"Rural Indebtedness": 'With Special reference to Sugarcane Growers'

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Introduction

Increasing rural indebtedness is being recognized as a significant obstacle for rural development. It not only aggravates inequality in the access to socio-economic opportunities but also hinders the growth process in rural areas and creates an intergenerational handicap for participating in democratic processes due to growing distress and shocks to social psyche among the indebted households. The question of agricultural debt in India always had considerable interest and long been one of the most pressing problems of India. Rural people have been under heavy indebtedness of the village moneylenders and co-operatives and banks and finance. The burden of this debt has been passed one from generation to generation in much as the principle and interest went on increasing. Nearly 65 percent of population is still living in rural areas with agriculture as its main occupation. Debt has been depicted as a millstone round the neck of the Indian farmer and it also states that Indian farmer lives in debt and dies in debt. Average of per capita debt for the entire rural population has increased by 27 percent for agricultural labourers and 36 percent for farmers.

Sugarcane is a major crop of the village Chinchali. We find about 85% of sugar cane cultivable land. It needs longer investment and expenditure. So for sugarcane cultivation majority of sugarcane growers have taken the loans from institutional and non-intuitional agencies. The sugarcane growers are unable to repay the loans due to continuous crop failure because of flood since three years. So crop failure, higher value of assets, lockout and sickness of co-operative sugar factories and meagre price

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paid by factories are major reasons for indebtedness of sugarcane growers. Hence the present study made an attempt to study indebtedness of sugarcane growers of Chinchali village in Belgaum district of Karnataka State.

The agrarian crisis that has rampaged throughout rural India for the few years has been associated very clearly with rising burden of indebted among farmers. Over 275 farmers have taken their lives between April 1 and September 19 this year in the state. Not only drought prone areas but even irrigated tracts are also experiencing the incidence of suicides. Three years of inadequate rainfall, consequent crop losses due to flood, the fallen of price buying the sugarcane by factories and import of sugar from foreign are major reasons for increasing indebtedness in the district of Belgaum. Thirteen suicides took place in this district which is less than other district. But in future the growing indebtedness of sugarcane growers will increase the rate of suicides of sugarcane growers. Therefore it is necessary to take suitable measures to reduce the indebtedness of sugarcane growers to avoid the suicides. Hence this present study made an attempt to give the suitable measures to reduce the indebtedness of sugarcane growers.

Review of Literature

A number of studies have been undertaken to explain indebtedness. They vary not only in style and temper but also in their major findings. A few important works deserve for reference and review.

Chndrasekhar C.P. and Ghosh Jayatis (2003) study deals a recent report of NSSO on the indebtedness of farmer households. The report provides important information on the extent and nature of cultivation debt. C.P. Chandrasekhar and Jayati Ghosh consider the main result of this survey and the implications for policy. The major finding of this survey is that the agrarian crisis that has rampaged through Rural India for the past few years has been associated very clearly with the rising burden of indebtedness among farmers.

P.G.K.Panikar in his article '**The Burden of Debt in Indian Agriculture** gave the positive aspects of debt. He told that most writers tend to depict the debt burden as a millstone round the neck of the Indian farmer. But the simple truth that borrowing is not a unique feature of Indian farming has not been adequately appreciated that credit lubricates the engine of production and heightens its efficiency. Author concluded that the attitude of most authors on the subject in this country has been unduly conservative. Hence author made an attempt to re-examine the question of agrarian debt in India.

Dhoot Vikas's (2007) article **"Credit alone can't check rural indebtedness** deals with measurers that are enough to tackle the problem of rising indebtedness in rural India. He told that credit measures alone will not be enough to tackle the problem of rising indebtedness in rural India improving access to education, health and employment in rural India is an important as improving credit delivery.

Mohanty Siba Sankar (2007) in his article entitled with **'An obstacle for Development** gave major causes for rising indebtedness of Indian farmers. The indebtedness of Indian farmers rose markedly in the 1990's following the turn by successive Indian governments to market reforms and the opening up of the Indian economy to foreign investors.

