Rural Development and Debt: Mode and Extent of Indebtedness in Haryana

A Case Study

Introduction:
Credit is one of the important ingredients of rural development, as it is essential for land development, acquisition of long-term farm assets and current agricultural inputs etc. Traditionally, village moneylenders, landlords, commission agents, rich farmers etc. provided this credit. Over the time, it became exploitative in nature and exorbitant in cost. To save the peasantry from the clutches of these private moneylenders, a provision of institutional rural credit was thought of.

The efforts to institutionalize rural credit started at the beginning of century with the organization of cooperative credit societies, with emphasis on thrift & mutual help. On the recommendation of the All India Credit Survey Report (1951-52), the cooperative credit system was reorganized. The Government of India through the Reserve Bank of India and the state governments made special efforts to foster growth of cooperative movement. However, cooperative credit could not be developed uniformly in all parts of the country. Where the movement made strides, it had suffered from several
persistent weaknesses. It was due to the vested interests in the rural community that have often succeeded in gaining influence over cooperatives. Politicization of cooperatives had also been gaining ground. Further need for rural credit grew tremendously with the technological breakthrough in seed technology, expansion of irrigation etc. So it was realized that cooperatives alone would not be able to meet the requirements of credit. Consequently it became necessary to adopt a multi-agency approach to rural lending.

The first effort to involve commercial banks in rural credit began with the conversion of the Imperial Bank of India to the State Bank of India. The State Bank of India opened more than 400 branches within 5 years, mostly in centers with population below 25,000. Subsequently in 1967, the government came out with a policy of social control on commercial banks. In October 1968, the national credit council appointed a study group on organizational framework for the implementation of social objectives under the chairmanship of Prof. D. R. Gadgil, which recommended that the main aim of national policy should be on involving the commercial banks in providing rural credit. Again the All India Rural Credit Review Committee (1969), under the chairmanship of Sh. B. Venktappati made an assessment of the role of commercial banks in dispensing with rural credit and felt that
progressive and farsighted commercial banking should ordinarily be able to see the wisdom of stepping in boldly to serve the rural areas with the services of banking and credit.

The commercial banks in the private sector as such were reluctant to enter in the rural financing in view of the attendant risks. So on 19th July 1969, 14 major banks were nationalized. In 1980, six more were subjected to nationalization. Specific policy initiatives were taken to direct lending to agriculture and certain other sectors, which did not have easy access to institutional funds. Along with this, steps were taken to open branches in the rural areas.

Following the recommendations of the Gadgil committee, the RBI introduced lead bank scheme in December 1969. Under the lead bank scheme, a particular commercial bank was expected to assume a 'lead' role in a particular district. Other financial institutions, namely commercial banks, cooperative banks and non-banking financial institutions like the State Financial Corporation, Khadi and Village Industries Board and other developmental agencies, were expected to work in coordination with the designated lead bank. The scheme did not envisage monopoly of banking business to the lead bank. The lead bank was to work as a consortium leader for the expansion of banking business and to meet the credit requirements of
the district. The lead bank was expected to conduct impressionistic surveys to estimate credit gap in the district, prepare district credit plan and allocate the task of credit deployment amongst the financial institutions operating in the district. It was also expected that the lead bank should identify rural centers for opening of new bank branches to strengthen the infrastructure of banks.

Some of the banks obtained licences from the Reserve Bank of India to open their branches through which exclusive lending to rural sectors was to be made. These branches were generally termed as Agriculture Development Branches/Krishi Vikas Kendras etc. These branches primarily served specific villages of one or two blocks, but other banks were not prohibited from financing in these village.

Some other area-specific schemes were also launched. The Village Adoption Scheme was introduced in 1977. Under this scheme, with mutual understanding among banks, each branch was allowed to choose one or more villages for intensive financing, to meet the entire credit needs of the village and avoid multiple financing. Majority of the banks adopted those villages, which were well connected with roads and where infrastructure was well developed (R.B.I. Bulletin 1981).
Many banks undertook formulation of area-specific projects keeping in view the credit potential and compactness of the area around one or more branch offices of the bank. While formulating a project, it was also kept in view that financing branch offices had adequate infrastructure, namely agriculture officers, field staff and vehicles etc. These projects along with techno-economic feasibility reports were forwarded to the National Bank for Agriculture and Rural Development (NABARD) for availing refinance against these loans.

Tribal areas are relatively underdeveloped both economically and culturally. The Bawa Study Group (1971) examined the issue and recommended creation of large sized multipurpose co-operative societies to provide the tribal people with, among other things, all types of credits including those for social obligations and consumption needs. In the same year the Farmers Service Societies (FSS) were also developed on the interim suggestion of the National Commission on agriculture in order to enable farmers to obtain all inputs, including marketing at a single contact point (National Commission on Agriculture 1977).

Despite the combined effect of the co-operatives and commercial banks, the degree of institutionalization of rural credit was up to around only 30 percent by the 1970’s. The result of a number of studies revealed that institutional
credits, both from co-operative and commercial banks were concentrated in a few well-developed States. Secondly, a large portion of the institutional credit had gone to the big and medium farmers. The need for an institution, which could combine the rural feeling of the cooperatives and the business skill of commercial banks, was increasingly felt. Accordingly, the working group appointed by the Government of India in 1975 under the chairmanship of Sh. M. Narsimham identified the various weaknesses of the cooperative credit agencies and commercial banks and felt that the existing institutions, as they are presently structured, would not be able to fill the regional and functional gaps in the rural credit institutional system and hence recommended the setting up of the Regional Rural Banks. These banks were meant to combine the local feeling and familiarity of cooperatives and business organizations and modern outlook of commercial banks. Thus a new breed of institutions came into existence on 2\textsuperscript{nd} October 1975, in the realm of rural credit. In this way, by mid 1980’s, the institutional credit structure, catering to the rural sector, comprised 28 Public Sector Banks, 34 Private Sector Banks, 194 Regional Rural Banks, 28 State Co-operative Banks, 849 District Central Co-operative Banks with over 8400 branches, 19 State Land Development banks, 885 Primary or District Land Development Banks and 92496 Primary Cooperative Societies. (R.B.I. Bulletin, 1981)
After Independence, the Government of India had taken various steps to increase the productivity in agriculture for the upliftment of the rural poor. To save the rural poor from the clutches of the money lenders & others, policies were made by the Government on the recommendation of Agricultural commission and gave direction to the banks to provide finances for the cultivators. The finances through cooperatives were considerably increased and various commercial banks came forward to finance the poor farmers. During the year 1951 all government agencies were meeting the credit needs of 7.3 percent of the rural poor, whereas the non-institutional agencies were meeting 92.7 percent credit needs in rural India. In the year 1991, all institutional agencies were meeting 72 percent of the total demands of the agriculturists. But the activities of non-institutional agencies cannot be ignored primarily on financing credit to the rural poor. It serves the requirements of 28 percent agricultural need of the farmers (Reddy, 1992). After the nationalization of 14 banks in 1969, the banking system made remarkable progress. This was due to planned economic growth and increase in fluid resources. Growth in banking habit control & guidance by the Reserve Bank of India under the recommendation of RRB’s Act, was passed on 1975 to uplift the living standards of the poor farmers by increasing agricultural productivity and by supplying finances to the needy. After
Independence, many studies have been made on the issue of credit needs and indebtedness of rural people, because the problem of indebtedness had become a crucial issue and over dues were increasing day by day. Some studies on these aspects are given in chronological order.

