Chapter 1

Introduction
CHAPTER – 1

INTRODUCTION

1.1 Brief Introduction

The vast majority of the population of India lives in villages and about 70 percent of this population draws its livelihood from agriculture, this shows that all development of Indian economy obviously from this sector. As a dominant sector of an economy, agriculture plays a vital role in generating income, employment and subsistence for of our population and this role dominates effects the level of living of the people. Agriculture dominates the economy to such an extent that a high proportion of working population in India is engaged in agricultural production and agricultural activities. So, study about the Marginal Farmers is very important for an agriculture economy like India.

Agriculture enjoys a predominant position in India's economy. Agricultural prices, therefore, exercise a dominant influence on its economy. Under such a situation, it is matter of paramount importance to study the behavior of farmers' attitudes towards farm prices and their effect on income of major crops. Relatively higher profitability (due to increased prices) of a crop generally tends to attract greater attention and proper resource allocation by the farmers, resulting in increased area under cultivation of that crop. Increased market-orientation and marketable surplus due to progress in agriculture is one cause of changes in relative prices of different farm products. Further, agricultural prices are characterized by wider inter and intra year fluctuations which in turn have a great influence on yield and income of farmers. So, the main objective of the agricultural price policy since 1965 has been to ensure an incentive price to farmers for maximizing their production through optimum utilization of resources without unduly affecting the levels of wages and industrial costs. After mid seventies, objective of raising/stabilizing farm income was made an integral part of the agricultural price policy. The national commission on agriculture (1976) felt that the assurance of remunerative prices to the farmers will be essential for encouraging investment in agriculture and for the adoption of
modern technology; especially in areas of green revolution like Haryana. The study of price behaviour is an essential requisite of any sound price policy. The aim of the study is not only to investigate whether farmers respond to various incentives or not, but also to make an attempt to quantify the farmers’ response so that appropriate price policy for different crops could be formulated. Again, Indian government’s policy about procurement, distribution, imports and support prices of crops, is largely determined in the light of advance estimates of crop production. Therefore, empirical and factual knowledge of supply/acreage relations of crops is necessary for sound agricultural policy formulation.

Agriculture which in most of the developing countries is the largest commodity producing sector in terms of its contribution to GDP, employment of labour force and proving means of livelihood to large section of the population holds the key for the development of the economy and success of the efforts aimed at poverty alleviation.

In the recent context of modernizing traditional agriculture T.W.Schulz (1964) argued that lack of knowledge with respect to the contribution of agriculture to grow has bred many a doctrine and political dogmas. One of such doctrines was that farmers are not responsive to economic incentives. An important dimension of the question in this context was could agricultural production in low income communities be substantially increased by an efficient allocation of the factors of production at their disposal? How much agricultural production can be achieved by improving allocative efficiency of farming?

The role of incentives which has become to be taken for granted for the success of any agricultural development program today was not always like so. A number of empirical studies in the 1960s (Raj Krishna 1963, Falcon 1964, Mubyarto 1965, Behman 1968, and Yotopoulos 1964, 1968.) addressed the question of farmers response to economic incentives and efficient allocation of resources through the analyses of both time series and cross sectional data from a number of developing countries.

The farmers’ response to various economic and technological incentives and disincentives in the wake of agricultural transformation is important for formulation suitable sets of policies to stimulate the development process of the economy. The Indian farmers in general and that of Haryana farmers in particular are now more conscious to the fluctuating farm prices and relative
gross profitability particularly to those of the major crops. Farm level decisions on acreage allocation under different crops are often considered to be influenced by changes in relative prices of different crops. Along with changes in yield and cost, price changes influence the relative profitability of different crop enterprises and this shift in profitability influences acreage adjustments through increased total cropped area or shifts in the existing cropping pattern.