Parvathi Menon's(2004) paper entitled with " **From debt to Death**" deals the major causes of suicides of farmers in Karnataka crop losses caused by three successive years of inadequate rainfall and the diminishing presence of institutional credit force a large number of Karnataka farmers into the debt trap. Some they choose death as a way-out.

Dillon G.S. (1999) paper **'Post-harvest measures to check rural indebtedness'** gave suitable measures to reduce the rural indebtedness. Post-Harvest measures or " value addition" to crops (e.g cereals pulses, oilseeds, vegetables, flowers, mushroom, milk, eggs and honey) so as to increase the share of profits of the farming community if undertaken can help in the reduction of rural indebtedness.

Mahajan Vijay (2006) in his article tries to understand the problem of credit to small farmers and identify possible measures. Moneylenders in India are as old as its villages, agricultural credit co-operative to back a century, commercial banks have been involved in agricultural loans for nearly 30 years old, and reforms in the banking system were triggered a decade back. Yet credit flow to small farmers has remained far below needs both for crop cultivation and farm equipment as compared to the potential demand. The widespread discontent among farmers has manifested itself in form of mass voting incumbent government also individual acts of despair such as farmers committing suicide, particularly in Andra Pradesh.

Jeromi P.D. (2007) article entitled with **'Farmers Indebtedness and Suicides: Impact of Agricultural trade Liberalization in Kerala"** examines the factors leading to the farm crisis, the rise in indebtedness and various dimensions of farmers' suicide.

By observing many studies we come to conclusion that there is positive relationship between indebtedness and farmers suicide. Indebtedness, a huge and growing burden in the rural countryside is the single most conspicuous reason for the mounting number of suicides in the State of Karnataka.

Objectives

Following are the major objectives of the present study.

a. To find major causes for growing indebtedness of sugarcane growers.

b. To understand extent, sources and purposes of indebtedness of sugarcane growers.

c. To devise possible measures to reduce indebtedness of sugarcane growers.

Methodology

For the present study qualitative methodologies are employed. A case study method is used focusing on a single village, Chinchali, Belgaum District of Karnataka State.

Source of Data

Primary as well as secondary data are collected for study. Primary data are collected through interview schedule and observation techniques.

The secondary sources are collected from the books, journals and internet supplementing the village records, cooperatives and banks.

Area of Study

A single Chinchali village of Belgaum district of Karnataka State is selected as study area for present study. It is located in North-West part of the Karnataka State.

Sampling

For present study both purposive and simple random samplings have been used. A single Chinchali village of Belgaum district of Karnataka State is selected purposefully. With the help of village record total households of village are listed. Out of total households, there are 1500 households of agrarian households listed. Out of 1500 households,10% households are taken for study, which covers 150 households.

Extent of Indebtedness

Nearly half (48.6 %) of the farmers households were reported to be indebted. The incidence of indebtedness was highest in Andhra Pradesh, where more than fourfifths of surveyed farmers were in debt followed by Tamil Nadu with nearly three – fourths of farmers' households reporting indebtedness. 65 % of Karnataka and 61 % in Maharashtra of farmers household were reported to be indebted. Total 68.38 % of total household farmers are indebted in village Chinchali.

Table No.1

Landholding size of sample households of sugarcane growers

Landholding	Households	Percentage
Below 2.5 acres	60	40.00 %
2.6 to 5acres	50	33.34 %
5.1 to 25 acres	40	26.00 %
Total	150	26.00 %

Table No: 1 represents the landholding size of sample households of sugarcane growers in Chinchali village out of total respondents majority of respondents i.e. (40%) have landholding size below 2.5 acres.

Use Fertilizers seeds and manures: Sugarcane requires fertilizers and manures in more proportion as compare to the other crops such as maize average 897.29 kg chemical fertilizer and 6to8 trolley organic fertilizer is used. Average expenditure for sugarcane cultivation requires including all expenditure is 16537.83 rupees per acre. Average production is 50 tons per acre.