Long (1968) has pinpointed that the primary problems of agriculture credit in the countries of South and South East Asia cannot be eliminated by any Government fiat nor can they be greatly eased by Government organization. Similarly, Adams (1986) finds from his Egyptian case study that local bureaucrats are inconsequential in carrying out programmes of government to the non-effluents section of peasantry. Milne (1973) however argues that, until a convincing case for substitute has been made out, bureaucracy in some form must be regarded as inevitable. He does not see bureaucracy as an obstacle to development administration in the sense that its abolition will improve the matters.

Miller and Ladman (1983) carried sample surveys on farmer’s households in Bolivia. They found that most of the small farmers would like to borrow from formal market institutions but they tend to use informal market sources because of the lower transaction costs compared to those of formal market lenders. Van Bonge (1983) conducted a case study from Eastern Zambia. He stated that diversity of social interaction on the basis of how people actually
interpret their lives has important implications at the level of practical recommendations. Over simple descriptions of privilege farmers by social scientists has led to endless non specific haranguing of Government bureaucrats and politicians at a time of wide spread decline in the rural economics of Africa.

Panos publications have published as a part of their regional programmes the edited book ‘Banking the unbankable’ (1989). It analyses the credit schemes in Asia, Africa and Latin America. It shatters the myth that the poor are not credit worthy. It is not pretended that effective credit scheme will transform poverty in to affluence, but they do demonstrate that credit for poor is financially viable, that the poor are not the high credit risks which traditional wisdom has assumed. The studies demonstrate that even modest loans can make major difference in the physical and psychological welfare of the poor. High level planning collaboration and coordination is essential but in the last analysis it is the bottom up dynamic that determines whether development will truly take hold.

Shete (1992) studied experiences of agricultural loan recoveries in some developing countries. Among the factors that facilitate prompt recovery of agricultural loans in most of the countries, those relating to pre-disbursement stages like, adequacy of credit, well equipped and trained staff and
availability of all kinds of credit facilities at one window are the most important steps. Rescheduling of loans where required and crop insurance facilities are also important steps. Some of the special measures taken for facilitating loans recovery are the agricultural identity card as introduced in Shri Lanka; intensive educational campaign as in Philippines; provision of infrastructure form support prices extreme penalty for willful defaulters as in China. The issue affecting banks include policy for rescheduling of overdue loans, method of calculating over dues, stabilization arrangement, staff requirement linked to recovery performance and group loan responsibility, system formation of SHG and their linkage with banks. Based on the experience of the developing countries.

Dadhich (1971) examined the various Socio-Economic factors influencing the repayment of banking dues. The study concludes that there is strong association between repayment and irrigation and caste of borrowers as all the variables center around irrigation and caste. He observed that borrowers belonging to middle castes largely depended on cultivations and have irrigated component & used chemical fertilization, have grown cash crops, and have defaulted less in the repayment of banking dues.

Dedhich also examined the extent of willful default of banking credit in Rajasthan and its main causes are:
i) The relenting of cooperative borrowings so as to make profit, out of interest margin.

ii) To harass the management.

iii) Uncertainty of fresh Finance to the society by the Financing agency.

iv) Element of fear about the future financial position of the Society as same members willfully defaulted upto extent of their capital and deposits with society.

Mohanan (1972) viewed that the proportion of indebtedness is increasing faster than the amount of loan supplied by the society during the past years. Small farmers constituted 51.5 percent of total membership of the society in 1971. The average loan received by them has declined by 21.3 percent in 1971 over 1967. Whereas big farmers credit position from society on an average increased by 19 percent during this period, showing biasness of cooperatives towards big farmers. Overdues of loan have gone up from 31 percent in 1967 to 52.3 percent in 1971. Relative position of indebtedness of small farmers has fallen by 5 percent. In case of medium & large farmers it has increased by 138 and 26 percent respectively during this period. The percentage of defaulters to total borrowers was highest in case of big farmers (38.2 percent) and lowest with regard to medium farmers (11 percent), medium farmers get the maximum share (39 percent) of the loan issued by
society. The share of small farmers is slight less (36 percent). The big
farmers get nearly 25 percent of the total loan issued but have the highest
percentage (20 percent) of advance to total loan supplied to them.

Ames (1973) examined the relationship between the repayment of crop
production credit and various characteristics of the sample farms and
cooperative society as well as lending policies and administrative procedures
of the District Cooperative Central Bank in selected areas of Mysore.
Results indicated that among all farmers, defaulters had assets in land,
livestock equipment and grain stock than non-defaulters. They also had
lower net output per acre for all crops, less farm income and owned fewer
irrigated acres. Repayment capacity was very irregular drought, floods, pests
and other natural calamities resulting in crop failure were major reasons.

Chaudhary (et al 1973) revealed some of the important economic
characteristics of the defaulters vis-à-vis non-defaulters members of the
cooperative credit societies. The data indicates that the defaulter members
were relatively well off and better placed in respect of land resources income
and expenditure as compared to non defaulter outstanding amounts were
concentrated in the higher level of borrowing which means in general that
more credit worthy and large farmers have more of outstanding debt both by
their numbers as well as amounts. The average size of holding was relatively
smaller and more respectively in case of defaulters and non-defaulters. It also shows that defaulters had devoted large proportion of their area to cash crops as compared to non-defaulters. The per acre profit in case of defaulters was also more and yet they did not repay the loan in time.

Lokhande (1973) reported the problems of credit user of nationalized bank as illegitimate gratification for security credit time consuming and complex borrowing procedure inadequate availability of credit difficulty in obtaining surety of acquainted person to the bank. Uncertainty of agriculture production, Non availability of credit in time exorbitant court fees for mortgaging banks insistence on particular firms for purchases, difficulty in depositing one third of total loan difficulty in obtaining consensus of co-owners for Borrowing under valuation of assets, high interest rates and quarterly repayment of interest, advancement offer only new machinery and punitive action for default did not permit repayment in time.

Thakur (1973) viewed that even the lower level of credit is a heavy drag on the small farmers when compared to their paying capacity if they are not helped to utilize it properly by giving them a complete package of farm inputs and should guidance, hastily conclusion that without depth analysis of the impacts of financing small farmers on the viability of their forms and their overall economic condition would not help in the formulation of
practical and sound guidelines. There are a number of problems experienced by the cooperatives in advancing credit, which hamper for their normal functionary.

Dinesh (1974) found that farmers having adequate repaying capacity to be defaulters while those who did not have the repaying capacity had repay their installment properly. The quality and performance of leadership influenced the attitude for motion towards production, consumption, saving and repayment. The total socio economic environment was comprised of family background the method of technology followed in production availability of goods and services, facilities available for saving as well as serving credit, values, & norms of the society. Which determined the individual performance.

