

## **A STUDY ON RURAL INDEBTEDNESS IN INDIA**

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### **Abstract**

*Importance of Provincial Obligation: There is an outrageous neediness in the rustic region of the country. In this way, the rustic individuals are getting a weighty measure of credit routinely for meeting their necessities required for creation, utilization and for meeting social responsibilities. Thus, obligation passes from one age to another. Despite the fact that they get consistently yet they are not in that frame of mind to reimburse their advances routinely as on the grounds that either credits are bigger or their horticultural creation isn't sufficiently adequate to reimburse their previous obligation. Consequently, the obligation of ranchers progressively expands prompting the issue of serious level of provincial obligation in our country. This article endeavors to examine rustic obligation in India.*

### **Introduction**

Horticulture is the foundation of Indian Economy and each financial action is connected with this occupation. India has been an agrarian economy and because of a few sorts of social and financial changes it got significance. Be that as it may, after 1990s Indian horticulture begins declining and because of inflating cost of information sources ranchers accepts advance from the formal as well as from casual sources. In any case, because of absence of benefit and decreasing efficiency ranchers are fallen in the obligation trap. The effect of rising obligation is extreme to such an extent that it compels them to make the feared stride of rancher self-destruction. Obligation Alleviation and advance waivers plans are in this manner involved by the Middle and State Legislatures as a fast means to assist ranchers with reestablishing efficiency and further develop their credit needs. Rustic obligation has been the always green friend of the Indian laborers. As per a notable saying, the Indian worker is brought into the world in the red, lives under water and bites the dust in the red. The predominance of destitution among farming laboring families is underlined by the commonness of the rustic obligation. With the expansion in the degree of destitution, the degree of obligation increments. The weight of obligation gives from one age to another. The quantity of those in the grasp of this horrible issue is even now exceptionally huge, in spite of energetic endeavors to tackle it. Provincial obligation has eaten into the actual vitals of our rustic social design. Thus, it has drawn the consideration of sociologists, market analysts, organizers, civil servants and others since long time past. Agribusiness generally assumes a significant part in the by and large financial and social prosperity of our country. India has been an agrarian economy and because of different social and monetary changes. It got significance due to green upset in the mid 1960's because

of High return Assortment of Seeds. Agribusiness have been areas of strength for the of the Indian economy, not just it is giving work straightforwardly or in a roundabout way to close to half of its populace yet additionally contributes almost 17% in the public GDP. It is a result of expanding productivity in horticulture and finding it worthwhile ranchers began to put more in logical strategies to bring more benefits out of it. They began to create those harvests which are economically reasonable. Till the mid 1990's, cultivating seem, by all accounts, to be entirely productive so floated by the benefits ranchers began siphoning in more capital by acquiring advance from non-institutional sources, for example, commission specialists, nearby cash moneylenders, enormous landowners and so on., at higher pace of interest as the institutional advance is hard to profit. The agrarian emergency in India has been spatial and institutional. The drawn-out spatial elements show that there is a declining pattern in the rural efficiency.

Indebtedness means an obligation to pay money to another party. In rural India the poor farmers furthermore, wage works and so forth. when can't reimburse a credit and collect it, leads to the issue of rustic obligation. Provincial obligation is a sign of the frail monetary framework of our country, which incorporates failure of our financial framework to reach to the destitute ranchers, landless individuals in the towns and the horticultural compensation workers.

The ranchers get advance for either horticultural activities or a few different purposes like supporting the family in the lean season or to purchase supplies. Because of lower pay or inefficient uses when the ranchers can't pay the credits they can't take care of their obligations and subsequently amass the obligation as well as forthcoming interest on the sum. The more fragile 'monetary consideration' in India has offered the nearby cash moneylenders a chance to take advantage of such ranchers from ages to ages.

While getting cash the borrower doesn't focus on his compensating limit and for him even a little obligation turns into a snare out of which he can't emerge. Advances from the cash bank support the rancher as the executioner's rope upholds the hanged.

Rustic getting and provincial obligation imply two unique things. There is nothing out of sorts in acquiring particularly when the assets are expected for farming tasks. Yet, obligation emerges when the pay of the rancher isn't adequate to reimburse the obligation brought about or when he spends his pay for useless purposes and doesn't put something aside to take care of his obligation. At the point when the borrower neglects to reimburse the advance in time and the credit continues collecting, he becomes obligated.

### **Rural Indebtedness in India: Causes, Consequences and Measure for Removal**

*Destitution is maybe a significant reason for country obligation. The low degree of rustic salaries, the questionable and crude cultivating of little landholdings makes it difficult to address the issues expected for their living. Frequently, the provincial individuals take obligations to address these issues.*

*One of the serious issues worried to the country society is obligation. This issue is simply not connected with one individual yet is given starting with one age then onto the next age. Taking or causing obligation with the end goal of horticultural creation is for sure important as it adds to creation.*

*Be that as it may, the rustic individuals bring about obligations for nonproductive purposes, for example, to meet the family needs, carry out friendly roles (connected with relationships, birth, passing), case, and so on. Since cash taken doesn't add to creation yet rather to utilization, it hauls the provincial individuals into obligation.*

*Hence, it becomes difficult to reimburse these advances. To clear these advances, the provincial individuals cause obligations once more. Along these lines, they are trapped in the grip of obligation, which gives starting with one age then onto the next. For the vast majority little ranchers, the horticultural production is less to the point that they can't accommodate such ineffective consumption.*

### **Causes of Indebtedness:**

#### **Poverty:**

Poverty is perhaps a major cause for rural indebtedness. The low level of rural incomes, the uncertain and primitive farming of small landholdings makes it impossible to meet the needs required for their living. Often, the rural people take debts to meet these needs.