Table No. 2

Income level of sample households of sugarcane growers

Income	Households	Percentage
Below 25,000 / -	77	35.33 %
25,000 /- to 50,000 /-	23	16.00 %
50,000 / - to 75,000 /	25	6.00 %
75,000 / - to 1 Lakh	15	11.33 %
Above 1 Lakh	10	5.33 %

Table- No: 2 represent income level of sample household. Out of total respondents 77 (35.33%) of respondents have income.

Table No.3

Amount of loan of sample households of sugarcane growers

Amount of loan (R.S)	Households	Percentage

Below 25,000	9	6.00
25,001 to 50,000	24	16.00
50,001 to 75,000	53	35.33
75,001 to 1 Lakh	17	11.33
Above 1 Lakh	8	5.33
Total	150	100

Table No.3 Represent the amount of loan taken by sample households of sugarcane growers out of total respondents majority of respondents i.e. 53 (35.33%) have taken loan of 50,001 to 75,000 rupees.

Sources of Credit: Moneylenders have emerged as the most significant sources of credit for farmers with 29 percent accessing this source. However institutional sources still remain significant with more than half of farmers accessing government, co- operative societies and banks taken together (NSSO report:2003)

In case of Chinchali farmer households mostly borrowed more from formal institutional agencies than informal agencies.

Table No.4

Sources of sample households of sugarcane

Sources	Households	Percentage
Moneylenders	28	18.6
Banks	46	44.0
Co-operatives	23	28.6
Friends and Relatives	4	3.3
Other (Beshi and SHGS)	9	5.3
	150	100

Table -No.4 represents the sources of credit. Majority of respondents have taken from institutional agencies such as banks and co-operatives.

Purposes: It is significant that the dominant cause for taking loans was found to be for productive purposes. The two most important purposes of taking loans were stated to be ‘Capital expenditure in farm business’’, Current Expenditure’ in farm business at the all India level. In Karnataka where 68.2 percent of loans were taken for the productive investment on farms, whether in the form of capital or current expenditure.(NSSO report:2003)

Table-No: 5

Purposes of Loan

Purposes	Households	Percentage
Capital expenditure in farm business	**55**	**36.6**
Current expenditure in farm business	**35**	**23.3**
Expenditure for non farm business	**15**	**10.00**
Consumption expenditure	**20**	**16.6**
Marriages and Ceremonies	**10**	**6.6**
Education	**5**	**3.3**
Medical Expenses	**7**	**4.6**
Medical Expenses	**3**	**2.0**
Other	**150**	**100**

Table -No.4 represents the purposes of loan that is taken by sample households. Out of total respondents, majority of respondent's i.e.36.6% have taken loan for Capital expenditure in farm business.

Causes

Several factors contribute to raise rural indebtedness. Some of them are as follows

1. The report of NSSO have suggested that the decline in access to institutional credit has driven more farmers back to potentially more exploitative usurious relations with traditional money lenders or input dealers higher interest rates charged by these informal sources. (NSSO report:2003)
2. A steady decline in infrastructure investment, droughts, floods and insects infection have contributed to the growth of rural social misery.
3. Due to deregulation, the quality of the seeds has declined.
4. Farmers are getting proper market to sell their agricultural production.
5. Several agricultural commodities have seen a full in prices in the last three years owing to imports.
6. Cost of cultivation has been raised.
7. Interest rates of moneylenders range from 30 – 50 percent a year and go upto 60 percent for short term loans.
8. Lack of underemployment and employment of rural people.
9. Lack of alternatives for rural people other than agriculture.
10. Indian Peasants have faced greater competition due to deregulation of agricultural markets. In 1999, the Bharatiya Janata Party led Indian Federal

Government signed pact with the United States to grant US producers import permission for 1,429 agricultural products that were previously prevented from entering the local market. The credit facilities extended by the cooperative societies and formal agencies hardly benefit the small farmers. (Mohanty :1999)

11. The negative impact of globalization on agriculture through the World Trade organization regime has been already compounded the rural indebtedness.