Dutta (1974) reported in their Assam study that prompts repayment should ensured by giving stress to its proper utilization. The poor cultivator should be convinced that the assistance performance programme was not a relief operation. But an income generated programme and proper utilization of if in the stipulated purpose would generate income in order to enable prompt repayment.

Wind Fred (1993) observed that extent of indebtedness has been continuously increasing. In case of primary cooperative credit society loans
have increased from 21.8 percent in 1960-61 to 41 percent, in June 1971 and in May 1991 to 57 percent. Advanced of Central cooperative banks were 29 percent of loan outstanding as in June 1970, 42 percent in 1991.

It was also observed that the indebtedness was high particularly in Assam, West Bangal, Orissa, Bihar, and Karnataka. Major causes of indebtedness found as natural calamities, lack of supervision on utilization of loan, inadequacy of loan advanced, non timely supply of loan, issue of false loan, absence of linking the credit with marketing, illiteracy, low level of education and lack of proper leadership were some of the main causes of the poor recovery.

Reddy (1975) found that there were two main causes of indebtedness: (a) external occurrence of natural calamities, irrigation facilities, and cropping pattern. (b) Internal defective lending, misuse of credit, lack of effective supervision, and treating the loan as ex-gratia payment of borrowers.

Patel (1976) expressed the reason for commercial banks' advanced as: Failure of crops, unfavorable prices structure, under/over financing, duplicate financing, delay in disbursement of credit, high interest rate, misutilization of loans, increase in consumption expenditure, political patronage, uncertainty in receiving credit at the time of need, in adequate extension works, and often non availability of inputs.
Rami Reddy (1976) observed that during the last five years overdue in cooperatives exceeded more than one third of the loan outstanding and the proportion is increasing. To identify the important characteristics of the defaulters and the non-defaulters discriminate functions were estimated. It was observed that borrowers depending primarily on agricultural occupation for their income were more likely to repay debts promptly than those who had to supplement their income with highly uncertain off-form employment. The farmers also, which larger sugarcane acreages repaid debts more promptly? In the more productive region members of higher castes control the cooperatives. In contrast, cooperative controlled in the less productive region usually rests in the hand of the one or two wealthy persons in the village who did not necessarily belong to the majority caste.

Angrish et al. (1977) attempted to calculate the growth rate of the advances of the land development bank in the state of Gujarat as well as recoveries of loan outstanding so as to assess the performance of the Land Development Bank for the State as a whole. Aggregate analysis was found positive though non-significant but the progress of recovery seems to be highly satisfactory as the growth rate of the state was 42.6 percent per annum. It was highly significant at 1 percent level and showed little fluctuations. It was also observed that the growth rate of loans outstanding was more than the growth
rate of recovery. The aggregate situation thus does not seem to be encouraging.

Hanumatrayappa (1977) observed that there was no strong connection between Social status and loan repayment. Repayment was related to income generated from soles. Dairy farmers repaid promptly. Their average cash income was higher and more regularly received crop failure, direction of loan and lack of supervision were main reasons for indebtedness of farmers.

Hate (1977) expressed the problems faced by the organized institutional agencies such as cooperatives, R.R.B.'s, LDB’s commercials in the finance of agriculture in India. They include inadequately of finance weakness of cooperative credit system lack of bankable assets and mounting debts. He also suggested the measures to find solutions and presented comments on the difficulties encountered in implementing such measures.

Pandey and Muralidharan (1977) observed that there was close relationship between the number of societies under the charge of one supervisor and the level of over dues of PACS. As the number of societies under the charge of one supervisor increases overdue also increases. Although with the increase in size of loan business as well as irrigation facilities over dues percentage also decreases. Even though the level of over dues is very high. With one percent decrease in irrigation facilities one percent increase in working
capital one percent increase in capital, one percent increases in intensity of cropping. Total increase is over dues was by more than one lakh with the increase in irrigation facilities over dues decreases only by 14.8 percent.

Pandey and Murlidharan (1977) further indicate that the over dues have accumulated one year and continued there after. Both in Central Cooperative Bank and all the three types of primary agricultural credit societies studied over dues were the highest (78.99 percent) in service cooperative societies followed by viable credit societies (61.95 percent) and large size credit societies (39.78 percent) in that order.

Flow of credit in term of fresh loans advanced is influenced by the extent of indebtedness in both Central cooperative banks and PACS. Debt at the level of these credit institutions restricts their borrowing capacity from the higher financing agencies. Whereas at the farmers level it impress the capacity of these credit institutions to make fresh advances to them.

Jayaraman (1978) classified the factors influencing over dues of primary agricultural credit societies into two categories i.e. external and internal. The external factors are those beyond the control of beneficiaries and credit societies such as irrigation facilities, cropping pattern and cropping intensity. The internal factors are those well with in the control credit societies such as internal resources organizational structure and supervisory arrangements of
over recoveries. The regression analysis of over dues of cooperatives societies for 1975-76 under certain restrictive assumptions reveals that among the external factors only irrigation facilities is a significant determinant as 95 percent confidence level. Among the internal factor internal resources as a size variable has a significant influence on variation of indebtedness of cooperative societies other factors have shown expected signs (negative) but are not statistically significant.

Some studies are available about several states in the country also evaluating government’s policies and the performance of credit institutions. Rehman (1976) finds that in Jammu and Kashmir, the cooperatives were busy only in routing down the money and their organization at grass roots has not been properly built up.

Rao and Malya (1980) found that the banks lending in South Canara district of Karnataka could not meet the credit requirements of the rural poor, and the benefits have gone to medium and large farmers. Kurulker (1983) studied the operations of hand development bank in Aurangabad district of Maharashtra and found that the financial feasibility of the scheme was wanting and the repaying capacity of borrowers was not properly assessed. Pany (1985) studied the problems of Orissa State and held that a mere multiplication of agencies was not the answer to meet the problem of
inadequate credit supply. The technological backwardness was one of the main causes of inadequate credit supply.

Vijaygopal (1976) studied the problem of rural indebtedness of small farmers in Tamilnadu. His findings are of universal implications that without an aggressive cultivation, the smallholding will not be viable. Prakash (1984) draws attentions to the growth of the private financing firms in Kerala as a powerful parallel banking system. Kurien (1985) examines the credit and indebtedness among fishermen in a few villages of South Kerala. He finds relevant the old fisherman’s saying ‘The sharks on land are more dangerous than the ones at sea’. In his view it is meaningless to isolate the credit sector from the rest of socio-political economic setting. Pande and Viruthiyel (1983) studied the access to institutions credit to the farmers in some villages of Ghaziabad in U.P. It was found to be directly proportional to the ownership of land or wealth. The share of non-institutions sources in the debt was over seventy percent.