#### **Ancestral/Inherited Debt:**

Most of the rural debts of the present day are inherited from the past and which increases with the passage of time. An inheritor is liable to the repayment of the debt only to the extent of the property inherited by him.

Despite this law, the rural people continue to repay the debts of their forefathers, as they are not fully conversant with law as they are illiterate. As these people are bound by the traditions and values, they regard it as their sacred social duty to repay the debts of their forefathers.

Such increasing debt is passed on from one generation to another making its repayment increasingly difficult, whenever it is passed on. Thus, the Royal Commission has rightly stated that the Indian farmer 'is born in debt, lives in debt and dies in debt'.

#### **Social and Religious Needs:**

Villagers are mostly bound by the social traditions and customs, which are considered to be sacred and had to be performed. Some of these ceremonies are marriage, births, deaths, religious occasions, etc. The expenditure is usually very high for the performance of these ceremonies. In order to meet these needs, the villagers take loans. As their incomes are not sufficient enough, they are not able to repay these loans. Thus, they remain unpaid and increase with the passage of time.

#### **Litigation:**

Generally, the agriculturists in India are involved in various kinds of disputes related to land, property, etc., which force them to go to a court of law. Often, they view it important to win the case as it is related to the family prestige and honour. Such litigations involve heavy expenditure and time. In order to meet these needs, the agriculturists take loans that they are not able to repay and are caught into indebtedness.

**Backwardness of Agriculture:**

Indian agriculture is an uncertain business. It virtually depends on unreliable rains for the supply of water. If there are no rains or untimely rains, the entire crop is lost and the credit invested in the agriculture goes waste. As a result, the loan taken for the productive purposes also becomes a burden, leading to indebtedness of the farmers.

**Excessive Burden of Land Revenue and Rent:**

Land revenue, where it is levied by the government in some states and the rent payable to the landowners is becoming excessive burden on small farmers. In order to pay these land revenue, mid-rent, the farmers take loan. Sometimes, the farmers have to pay these rents and land revenues even during the floods and drought. This make the farmers run into debts.

**Defective Money Lending System:**

The village money lending system is very much defective. The sole aim of the moneylenders is to extract the maximum from the farmers. The moneylenders make wrong entries in their account books, charge very high interest rates and extract high prices for the goods they sell to the farmers but purchase the farmers produce at very low prices.

In course of time, as the amount debt increases, the moneylenders are much interested in seizing the farmers lands, and other valuable assets than the debt being repaid by the farmers. Thus, the farmers are trapped in the hands of the moneylenders.

**Consequences of Indebtedness:**

There are many economic and non-economic consequences, which are caused by rural indebtedness. They are categorized into economic, social and political consequences. Let us have a look at them in detail.

**Economic Consequences:**

As the rancher is denied of the significant piece of his produce in clearing the obligations, payment of interests and chief sums, he loses interest in agrarian creation. This prompts low rural creation and pay.

The rancher is compelled to offer all his produce to the moneylender and he is denied of selling his produce in the open market and acquiring the costs of the market. Such a circumstance unfavourably influences the instigation for work and rural creation of the rancher.

The exchange between the moneylender and the rancher is consistently useful to the moneylender. The rancher is estimated intensely for what he buys and gets little for what he offers to the moneylender. In this way, such exchange prompts loss of a significant piece of his pay.

During the time spent getting credits, instalment of premium and reimbursement of head to the moneylender, the rancher frequently loses his property, as he can't reimburse the advance. Thus, the rancher, the proprietor of the land, turns into a landless worker.

**Social Consequences:**

The relations between the moneylenders and the farmers become venomous and poisoned the social life. Therefore, the social groups get divided into two classes—the exploiting class and the exploited class. Due to the loss of land, the farmer feels deprived and pushed down in the social hierarchy. Land ownership gets concentrated in few hands, which builds up tensions between the moneylenders and farmers. As the farmers lose their lands, they have to render services to the farmer. Their self-respect is lost as they become slaves. Though there are many laws to protect them, they are difficult to enforce where the farmers are illiterate or do not have enough resources to go to the courts.

**Political Consequences:**

The obligated ranchers are treated by the moneylenders as simple wares of votes. The moneylenders utilize these ranchers as their confidential property. As their financial position isn't sound, they don't have their very own political status.

Their political participation is totally overwhelmed by the moneylenders who use them for their own political benefits. To liberate themselves from the grasp of the moneylenders, ranchers enjoy unlawful means to reimburse credits.