The major problem of agriculture revolves around supply functions and relationship of product output with factor input. These provide a framework for adjusting production and recourse employment to promote economic development. This is especially true in India where planning has been accepted as a tool of economic development and perspective planning as a technique. Improved knowledge on the potential future supply structure is needed under rapidly changing technology and factor product prices. This information is useful for the appraisal of problems and potentialities in area development. The accurate knowledge of supply is needed not only for improved policy formation but also for better guidance and decision making to individual farmers. Estimation of supply responses will help farmers in adjusting their production to projected prices with a view to maximize their profits.

It is strong belief of the government that profit maximising output of a commodity depends inter alia, upon products prices. Therefore, prices of farm crops play an important role in the overall economy of a country. It is seen that even a small quantity of farm produce sold at higher prices gives more returns to the farm unit compared to more quantity sold at lower price. In fact, it is the remunerative price which serves as an incentive for higher production. On the other hand, if prices are just near the production cost, it would serve as a disincentive for the producers. Agricultural prices, therefore exercise a dominant influence on its economy.

In the state like Haryana, where agriculture is very dominant, the agricultural prices occupy a key position in the price structure. It plays a dominant role in shaping the pace and pattern of agricultural growth. According to Satya Sundram (1995), the agricultural price policy reshapes the allocation of resources and distribution of income, not only within the agricultural sector but also between the agricultural and non-agricultural sector. A disquieting feature of the Indian agricultural economy is the uncertain trend in movement of the prices of agricultural commodities. In a country like India where the emphasis is being laid down on planned development of economy, the role of price mechanism cannot be undermined in affecting desired
adjustment in the Production (Koshta et al.1990). Agricultural program always hindered by fluctuations in prices. The national commission of agriculture (1976) felt that the assurance of remunerative prices to the farmers is essential for encouraging investment in agriculture and for the adoption of modern technology. Thus the agricultural price policy is supposed to play a vital role in augmenting economic development of the state like Haryana whose agricultural sector continues to share part of the state’s income. The study of price behaviour is an essential requisite of any sound price policy. Towards this end, minimum support prices for the major agricultural products are announced each year which are fixed after taking into account the recommendations of the Commission for Agricultural Prices (CACP). Taking into consideration these objectives of the price policy, it is imperative to examine the impact of the policy on stabilizing/raising of farm income from important crops. But as a logical process, total production and income depends upon yield and prices. Till now, there has been considerable increase in yield of the major crops which coupled with price led to rapid increase in income from major crops in Haryana. During the last some decade, there has been considerable increase in the production and productivity of many agricultural commodities in Haryana. Green revolution has brought in a tremendous increase in the yield of many crops in Haryana.

Income of farmers may rise due to the positive price policy of the govt. Therefore prices of farm crops play an important role in the overall economy of a country. It is seen that even a small quantity of farm produce sold at higher prices gives more returns to the farm unit compared to more quantity sold at lower price. In fact, it is the remunerative price which serves as an incentive for higher production. On the other hand, if prices are just near the production cost, it would serve as a disincentive for the producers. Agricultural prices, therefore exercise a dominant influence on its economy.

It is well-known that agricultural prices have tendency to display wider inter and intra-year fluctuations. Given the fluctuations the income of producers would fluctuate more than the fluctuations in output. As a result, not only the producer’s price will be depressed in the short-run, but also the producer’s enthusiasm to invest in agriculture to enhance the future production will be dampened. On the other hand, the unrestrained rise in agricultural price would affect the levels of living of the population of the country. It is for these reasons; government’s intervention for price stabilization becomes necessary. The main objective of the agricultural
price policy since 1965 to mid seventies has been to ensure an incentive price to farmers for maximizing their production. Thus, the income stabilization of rising of farm income as an objective of price policy did not receive much attention till 1976. After mid seventies, objective of rising/stabilizing farm income was made an integral part of the agricultural price policy (Patel and Shiyani, 1977).

So, there are two major factors which simultaneously influence the income of farmers. It is interesting to study the extent of these forces separately. Here attempt has been made to analyse the change in income of major crop during 1978-79 to 2007-08s in Haryana. This change in income has been decomposed into contribution of price and yield.