Jha (1978) pointed out the main problems the small farmers. Consumption of loan, high cost of credit, indebtedness, low savings, low investments, excessive dependence on money lenders and lack of institutional credit. All these problems eventually have their source in low income of farmer. It would appear the problem of indebtedness couldn’t be solved by mere
reform in the system of credit. In order to be successful, credit must be used as part of a general programme of agricultural reorganization.

Samant and Ray (1978) carried out field investigation in 15 villages of Beroli anchal in Haringhat community development block of West Bengal and identified the factors holding timely repayment loan and factors hindering timely repayment of loans. It pointed out that four variables management orientation, risk orientation, attitude towards credit institutions and economic motivation significantly decimate the regular and indebted credit user.

Joshi (1979) examined the pattern of repayment of short and medium term of loan identified the reasons for default or delay in repayment of these loans and find out the factors altering promptness in repayments based on an analysis of data collected from 149 farmers in Maharastra. A large majority of the borrowers had complaints about the availability of inputs, except in case of indebting medium term borrowers in the dry areas. Non-institutional agencies like the professional moneylenders, traders and commission agents were found to be important source of credit. The extent of indebtedness in selected farmers was observed to be 52.5 percent in dry area and 56 percent in wet area. The major factors influencing the repayment of loans were (i) low yielding returns (ii) settlement of other debts (iii) increase in domestic
expenditure (iv) new investment in land, gold & house (v) failure to get non farm income and (vi) support to local political leaders.

Rao and Malya (1980) disclosed that the actual sizes of the holding of the borrowers differ substantially from those recorded for the same set of farmers in the banks rewards, dependence on money lenders has decreased considerably. A good number of borrowers have taken credit from more than one institutional agency for same purpose. Small farmers were found more conscious of timely repayment of loan. The farmers unanimously opine that the interest rates charged by the Banks are quite considerable. There is no change in the proportional allocation of acreages for different crops and also the intensity of cropping has not changed significantly. The pattern of the farmer has changed perceptively with reasonable commercial bias. The increased credit facilities have enabled a good number of farmers to improve their cultural practices the average income of farmers has increased by 73.89 percent regarding other benefits. Only 39 percent of borrowers same to have set aside a part of their income as savings.

Deepak (1981) reviewed the problems of recovery of loan advanced by the agricultural credit cooperatives in India and suggested the remedial measures. The percentage of recovery of direct farm credit was 51 percent in 1973 and it declined marginally to 50 percent in 1977. The cumulative
arrears of over dues has posed a threat to the credit agencies in regard to their financing facilities. The measure suggested for improving the recovery of overdue loans includes.

(i) Setting up of a recovery unit by each credit lending institution for monitoring the recovery process and under taking suitable follow up action to arrest further growth of over dues. (ii) Simplification of procedure for recovery of over dues (iii) reduction in the number of agricultural credit lending institutions. (iv) Extension of repayment period in time of crop failure and (v) initiation of final action against willful defaulters.

Khemani (1981) found that the main reason of cooperative failure in India to a greater extent is the increasing of indebtedness. The cooperatives have operated in the field of rural credit for more than to years and have received strong government support during the past 30 years. However it has not yet been possible to solve the problem of recovering. The percentage of over dues to demand at June 1979 was 43 percent. It was concluded that while government support in recovery of loan is important the problem will first have to be tackled at the level of borrowers and credit agencies. If this is ignored, the impact of government support will be marginal.

Patel (1981) observed that during 1980 a few Indian states Governments wrote off the loan outstanding to small and marginal farmers and this has
evoked considerable controversy. Against the background of the problem of recovery of the loan issued in the past and to be issued in future, an attempt was made to present.

(i) Field experience of the banking system in regard to non-repayment of loans (ii) measures to be initiated to recover the accumulated over dues and arrears of interest.

Pardhan and Sharma (1981) attempt to determine the discriminating factors between non defaulter and defaulter and between willful defaulters and non willful defaulters in Orissa, that suitable measures might be taken to check further growth in over dues and the credit gap in agriculture is reduced. Out of total 15 socio economic and behavioral characteristics only four : operated size of holding. Percentage of loan utilized for crop production, percentage of cash expenditure to total expenditure and efficiency of loaning were the significant discriminates between the non defaulters and defaulters. It was also observed that out of 15 only three variables viz : education percentage of total expenditure to total income and percentage of earning adults to total adults were the significant discriminators between wilful defaulters and non wilful defaulters.

Bhatnager (1982) observed in their SBI review, that there is a growing incidence of default in the repayment of agricultural loan granted by
commercial banks in India with recovering hovering around 50 percent. Though in some states the positions is worse. The problem of indebtedness is serious in concern. It not only because over dues prevents Banks from recycling their funds effectively. But also because continued default tends to demoralize the field staff of the Banks. A study by the State Bank of India indicates that the factors contributing to over dues fall into two categories (i) internal factors (ii) external and environmental factors. The paper discusses the internal factors bearing on recovery performance.

Jain and Jain (1982) enquired in their study of PACS and commercial banks and observed that about the agricultural credit which had made significant strides in the cast decade (1979-80). When advances by cooperatives and commercial banks reached a new high that was never achieved even since start of institutional lending system in India. This huge disbursement has been possible by evolving rational; much needed and time tested techniques of appraisal, financing and supervision of end use of credit in all its essentials. The success is reflected in the well being of cultivators and enhanced production.

Despite all these precautions, over dues of lending institutions have shown an unprecedented increase. The primary societies financed by cooperatives and commercial banks and over dues to the demand in 1978-79. The
percentage of indebtedness in case of direct advances to commercial banks by 48 percent. These advances have blocked the capital resources and choked the credit flow.

Ramdass (1983) found that over dues in primary credit societies can be reduced mainly by increasing the cropping intensity increased commercialization of agriculture, widening the scope of linking of credit with marketing and increasing the operation of the banks.

The above measures it implemented earnestly can go a long way in reversing the upward trends in over dues, which have already assumed dangerous proportions. If allowed to accumulate it will impair the already shattering credit structure.

Subramanian et al. (1983) revealed that to quicken the repayment of loan following incentives should be given such as reduction in the interest rate or giving priority for further loan in future to those who promptly repay loan, non interference of political parties in cooperatives discouraging of wiping off of loans or conversion of loans only under exceptional circumstances and not as a political expediency, bringing back the democratically elected Board of management to action, stringent measures against the defaulters and black listing them interactive education of the borrowers in the nationalist and
ethics of repayments and declaration of cooperatives as autonomous institutions.

Committee report setup by RBI (1988) to examine certain operational aspects of rural lending has observed that multi agency approach had resulted in duplication of efforts. CAD as suggested is aimed at bringing about an improvement in the quality of lending optimizing the use of credit and establishing better linkages with production and productivity. The increase in branches after nationalization of Banks developed keen competition amongst branches for business in areas with good potential and neglect of the areas where the opportunities were not considered adequate.