The moneylenders in their endeavours to drag and press the ranchers enjoy into a wide range of unlawful practices and toxic substance the political environment of the towns. Subsequently, the provincial obligation unfavourably influences every one of the parts of country life. It hampers the horticultural creation and country economy, diminishes the rancher to a landless worker and toxins the social and financial existence of the provincial individuals.

**Measures for the Removal of Indebtedness:**

The problem of indebtedness can be solved by two means. The first is to take up measure to reduce the burden of present indebtedness and the second is to prevent the evil from rising again in the future.

**To reduce the present burden of indebtedness, the following measures have to be taken:**

1. Dropping every one of the obligations paid to the moneylenders by the ranchers, which are more than the chief sum itself, obligations which are now been reimbursed yet stand in the record books of the moneylenders, obligations that are made by the moneylenders by misrepresentation, credits for which reimbursements have been gotten as cash, produce and different administrations like work from the obligated ranchers.

2. Obligations ought to be appropriately downsized. As per regulation, the inheritors are responsible to pay the obligations just to the degree they have acquired. Along these lines, a large portion of the obligations will be diminished. Obligations that are so unreasonable and standing are since quite a while, ought to be settled between the concerned gatherings or through the town panchayats. Obligations, which don't have records or exist with fragmented records, ought to likewise be decreased.

3. Aside from the over two stages, the leftover piece of the obligations ought to be handled by extraordinary foundations like banks. Such banks pay the sum to the moneylenders on one hand and recuperate something very similar from the debt holders based on simple conditions. These banks likewise gather reserves and give credit offices to their individuals.

**To control the problem of indebtedness in future, the following steps are recommended:**

1. The income of the farmers should increase so that they could meet the unproductive expenses and are not forced to take any loan. In order to achieve this goal, it is necessary that agriculture should be conducted on scientific basis not depending totally on the natural climatic factors. Some other measures have also been undertaken such as the introduction of land reforms providing market for the agricultural produce, etc.

2. The panchayats and such other village level institutions should try to solve the village disputes and try to prevent them from going to the courts of law, which need heavy expenditure.

3. Information regarding the laws and their implementation should be given to the villagers so that they do not get into the clutches of the moneylenders for generations.

4. Adequate credit facilities on reasonable terms should be arranged to the farmers. Co-operative credit is a good solution in this regard. Private lending should be eliminated in this field.

Royal Commission on Agriculture, 1928

The royal commission on Agriculture in India, 1928 was created in British India to examine and report on the conditions of the farmers. It expressed:

*“The Indian peasant is born in debt, lives in debt and bequeaths the indebtedness to his successors. “*

### **Causes of Rural Indebtedness**

The main causes of rural indebtedness in India are as follows:

1. Low income
2. Poverty and lack of education
3. Unproductive & wasteful expenditures of the loans
4. Inherited debts
5. Waste of money on Litigations

6. Poor financial inclusion
7. Weaker marketing system of banking facilities and services
8. Faulty money lending system in India
9. Uncertain Monsoon
10. Wasteful expenditures in social customs
11. High cost of agricultural production
12. Results of Rural Indebtedness:
13. Forced selling of mortgaged lands by the peasants due to nonpayment's consequently giving rise to landless laborers.
14. Exploitation by moneylenders.
15. Growing poverty due to lost capacity as a labourer.
16. Discrimination in the rural society
17. Social unrest causing crimes and suicides.
18. Dividing the rural society into landlords and landless people.
19. Posing hurdles in the social and economic developments.
20. Giving rise to problems of bonded labour.
21. Political exploitation as poor farmers not able to choose the right candidates due to monetary avarice.
22. Overall decay of the economy of India

**Some Remedial Measures to control the problem**

- Debt waiver by state governments. At time to time state governments and central government have announced debt waivers on peasants.
- **Farm Loan Waiver Scheme 2008:** Government of India in 2008 released Rs 10,000 crore to banks and financial institutions as part of compensation for writing off loans under the farm-debt waiver scheme throughout the country.
- Agricultural and rural Debt relief Scheme 1990-91 by central government.
- Development of network of institutional credit network in rural area comprising cooperative societies, Regional rural banks, Commercial banks etc.
- Control on Moneylenders.
- Comprehensive Crop Insurance Scheme 1985
- Kisan Credit cards Scheme 1998
- National Agricultural Insurance Scheme 2000

- Farm Income Insurance Scheme 2004
- National farmers Commission 2004
- Small farmers Development Agency
- Farmers Debt relief Commissions (State level)
- Micro Finance Schemes-SHG Bank Linkage Programs Etc.

Further, different Rustic Business Plan like MGNREGA for financial upliftment of the country poor and landless workers center around solution for provincial obligation.

The previously mentioned two kinds of measures ought to be continued at the same time. Simple counteraction with no preventive measures for future wouldn't help the situation; also, there is each chance of this evil to rise over and over. Subsequently, both these actions ought to remain closely connected with the goal that the issue of country obligation vanishes totally.

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