T.S. Rao discuss in the paper "Financing disadvantaged farmers in India" that a category usually called "uneconomic" or "sub marginal" farmers. The term "sub-marginal" farmers appears to be inappropriate in the Indian context. The concept of "margin" in economics, is related to a particular conjuncture of time and circumstances such as prices, conditions of supply and demand and states of technique, so that what is "marginal" activities in any sector of the economic at one time and under one set of circumstances would be sub-marginal or supra—marginal under different conditions. There should be nothing like a permanent "sub-marginal" sector in the rest of the economy, since such a sector should sooner or later cease to operate. Since a substantial part of the Indian agricultural economy continues to operate for fairly long periods of time on a “deficit” basis, it would be rather odd to call it "sub-marginal"

The rapid increase in population, subdivision and fragmentation of land holdings and the changed family system from joint to nuclear families in rural India has made the size of holdings smaller and smaller. In Indian Agriculture, area operated by Marginal Farmers has increased, but not the proportional holdings. On the other hand, both the number of large holdings (of 10 hectares and above) and the area operated by large holders have slightly declined. This shows that in future Indian agriculture will be dominated by small and marginal holdings, on which application of new agricultural technology would become more difficult. As Rao has pointed out, "The prominent feature of the structural change in agricultural was the increase in the number of marginal holdings of below one hectare, without a proportionate increase in the area operated by them: This tendency is likely to continue in the near future also...given the demographic trend, small holdings will remain with us as far as one can see, and their persistence would give rise to
many problems in the application of the new agricultural technology to Indian agriculture”[Rao, 1989].

Keeping in view the vast majority of small and Marginal Farmers and their resource-poor condition, the question is- how to make these farm households viable. How can these farmers maximize their total returns from farming? It is a known fact in India that small and Marginal Farmers are generally resource—poor. This is more so in arid and semi-arid regions, where due to lack of adequate potential of development, like irrigation, the farmers are forced to use the available resources without caring for sustainability. As a result their poverty is further aggravated. Even in a favourable condition where facilities like irrigation, HYVs, fertilizers and bank loans for capital are available, these resource-poor farmers are enable to overcome the ‘Poverty Trap’ due to social, political, technical, and economic constraints.

The Indian agriculture has been facing the problems of uneconomic farms as well as of marginal and small farms. Between the two the latter problem has been more intense as the marginal and small farmers constitute a fairly large section of the rural poor. The Green Revolution came with the introduction of HYV seeds, chemical fertilizers, pesticides, irrigation, etc. for the already well two do farmers. The small and Marginal Farmers were silent spectators to this revolution. They were not able to in reap the benefits of the revolution either in terms of improving their standard of living or in the improvement of their social status, or in the improvement of their employment opportunities, all of which were ushered by this revolution in some pockets of the country. Despite the governmental efforts, the condition of the marginal and small farmers has not changed (for the better) to any appreciable extent.

1.2. Concept and measurement:

Level of living is an important indicator of the prosperity of a country, community or a group. There is no single indicator of level of living. All authors agree through their treatment of the subject material. If they have chosen ‘housing conditions’ or ‘extent of literacy’ it is only to study that particular aspect deeper.

However, the large number have studied in detail the components of food (cereals, pulses or superior and coarse grains), milk and milk products, clothing, housing, medical attendance and medicines, etc. Per capita income and percentage expenditure spent on various items, food and
non—food, is a treatment followed by the author. A survey was conducted by the department of economics and statistics, government of Uttar Pradesh 1957 "on (Levels of Living in Rural Areas of Uttar Pradesh." The components were used by the department are given below:-