Muzumdar and Baruah (1996) examined in Assam state, that utilization pattern of allied activities loan and the problem faced by the borrower in utilizing credit. It concluded that credit is a sine quonon for Indian economic growth and development credit in association with improved technology, inputs supervision and proper management has considerable impact on increasing income and employment of the farm borrowers. Contains the faced by the farmers in utilization of loan should be reduced to the minimum in order to make credit more effective to the farmers. There should be coordination among the various agencies involved in rural development such
as cooperatives and commercial banks and also among the district rural development agencies. Panchyat smities etc for making the programme of agricultural credit a viable proposition for rapid agricultural growth and development.

Bhuyan (1997) made an attempt to study the credit utilization pattern and repayment performance among the selected beneficiaries of IRDP of Darrang District of Assam. The objectives of the study were.

(i) To study the socio economic profile of respondent.

(ii) Identify the purpose of credit.

(iii) To study the credit utilization of beneficiaries.

(iv) To study the repayment performance of beneficiaries.

From the study it was found that more than half (60 percent) of the respondent completely utilized the credit. The percentage of partial utilization of & complete diversion was same. It indicated that the credit was not properly used as 40 percent of the credit was not used for the purpose for which it was sanctioned. The repayment performance of the credit was also not satisfactory, credit should be sanctioned for schemed that are productive and helpful for repayment of loan efforts should also be made to make the loan availabilities time, which should be followed by proper follow up.
A study of rural bank financing in dairy for different class of rural poor in Rohtas district of Bihar was conducted by Singh and Singh (1988). This Sample-based study revealed that on an average 60 percent loan amount was in the form of over dues. The percentage of over dues was maximum in small forms (64.20 percent) and minimum on marginal forms (58.70 percent), borrowers were fully dependent on non-institutional financial agencies to meet unproductive credit requirement like family consumption and social ceremonies. Among non-institutional financial agencies, moneylenders was contributing major share in loan advancement. The medium-term credit needs for dairy enterprise was higher on landless householders and showed a declining trend with increase in form size.

Rao (1996) attempts to assess the performance of rural co-operatives vis-à-vis commercial and rural banks in disbursing and recovering agriculture loans. Considerable institutional variations are observed in the disbursement of both crop and term loan, while the Regional Rural Bank (RRB) has advanced the highest amount of crop loan, the co-operatives advanced the highest amount of term loan. The performance of co-operatives in regard to the recovery of loans is quite impressive compared to the commercial and rural banks. The high recovery performance of co-operative is due to this operational advantages as the district Central co-operative bank’s senior staff
has conducted special recovery drives periodically along with vehicles in the interior tribal areas. The three primary agricultural credit societies are located very near to the villages and the number of villages under each society is very few compared to the commercial and rural banks. Besides, the co-operatives are armed under ‘Revenue Recovery Act’, which empowers them to attach any movable or immovable property of the defaulters and recovers the loan amount by not available to the commercial and rural banks except expensive, time consuming, cumbersome legal proceedings, which the banks feel not worth the trouble, leaving the amount of over dues as such.

In a study by NIBM, Pune (1988) it was observed that bank’s area is a single caste dominated area of cultivators suffering form feuds between families. The bank had worked on production side which had favorable implication to agricultural and milk production and also expansion of trade and services sectors. It was felt during the courses of implementation of the action project that a single branch experiment failed to draw the necessary attention from the coordinating and corporate levels. Movement to the people is in the interest of the banking industry. It will get rid fouling intermediaries. Invoking people’s participation in credit planning may get good results.
Banerjee (1992) attempted to elucidate the spatial distribution of credit facilities in the study area and to suggest a diagnostic plan proposing new location of credit facilities in order to achieve an optimal and spatial organization of credit facilities. The study concluded that credit facility in the district was inadequate. It concentrated in towns and villages with higher population.

Palanivel and Pillai (1991) conducted a study of service Area Approach in Andaman and Nicobar Islands. Some problems in the implementation of the approach identified in the study such as problem of distance, pressure from local leaders, shortage of technical staff, inadequate infrastructure facilities, mobility of population, lack of awareness and inadequate transport facilities. Report by Institute of financial management and research Madras (1987) on adequacy of preparation and implementation of district credit plan has pointed out that the annual credit plans should not only include the targets branch wire but also sector wise. Public sector banks should set up a cell for monitoring the progress of schemes for which the loan is given. The cell may look after a number of branches in turn, going round one after the other. It may suggest suitable follow up action by the branch managers.

A working Group of NABARD (1997) has suggested that service area approach, currently being followed may be discontinued and a new system
of branch credit plans (BCP) be introduced based on bank corporate policies, their resources, potentials for development in the area development plans of the state government, past trends and local infrastructure. In this new approach, analysis of all the factors mentioned above would carry out independently by banks themselves. Primarily the BCPs will be based on the branches share in the total credit business in the district/blocks.

In the case study of rural banking in the development process of Garhwal Hills, Ramola and Negi (1992) observed that burning problem that the rural bank was facing were lack of efficient staff, non-cooperation of state government agencies and workload on branch managers.

It was suggested that practical training was imparted to the staff at the sponsored bank's branches and the other problem that of poor recovery of the loan due to improper identification of the beneficiaries by the government agencies without the involvement of the bank. It was also found that more attention was paid to the allotment of money to different economic programs for rural poor instead of more achievement of targets on which money is invested. For this the assessment of physical achievement should be taken in to account.

For achieving better result of loans and assistance provided branch managers need to develop greater contact with their clients through regular field visits.
A study by Reddy (1989) of Andhra banks revealed that the staff shortage, especially of the field staff is the real problem in rural branches. Now under the SAA, if the concerned branch is not able to meet the genuine credit needs of allotted area even through due to genuine staff problem of individual branch, the villagers will be at ransom, as they have no other source of institutional credit except dormant cooperatives. Allocation of villages was not justified in respect of specialized branches got the same villages as single officer branches. In many cases villages allocated to specialized branches like Andhra Development Banks were curtailed drastically.

Shylendra (1996) attempts to study as to how far the RRBs could succeed as an institutional reforms in the filed of rural credit, and in what way their policies have been different from those of the other institutions so as to enable the rural poor to have a better access to institutional rural credit. The objectives have been examined here with reference to the functioning and performance of RRB in Karnataka namely. Tungabhadra gramin bank (TGB). The inference drawn are that RRBs which were created as institutional innovation for the rural poor did not come out with any radically different policy or strategy to reach out to their clientele. Unlike the
gramin bank of Bangladesh, the RRBs in India have followed mainly established security based lending.

A survey was conducted by Nail and Siddaiah (1990) in Chittorr district Andhra Pardesh with objective to assess the relative roles of institutional and non-institutional credit agencies in catering to the credit requirements of the peoples in rural areas. The findings of the study are that among the various villages the cooperatives are considered to be the most suitable agency to extend credit to the farmers though they occupied second position in mustering needy farmers. In fact, co-operatives have become an integral part of credit plan and action plan in the formulation of credit policy of the district. Further the cooperative credit movement has given much impetus to promote the economic interest of the farmers.