Crop failure due to flood and fall in the prices of sugar are major factors for raising the indebtedness of sugarcane growers in the last three years in village Chinchali. The price at which sugar factories are buying has fallen from Rs.1,500 /- per quintal in the year 1992 to Rs.800/- per quintal. V. Ashok, State Secretary of the Karnataka Rajya Raitha Sangh, told, to "Frontline", the government is now importing sugar at the landed price of Rs. 900 /- per quintal which is less than our cost production.(Parvathi Menon: 2007).

Effects

Indebtedness, a huge and growing burden in the rural countryside, mostly among the poor farmers is the single most conspicuous reason for the mounting numbers of suicide in the State of Karnataka. Therefore raising indebtedness of sugarcane growers will lead the suicide of sugarcane growers in the future.

Measures

1. The rural debt situation especially for cultivators is grim and requires urgent policy attention. A beginning has been made by UPA Government in terms of increasing the provision of institutional credit to farmers. It is necessary to confront the problems currently affecting the viability of cultivation.
2. Policy intervention must be directed incase of undesirable input use, constantly increasing input costs, volatile crop prices and difficulties in accessing markets.
3. The Govt. agencies must help them in overcoming the problems.
4. It is necessary for the government to undertake surveys periodically related to indebtedness to get the clear picture and feels that rescheduling of agricultural loans is imperative for prompt relief and implementing the "Rural Indebtedness Relief Act".
5. Claiming of outstanding crop loans including interest for small and marginal farmers and postponement of the recovery of the loans for five years in other areas.

Fresh loan should be given in tune with landholding and increased scale of finance to small and marginal farmers.
6. Economic reforms which are implemented by the previous government as the part of the globalization process responsible for crisis in farm sectors. This should be reduced.
7. Agricultural research must be focused on the requirements of these farmers who are in need of support from government.
8. Farmers indebtedness has many humanitarian and financial implications. Sickness in cooperative credit institutions combined with the unsatisfactory performance of commercial banks has pushed rural indebtedness. This should be reduced.
9. The government has also taken action to supply good quality seeds to farmers at subsidized rates. A medical insurance scheme has been introduced for the farmers and agricultural labourers.
10. Kisan Credit facilities have been extended to all farmers in the State.
11. Such as Self Help Groups, Raythu Mitra Groups (RMGs), through which credit will be extended to farmers.
12. Agricultural diversification is needed.
13. Rather than commercial crops, it is needed to cultivate cereals, pulses, oilseeds, vegetables, flowers and mushroom.
14. To strengthen the rural economy through linking rural production with industry.
15. Cost free skilled oriented education should be provided for minor children and older children should be provided suitable employment.
16 .Taking the path of contract farming, between farmers and agri-business firms.(Singh:2004)
17. Appointing the committee to study the problems of farmers.
18. Agro based industrial units should be established.
19. Organizing the farmers themselves to carry out the production, processing and marketing. Elimination of middle man must be made.
20. Marriages of sons and daughters of farmers are conducted with free of cost with the help of Gram Panchayat at then local level.
21. Primary Health Centre should provide medical service without failing.
22. Lottery, wine shops and other anti-social activities should be controlled.
23. Knowledge based education should be provided.
24. Many farmers spend lot of time and energy to settle their land disputes.
25. Land dispute committee is established under the supervision of the government. Government lawyers' service should be provided to farmers with free of cost.

26. Transport facilities should be made avail to sell their agricultural goods to the market.
27. To make avail of irrigation facilities for marginal farmers as well as small farmers with too low interest.
28. Implementing all the schemes and programs with honest. Real beneficiaries must be finding out. Policy implementations need not to be influenced by Caste, creed and political parties. Increase the farmer-agricultural officer communication.

Conclusion

Indebtedness, a huge and growing burden in the rural countryside, particularly among the poor farmers is the single factor for agrarian crisis. So rising indebtedness of sugarcane growers in last years lead to suicides of the growers. Hence, proper measures should be undertaken to reduce the burden of indebtedness.

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