(I) Cereals (II) Vegetables and fruits (III) Milk and milk products (IV) Total food articles (V) Clothing and foot-wear (VI) Housing (VII) Medicine and medical attendance (VIII) Total expenditure. SarvaShri K. Chattopadhyay and S. Bandyaopadhyay take account the per capita value of the 'stock' of the items instead of the seasonal expenditure of the households on them so as to denote the 'standards of living' of the respective social groups as stable entities. For this purpose the item they select are (a) food habits (b) educational levels of the household members, (c) expenditure on basic necessities like roofing and dwelling, clothing and domestic utensils. Shri Satish Chandra Jha use the 'fund of expenditure' approach for identifying the levels and patterns of rural living, that is percentage of total household expenditure allocated on cereals pulses, other foods, clothing bedding and footwear, household articles, miscellaneous articles, Shri T.S. Yeshwanth also follows consumption pattern and distributes it under six heads (a) food, (b) clothing (c) conventional necessities-tea, coffee, smoking, chewing (d) housing and furnishing, (e) fuel and lighting and (f) miscellaneous-travel, education, religious ceremonies, medicine, etc. Then he examines, other indicators of levels of living’ which include per capita income, per capita expenditure, percentage of literacy, school going children as structure. He then adds possession of durable consumer goods as one of the indicators of levels of living. On account of varying traditions with respect to food and dress, the influence of income on levels of living cannot be clearly brought out except when households living in the same environment but with different levels of income are studied. He feels, on examination of his data that since in all the nine villages the proportion of cereal expenditure declines with the rise in the level of income, the percentage of consumer expenditure spent on cereals is a better indicator than the percentage of the food expenditure to measure the levels of living.

Dr. S.M Shah (Chairman) of the group, discussed the subject “levels of Living in Rural Areas, including tribal areas” in two sessions held on the 27th December, 1962. Levels of living, the group agreed would mean the actual conditions of living. The following 9 component suggested by the U.N. statistical commission 1960 for measurement of standards and levels of living were listed to facilitate discussion.
(I) Health

(II) Food consumption and nutrition

(III) Education

(IV) Employment and labour conditions

(V) Housing

(VI) Social security

(VII) Clothing

(VIII) Recreation

(IX) Human freedom

Component (I) health includes indicators such as expectation of life at birth, infant mortality rate, crude annual death rate; (II) Food consumption and nutrition includes national average food supplies, in terms of calories at the retail level, compared with estimated calorie requirements; national average food supplies, in terms of total proteins at retail level, national average food supplied, in terms of animal proteins at the retail level, (III) Education takes into account adult literacy rate; total school enrolment ratio; higher education enrolment ratio. (IV) Employment and labour conditions takes into account proportion of persons employed in the total labour force, ratio of male labour forced to total labour force (V) Housing includes percent of population living in dwellings percent of occupied dwellings with pipe water (VII) Clothing would include different types of clothing such as woolen, cotton, silk, etc.

The level of living of a person may be defined in terms of the magnitude and extent to which the person satisfies his necessities and comforts. That is to say the level of living is a concept directly related to the needs of the people, the need must be satisfied in order to keep the person efficient and his family in frugal comfort, while his level of living may be defined as the actual level and extent to which their needs are satisfied. The level of living of the people has a significant effect on the efficiency of the people. The royal commission on labour had also come...
to conclude that the low level of living and backward technology had made Indian people comparatively less efficient in comparison to people in Western countries.

The condition in which a person lives and works exert deep influence on his health, efficiency, psychology and the quality of the work he produces. Good living condition affects the income, migratory character and state of public relation of the people. The congenial and inspiring atmosphere leads to higher work output; than in dirty slum and unhealthy atmosphere. With good condition the people remain happy. This happiness leads to increase in production. It is the universal truth that the better the level of living is the higher is the efficiency. In order to maintain and raised the level of living of the people their income at all levels should be protected against increase in cost of living.