It also roused new hopes and aspirations in the minds of the people to take up durable farm activities like dry farming, drip irrigation sprinkling irrigation, water conservation and adopting drought resistant seeds etc. suitable to drought tract. The cooperative should prove them selves to be an important credit agency in agriculture credit in this region even after the emergence of many rural financial institutions because they are exclusively suitable.
Report on evaluation of Maharashtra Rural credit project (1999) revealed that over dues particularly under IRDP are causing problems, as fresh loaning to family members who want to start same activity is not possible. Poor condition of roads in certain parts of the district makes the villages inaccessible in the monsoon. Top priority should be given to provision of basic infrastructure like roads, electricity.

The traditional industries are generally located in rural and semi-urban areas. These involve low level of investment in machinery and provide invariably part time employment Ahmed (1994) examined this aspect in Aligarh district, problems and suggestions identified in the study are:

-- Entrepreneurs with adequate technical skill are recommended to avoid large rejections by banks.

-- Government should arrange raw materials for the small manufactures.

-- Government should also arrange the marketing of the produce of there manufacturers.

-- The necessary technical reports in case of the existing units should be provided by the District Industries center to banks.

-- Loan sanctioning powers very from bank to bank. It should be uniform and adequate.

-- Adequate services of the technical field staff are provided at all branches.
The basic objective of rural financial institution is to provide adequate and timely credit for comprehensive agricultural development programme and related activities to enable the rural people to exploit opportunities for development. Raghuwanshi, Jaulkas and Latoria (1994) studied this aspect in Guna district. The study concluded that the membership of normal, principal and total members has shown increasing trend. Similarly share capital has also recoded continuous increasing trend during study period. It also indicated that the LDBs were able to play prosperous role in development of irrigation in Guna district.

In the Evaluation study conducted by State Bank of India (1996) in Maharajganj district of Maharashtra, it is revealed that controllers (Regional Managers) are not taking interest in the implementation of SAPs. They are not monitoring the branches for achievement of commitments under SAPs. Service area plan is not dovetailed in the branch budget and commitments under SAPs are not taken in to account while settling budgets by branches with their controllers. Unless the villages are surveyed and realistic village credit plans prepared, SAA may not be a success. There is a need to identify and finance new activities based on infrastructure support on short term as well long term basis.
Southern economist (1994) in its editorial ‘Rural Credit: Propped monitoring vital’ brings out that rural banking base of commercial banks has expanded quite spectacularly in the last decade which provided a major thrust of rural developments with the launching of integrated Rural Development Programme (IRDP) which aimed not merely at raising agricultural production or improving the quality of yield, but which also envisages generation of self employment and improvement of roads as also means of communications. Another, aspects of the system for the delivery of credit in the IRDP context is the ‘identification of beneficiaries: Also the way the better off sections try to take advantage of the subsidy-linked credit by proxy is significant. Those who depend on the ‘big’ people for so many things, oblige them partly out of gratitude, and partly because refusal can mean trouble. Here, the intimidations of the power structure surface more conspicuously. Though the cooperative and banking sectors have emerged prominently on the horizon, thereby reflecting a trend towards the weakening of the traditional power, the ramifications of such a structure can be seen in the operation of the credit mechanism on a scale wide enough to cause concern.

Singh and Sandhu (1980) analyses the data from a sample of 90 farmers in Kapurthala district of Punjab and observed that agricultural cooperative
credit societies were the main institutional agency which provided financial assistance to the farmers. Loan by non-institutional agencies were scarce. Short-term loans for the purpose of purchase farm inputs. Which medium term loans were advanced for tube wells, engines, threshers and livestocks, long-term loans was sanctioned for tractors and other heavy machinery. Analysis of indebtedness was found that those of medium farmers were highest and lowest for larger farmers. The main reasons of indebtedness were low savings by farmers.

Chand and Sidhu (1981) in their study of Punjab observed that most of the small farmers were non-willful defaulters. Whereas most of the medium and large farmers willful defaulters. This implied that taking strict action against the defaulters of these categories could reduce the indebtedness of medium and large form categories. In order to reduce the indebtedness of small farmers their income should be increased which might be done through the redistribution of surplus lands and diversification of their activities. They should be encouraged to adopt enterprises like poultry dairy, cottage industries etc., which require less land and at the same time add stability to the income. The reduction of indebtedness will ensure more supply of credit to this category.
Pandey et al (1984) examined the repayment performance of Borrowers with respect to agricultural loans in Kurukshetra district of Haryana and found the following problems. (i) Too much political pressure and interference in normal functioning of the officials (ii) indebtedness among the farmers was increasing (iii) farmers being over burdened with debts which exceeded their repaying capacity (iv) smaller farmers lacking adequate income of repay the tractor loans (v) mis-utilization of loans (vi) majority of the farmers being caught into the trap of credit cycle due to their excessive expenditures and unwise use of the loans (vii) advance of fictitious loans (viii) scale of finance for crops milch animals etc was not adequate to meet the end (ix) over estimation of the repaying capacity generated from the proposed investment.

Singh, Gupta and Goyal (1996) attempted to study the role of LDB’s in the infrastructure creation in Haryana agricultures the study showed that the loan granted for debt redemption and purchase of land declined over the years and become virtually negligible during the last decade on the other hand the advances for purchase of tractors, installation of tubewells and other improvements programmes registered a substantial growth of other land with the passage of time. Thus, the emphasis of the PLDB’s shifted towards more productive purposes.
Kailash Sarap (1991) has examined the determinants of the access of small farmers in Haryana to institutional credit in the survey area and identified several factors inhibiting small and marginal farmers from securing an adequate amount of both production and consumption credit, despite the presence of a number of formal credit institutions in the study area. He found that more existence of credit institutions does not guarantee that small farmers will benefit from them. Given the supply of credit, the lower bargaining power of small farmers vis-à-vis large farmers, the bureaucratic and procedural formalities required and the asset based lending policies pursued by the financial institutions coupled with corrupt practices of the officials and control of dominant and powerful farmers in the credit institutions (especially the cooperatives) all work against the rural poor.

The role of debt and credit which play in the reproduction of dependency relationships in 'pre-capitalist' agrarian structures is widely recognized fact. Apart from the historical literature on economic changes during the colonial period of Indian history, this aspect of rural society has been well documented by the official agencies and the Social Samitis studying, agrarian change during the post-independence period. In the historical literature on subjects like commercialization of agriculture, land alienation and peasant discontent and mobilization, questions of changing credit
relations and growing debt dependencies of the small peasants, tenants and 
landless labourers have been discussed at great length. Even in the 
theoretical formulations of the agrarian social structures, such as, 'patron-
client' reciprocal relationships [Srinivas 1955; Breman 1974], 'inter-locking 
of agricultural markets [Bhardwaj 1974; Bardhan 1984; Bhaduri 1984; 
Srivastava 1989’ Sarap 1991], or the 'semi-feudal' mode of production 
[Prasad 1974; Bhaduri 1984], the nature of debt related dependencies are 
considered to be the defining features of such relationships. Debt is 
supposed to play an important role in sustaining and reproducing these 
'traditional' structures.

