average amount of loan outstanding per household were found Rs. 32522 and figure rises to Rs. 103457 when average amount of loan outstanding per indebted household has been calculated.

Furthermore, 31.44 per cent IOI has been analysed among the different occupational categories i.e., cultivators and non-cultivators in India. Cultivators and non-cultivators separately showed 45.94 per cent and 28.85 per cent IOI, Rs. 70580 and Rs. 25741 average outstanding debt per household and Rs. 153640 and Rs. 89221 average outstanding debt per indebted household, respectively. Institutional credit comprises major part of loan outstanding which is 56 per cent and 48 per cent of rural households had an access to institutional credit.

Among all institutional credit agencies, cooperative credit societies and commercial banks comprises major share of loan. On the other hand, an important and very surprising fact regarding different categories of non-institutional credit agencies was that it has been comprised 44 per cent share of total loan outstanding provided by different credit agencies, which were shared by major proportion of rural households i.e., 53 per cent. It has been found that comparatively lesser amount of loan were provided by non-institutional credit agencies then institutional credit agencies, however, they charge high rate of interest and repayment of amount of interest as well as principle amount become more and more difficult, as it has been accumulated and the burden of debt passes from one generation to another.

When we switch over to utilization pattern of loan, it has been observed that 40 per cent share of loan was utilized for income generating activities, against this Rs. 2030.86 billion amount of cash loan were outstanding. On the other hand, remaining 60 per cent of loan was used for non-income generating activities, against this category of usage of loan 3047.09 billion of cash loan were outstanding. It has been found that greater share of loan was utilised for unproductive purpose. Although, even a single penny of borrowed amount is used for unproductive purpose yet, it does not generate any income, it causes accumulation of loan. It has also been found that about 8.5 per cent of the rural total cash loan outstanding was interest-free. In the case of total cash loan outstanding from non-institutional agencies, the interest-free shares were comparatively higher, being 18 per cent in rural households in India. Compared to this, the share of total cash loan outstanding was only 0.8 per cent for institutional agencies in rural India.

The institutional agencies played a significant role in providing credit to the households with a moderate rate of interest (6 per cent to 15 per cent for rural households. It has been observed that a fairly high amount of total amount of cash debt was funded by the institutional agencies, as about 89 per cent of total loan was provided at less than 15 per cent interest rates. On the other hand, the non-institutional agencies provided a substantial amount of its total loans to rural households at an interest as high as 20 per cent or above, the share of such loans to total was 69 per cent. It is noteworthy that the percentage of households indebted to institutional agencies increases with increase in assets holding. For the rural households, in the top decile class 32.6 per cent are indebted to institutional agencies which were about four times more when compared to the bottom decile class i.e.,7.9 per cent. In the case of non-institutional agencies, however, no such definite rising or declining pattern in IOI across decile classes has been observed.

CONCLUSION AND SUGGESTIONS

Nowadays, rural indebtedness is increasingly being recognized as the significant obstacle and stumbling block for rural development. In the case of borrowing for non-cultivators is different, due to lack of security assets with them they are deprived from borrowing through the institutional agencies thus they mainly rely upon the big landlords and other non-institutional sources. Because of the previously discussed causes rural cultivators and non-cultivator households are unable to pay the highly charged interest rates and principle amount which trap them into debt and vicious circle of poverty. It has been concluded that the crisis and stagnation of rural households have persisted for over a long period of time and are not showing any signs of reversal. Psychological pressure caused by increasing debt burden and a constant feeling of social stigma trapped the rural households into the extreme poverty and force them to commit suicide. It has been observed that in the Indian context rural indebtedness is resonant with the overtones of unproductive usage, usurious ensnaring and deplorable conditions of the poor farmers and agricultural labourers. Therefore, to eradicate the problem of growing indebtedness, the central government along with state bodies should take suitable remedial measures like settlement of old debts, reduction in dependence on informal sources of finance 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. There is need to educate the rural households for better use of loan to avoid over dues. This calls for vigorous efforts on the part of extension agencies to train and motivate the cultivators and non-cultivators. The credit supervisory mechanism of the financial institutions should be strengthened to tackle the problems of rural indebtedness.

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