In the present study income, expenditure, characteristics of house, of the family, socio—religious and political consciousness, assets and liabilities indebtedness, exposure to mass media and other comforts of life play a role in determining the levels of living household. For the determination of income various source of income like agricultural, agricultural labour, part time service, shop-keeping, self-employment. sale/purchase of land property, daily wage labour enterprise and income from rent, interest etc. have been studied in detail. Similarly to know the pattern of consumption expenditure of various items like farm expenditure, expenditure on wages, expenditure on food articles and non-food articles, socio-religious expenditure etc. have been studied.

Besides the agriculture production, the other activities like labor, expenditure by Marginal Farmers, and other activities like agriculture labour and expenditure on non-agriculture activities and like, Political consciousness, exposure to mass media, health and socio-religious activities and encompassing all other aspects of life of Marginal Farmers So this study is wide ranging from all other studies.

We have also tried to study the income inequalities and levels of living within the selected districts. For the study many life components have been taken into consideration. All earlier studies about farmers lack a large number of aspects of Marginal Farmers’ study.

An effort has been made to put at care the Marginal Farmers so that he can truly express his views and problems as well as give the complete and true picture about himself. The study
reveals how a Marginal Farmers is going down day by day i.e. "A poor man is becoming poorer and poorer day by day. The majority of farmers are sliding down hill.

1.3. Objectives

The study has the following Objectives: -

1. To estimate the per Household, per capita income and consumption level of the M.F.
2. To compare and contrast the relative shares of different sources of income in the composition of the total income and expenditure of households.
3. To assess the extent of poverty prevailing among the M.F. by taking into consideration per-capita income and consumption.
4. To study the composition of assets and liabilities of marginal farmers.

But the above taken objectives of the study has been divided into following sub-objectives: -

1. To estimate the per Household and per capita income level of the MARGINAL FARMERS
2. To compare and contrast the relative shares of different sources of income in the composition of the total income of households.
3. To study the effects of the main factors on their income levels
4. To estimate the per household and per-capita consumption level of Marginal Farmers.
5. To compare and contrast the relative share of different item of consumption expenditure in the total consumption expenditure.
6. To assess the extent of poverty prevailing among the MARGINAL FARMERS by taking into consideration per-capita income and consumption.
7. To study the composition of assets and liabilities of Marginal Farmers.

1.4 Importance of the study

Haryana is occupying a significant position in Indian economy. Agriculture is the mainstay of Haryana’s people. About 80 per cent population of state is engaged in agriculture, directly or indirectly. Apart from meeting its own requirement of foodgrains, Haryana also contributes 45 lakh tons of foodgrains to the central pool economy. Haryana is one of those states which has repeated the benefits of green revolution and has attained a very high rate of
growth of agricultural production. The principal crops of the state are wheat, rice, maize, barley and bajra. Cereals form an important ingredient of the vegetarian diet. They constitute the staple food and they are also a rich source of energy, minerals and contain vitamins. It is true that a variety of cereal crops are grown throughout the length & breadth of our country in different soil and climate conditions.

Further, Variability in area, production and productivity of different crops in the state depends upon many factors. Area under almost all crops has been fluctuating as a result of weather fluctuation, extension of irrigation facilities, prices etc. Yield variability is due to fertilizers, mechanization, technological developments etc. Production instability’s main reason is variation in area and productivity.

The growth of production or area or productivity by itself is not sufficient to come up with economically sound interpretation. The sources of growth in the production of a crop depend basically on changes in area under the crop, its average yield and price. The uneven rate of growth observed in the pattern of production of different crops could be either due to one or two or several of the important factors such as expansion of cultivated area, changes in crop pattern, improvement in yield per hectare etc.