However, unlike the historical social scientist frameworks of the 'pre-
capitalist' agrarian structures, much of the literature on 'rural credit' in post-
independence India has been centred around the 'development questions' 
and is largely quantitative in nature [RBI Reports 1966; Thorner 1964; 
Wadhwa 1980; Roth 1983; Sarap 1991]. Most of the studies and surveys 
have focused on questions such as demand and. supply of various forms of 
credit, the shift from informal to institutional sources of credit, extent and 
nature of indebtedness of various categories of rural society, performance of 
institutional sources of credit or determinants of interest rates in the informal
credit market. While such quantitative data help us in understanding the economic aspects of agrarian changes in contemporary India, it does not view the informal credit market or institutional credit as a network of social relationships. Also, it says very little about the impact that the changes in the structure of credit markets have had on the institutionalized of dependency and inequality referred to so frequently in the historical literature on rural credit.

However, even though ‘credit’ has been predominantly studied as an ‘economic fact’, there are some economists who have tried to argue that the relations of credit are more than purely economic phenomena. Bhaduri, for example, views ‘forced commercialization’ and ‘distressed sale’ in backward agriculture, caused by credit dependencies of small peasants, as “a system of relations that are essentially social rather than technical in nature” [Bhaduri 1984:51]. Similarly Bhardwaj discussing the structure of backward agrarian economy argues.

The character of markets reflects and to a significant extent is determined by the local patterns of power. The relative bargaining strength (reinforced by forces of tradition, custom, social mores) determines access to resources, the terms on which they can be obtained and fields of feasible choices open to the individual in the various markets [Bhardwaj 1982:27].

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Some of the studies and surveys on rural indebtedness and agrarian relation carried out by individual economists and by official agencies have also been sensitive to sociological questions. The question of differential availability of institutional & non-institutional credit to the different strata of agrarian society and the crucial role that it plays in perpetuating relations of domination and exploitation has been a central concern for many studies [Rudra 1975; Platteau et al 1980; Bandyopadhyay 1984; Sarap 1991; & Jodhka 1994; RBI Survey Reports 1969].

For sociological studies on rural society and agrarian change, the questions of credit and debt have at best been of a marginal concern. With the exception of a few studies [Malamoud 1983], references to credit and debt are made only in passing, usually as an aspect of a social process being studied, such as, patron-client relationships [Srinivas 1955; Epstein 1962] village economy [Beteille 1969], factional politics [Lewis 1958], production relations [Gough 1955 and 1960; Breman 1974; Brass 1990] peasant discontent and mobilizations [Desai 1979; Dhanagare 1983] or Debt dependencies and agrarian change (Jodkha 1994).

In the literature on agrarian indebtedness an important distinction is made between the institutional and informal sources of credit. It is generally postulated that, with the process of development, institutional sources of
credit tend to replace the informal sources. The change is supposed to indicate a substantive transformation in the agrarian structure. While indebtedness to institutional sources is viewed as an indicator of participation in the process of development, indebtedness to informal sources is seen to imply 'backwardness' and if it is a dominant form of credit, such an economy is characterized as a pre-capitalist one where exploitation still takes place predominantly through usury [Bhaduri 1984; Prasad 1974].

Though 'informal credit' is not a homogeneous category and not all types of informal debt imply backwardness, this distinction can be a useful starting point for understanding the changing relations of credit and debt.

The literature on rural tends to suggest that the access to institutional credit in rural India is directly related to the landownership patterns. While the bigger landowners have, by and large, been able to monopolize the institutional sources, the smaller cultivators and landless labourers have continued to depend upon the informal sources of credit, indicating their non-participation in the process of development [Thorner 1964; Herring 1977; Frankel 1971].

The review of literature presented above deals with the non-recovery problems of lending institutes and indebtedness. The studies on Indebtedness
at borrowers level indicate that natural calamities, high family consumption, misutilization of loan for non productive purposes, willful default by larger and medium farmers, lack of funds to repay the loans, poor return from agricultural produce, amount of loan, size of holdings irrigation facilities, delay in electric connection, inadequate and erratic supply of electricity, excessive dependence on monsoon, last accrual of income from sale of agricultural produce delay in completion of investment etc; have been the main factors causing non repayment of loans and also causing of indebtedness. The studies on non repayment and indebtedness at the banking level indicate that inadequate arrangement for recovery of loan, defective and improper appraisal of loan applications, lack of supervision of one secretary, non timely loans, moratorium and remission of loan by Government lack of strict action against defaulters etc have been the main factors responsible for non repayment of loans and causes of indebtedness. The studies further reveal that credit users belonging to high caste of village, with lower age, with larger holdings, with higher percentage of educated family, with higher educational status, with larger loan borrowed, with high farm and non farm income and expenditure and having affiliation to political parties have greater probability to become defaulters.
Most of the studies on non-repayment of loan have been confined to factor analysis and don’t explain the situation and circumstances under which farmers operate owing the limitation of time and space. A wider and indepth treatment is needed to be meted out. It may be done through exploration through socio-economic and cultural situation of farmers by taking all aspects together. A large number of studies have also been under taken from the angle of financial institutions and not from the angle of farmer’s situations and their relations with these institutions. In most of these studies the problem of indebtedness is not discussed with sociological angle like relation and changes in agrarian structure. So departure of focuses another one to investigate at the other of the same problem. Further, only a few studies have tried to focus on the problem of indebtedness with agrarian relation and agrarian change.

The atmosphere of non-repayment of loan and rural indebtedness in context of agrarian change is creating a serious problem both for lending institution by formal and informal as well as for rural society. The present study is an attempt to study the socio-economic conditions of various agrarian classes and their payment/non payment basis.

This is partially a caustic study, but it may cover broaden diagnostic aspects beyond casual frame.
Relevance of the study: With the increasing institutionalization of agricultural credit, the problem of farmers indebtedness has achieved a new dimension. Since the farmer is able to get more finance on easy terms and conditions from various agencies therefore, the extent of indebtedness is also increasing day by day. The farmer's depending on market for basic needs and expenditure on agriculture has resulted into non-repayment of installments in time. This has caused serious concern to agricultural credit system as a whole. When a loanee fails to repay his installment amount within the stipulated time, the amount is considered as overdue. Today the mounting overdue of financial institutions cooperatives, commercial banks R.R.B.'s and LDB's has almost paralyzed the country's agricultural credit structure designed for increasing agricultural productivity. The accumulation of overdue has threatened to rob the rural credit institutions and their financing ability. Thus credit becomes an essential part of modern technology, because debt is not only a economic phenomenon, but also a social relationship. In India debt and credit have generally been studied by Social Scientists. They have extensively documented the economic aspects of the debt relations in rural society. They points out about social relationship, because credit and indebtedness has brought many changes in our rural society. Against the above backdrop the study is based on
repayment of credit and indebtedness of farmers with their social relationship. These are seems to be very relevant in the present study.

The above-cited studies have taken only institutional loans into account. There is no analysis or description of credit structure and agrarian relations in, majority of the available studies. Moreover they have not considered the extent of non-institutional credit. The present study makes an attempt to study repayment manner and extent of indebtedness both at the level of institutional agencies and non-institutional ones. The credit relations also prevailing in different categories of agrarian settings.

**Focus of the study**

Credit structure has been an important medium for agricultural growth and changing the agrarian relations in India. Though many studies point out the fact that the agricultural credit structure has led to the emergence of capitalism in Indian agriculture, there are few systematic studies available on the nature of indebtedness and changing agrarian relations specifically in the context of agrarian changes experienced in the green revolution regions of India.

The present study attempts to fill up this crucial gap. This study intends to explore the changing nature of credit system in agrarian economy and changing socio cultural, political structure of the rural society.
In present study the emphasis is on the nature of indebtedness and agricultural credit system. The problem of recovery of agricultural credit has become a constant source of anxiety for the financing institutions and a loan share of banks fund remain locked.

The present study aims to find out the magnitude of the problem of indebtedness. Following are the objectives of the study.

- To find out the nature and structure of indebtedness of different section of agricultural households and landless labourers.
- What is the relationship of rural indebtedness with agrarian relations?
- To examine the extent of indebtedness in different agricultural regions?

**Design of Research**

Keeping in view the discovery of new ideas and in sights in the agrarian sector. The exploratory type of research design has been employed. This would help us to the analysis basic issues like mode of indebtedness & extent of indebtedness in rural sector, its relationship with rural poverty. For the analytical sociological enquiry in to the rural indebtedness new issues were raised on gathering information about the pattern of indebtedness, changing agrarian relation due to rural transformation.
Sampling:

To study the nature and mode of indebtedness in rural Haryana, the peasant household was considered as a unit for present study. A multistage sampling was employed; leading district in production of the principal crops in Haryana has been considered because of two factors.

a) Agricultural Dev. of different areas (Districts) is not equal due to variation in the condition of different levels of development.

b) Different types of crops require different type of agrarian setting the lending district in the production of principal crops as follows:

i) Rice: Kurukshetra, Karnal, Panipat, Ambala, Kaithal & Sonipat.

ii) Wheat: Karnal, Kurukshetra, Panipat, Yamuna Nagar & Hissar.

iii) Sugarcane: Ambala, Rohtak, Karnal, Jind and Yamuna Nagar

iv) Gram: Hissar, Sirsa, Jind, Mahandergarh, Rewari & Bhiwani.

v) Cotton: Hissar, Sirsa, Jind and Bhiwani.

vi) Rape Seed, Mustrad: Hissar, Sirsa, Bhiwani, Jind, Rewari and Jhajjar.

vii) Maize: Ambala, Panchkula, Kurukshetra, Karnal and Yamuna Nagar

viii) Jowar: Rohtak, Jhajjar, Gurgaon, Faridabad and Mewat.

All the 20 districts were clubbed into two regions (i) Agricultural developed and (ii) Agriculturally less developed region on the basis of productivity of
crops, consumption of fertilizers, use of new agricultural technology in
agriculture for various cropping patterns. (Statistical abstract 2003)

1) Kurukshetra, Ambala, Karnal, Sonepat, Yamuna Nagar, Jind and
Panipat, Kaithal etc.

2) Gurgaon, Panchkula, Rohtak, Jhajjar, Fathabad, Hissar, Sirsa,
Faridabad, Mahendergarh, Rewari, Bhiwani and Mewat etc.

R₁ is more developed area in compression of R₂. The principal cropping
pattern is dominated by wheat, sugarcane, maize, jawar, bajara, gram and
instead gross irrigated area is 85 percent of the total cropped area and 55.03
percent of the total cropped area is under high yielding variety seeds. R₁ is
characterized as the most prosperous agricultural area of the state grows
wheat rice; maize in 84 percent of cropped area 93 percent of total cropped
area is under high yielding variety seeds. R₁ is characterized as the most
prosperous agricultural area of the state grows wheat rice; maize in 84
percent of cropped area 93 percent of total cropped area is under HYV
seeds. Total irrigated area is 99 percent by private tube wells and by
government canal.

From these two regions of the state demarcated some, what arbitrarily one
district from each region was selected by a lottery method. At this stage
Kurukshetra and Jhajjar were selected in sample.
Kurukshetra district is termed as agriculturally development and Jhajjar as less developed. While selecting villages from these two regions all the villages of the districts individually were ranked on the basis of population of 2001 from this rank order first half in hierarchy is the districts were called as large villages and second half as small villages from each of these categories one village was randomly selected. The villages selected from Kurukshetra district were Johsar, Mirzapur & Dayalpur and Chhara, Rewari Khera from Jhajjar district.

The selection of the agricultural house holds both cultivators and agricultural labourers were done on a first phase of census of households. All the landed cultivators and agricultural labour households were included in our sample from the small villages chosen from the two district. Rewari Khera from Jhajjar district and Dayalpur from Kurukshetra district. From the large villages namely Chhara from Jhajjar and Johsar from Kurukshetra. The number of the agricultural labour was 115 and 334 landed peasantry were drawn on the basis of simple random sampling.
Techniques for data collection:

Data for this study were collected using the following techniques.

a) Census survey:

Primary data was collected by taking a census of all the heads of the households in five villages. This data included caste, age, occupation, land ownership, number of family members engaged in agricultural occupation type of house & family composition etc.

b) Interview scheduled:

Interview scheduled was used for collection of data. The interview scheduled was divided in three parts. Part one was structured and it was mainly for collecting information regarding the head of the households, sex, age, caste-working pattern etc.

The second and third parts were both structured and unstructured questions. The second part of interview scheduled, question related to examine the impact of indebtedness and their extent on agricultural labourer and cultivators.

And other information was gathered regarding education standard, number of earners, nature of employment ,working pattern family engaged in agricultural operation availability of work and occupation. The third part of interview scheduled was designed together information expenditure of
households on consumption and non consumption in a year earning of peasants from both agricultural and non agricultural in a years and repayment styles of peasants.

While interviewing the respondents stressed was laid on getting information regarding the nature of change in their work relations in employee and employees occupational mobility impact of migrant labour on local labour force and agrarian relation.

**Historical Data :**

Historical data were collected through following sources.

1) District Gazetteer
2) Census Report
3) District Survey Report
4) Patwari record of land consolidation and land revenues
5) Statistical Abstracts of Haryana

**Chapter Scheme :**

The study has been organized as follows :

Apart from introduction an attempt has been made to examine. The major findings of the study review of research gaps in the various studies related to our topic. Methodology employed for the study forms the second part of the chapter.
Chapter II deals with Haryana’s agrarian structure discussing with landholding pattern, agricultural production and the changing agrarian relations. Chapter three discusses the socio economic profile of the respondents i.e. their occupations, sex, age, wages structure and impact of credit and indebtedness.

In Chapter four we have examined the formal and informal credit in the studied area. It discusses the structure and distribution of credit and nature of indebtedness of different agrarian classes further it also discusses the factors, which affect their repaying capacity. These factors include caste, income landholding size and purpose of borrowings etc. In the concluding chapter five we have discussed the major findings of the research.