The state has gone to with the time change in the cropping pattern. Due to expansion of irrigation facilities, there has been a shift in area in favour of more remunerative and less risky crops like rice, wheat, cotton and rapeseed & mustard and this resulted into a decline in area under bajra, jowar, maize, barley and gram. As the role of weather factors still remains a predominant one in case of the agricultural enterprises, a considerable effect of weather fluctuations is also observed on area, production and productivity of the field crops. Price plays an important role in the selection of crops and generation of marketed surplus. Generally higher prices are expected to result in a larger output. Prices are therefore, among the most important determinants of the area under different crops. Dalton and some others argue that farmers in underdeveloped countries need only a little amount of cash and therefore, the price has no impact of agricultural output. According to response group of economists like Rajkrishna, Dharam Narain and others found that farmers have favourably to changes in relative price is a good indicator of the price responsiveness. So, the present study has a great importance with regard to Haryana. Due to change in the cropping pattern it shifts towards specialization of few
crops. Farmers are growing that crop whose market demand is high and they get more profit of that crop. It affects states’ economy. On the other hand due to variations in area, production and productivity of major crops there is a change in farmers’ income and in the equipments that they had used in growing crops. The incremental income is the result of the better exploitation of the new inputs in Haryana agriculture or merely the reflection of the price support policy of the government. Except for that, there is great change in acreage under different crops. So it is desirable to examine it. Individual farmer needs not only improved policy formulation but also better guidance and decision-making, actual knowledge of supply/acreage. Estimation of supply/acreage response function will help farmers to adjust their production to prices with a view to maximize profits. Improved knowledge of the potential future supply structure is needed under rapidly changing technology and factual product prices. The communication of this knowledge to farmers could help to use their resources more judiciously and make better short and long run decisions on investment and planning.

To keep in mind these facts, the present study under title “Socio-Economic Status and Level of Living of Marginal Farmers in Haryana” has been taken.

1.5 Chapteization scheme of the study

Chapter-I: Introduction

It deals with the background of the topic, justification of the study, specific objectives, limitations and scheme of Chapterisation.

Chapter-II: Methodology

Organization (where work is carried out), products, processes such as area of the study, period of the study, sources of the data, criteria for selection of the crops and statistical techniques used for drawing conclusions are discussed in this chapter.

Chapter-III: Marginal Farmers in Haryana

This chapter contains a brief introduction, description, detail and history of marginal farmers in Haryana with the help of profile and structure of Marginal Farmers in Haryana.
Chapter-IV: Review of Literature

A brief review of literature related the objectives of the study are presented in this chapter.

Chapter-V: Socio Economic Conditions of Marginal Farmers

This chapter is based on primary data and describes the socio economic conditions of the Marginal Farmers.

Chapter-VI: Results and Discussion

The present chapter gives a detailed account of Assets and liabilities of Marginal Farmers in rural Haryana, It gives a detailed account of the income patterns of the Marginal Farmers in rural Haryana, and it also provides a detailed account of the consumption patterns of the Marginal Farmers in rural Haryana.

Chapter-VII: Summary and Conclusions

A brief summary alongwith conclusions and suggestions are included in this chapter.

1.6 Scope of the study

It is expected that the study will be helpful in highlighting the level of living of Marginal Farmers in rural Haryana. In the process it will also indicate their weaknesses and suggest measure to improve them. It will also be helpful for the future researchers who want to specialize in this field and for the policy makers at the state and the center level.

The analysis done in the present study is based on the information provided by the selected respondents. We have chosen a household instead of an individual as the smallest unit of our analysis. The present study is limited upto three districts and thirty villages from districts and this is perhaps detatable and in adecuate choice .If data at a more disaggregated level becomes available, it would be possible to study the real condition of the bulk of the population at the micro social level. In the sample size a few Quantity of Marginal Farmers have been taken and so study is basically related to a special group of Farmers. In the present study, level of living of Marginal Farmers have been examined Special attention was paid to reduce the response errors. Wherever an impression of reliance was not felt, the household was reliance by the same type of
another Household. The interviewer explained the purpose of the survey, even then some people reserved their knowledge in some aspects such as borrowings and landing, health and political consciousness. So the obtained data can differ from the actual to some extent. Block lakhan Majra has left from district Rohtak in this study due to shortage of villages in this block because the block has recorded 13 villages only.