CHAPTER 2

RURAL INDEBTEDNESS AMONG AGRICULTURAL LABOURERS IN INDIA:
A REVIEW OF EMPIRICAL EVIDENCE AND ISSUES

2.1. INTRODUCTION

The review of literature relates to the works done by different scholars in the field of agricultural labourers and also rural indebtedness of agricultural labourers. This is mainly done to examine the various aspects covered by the existing studies in the field of rural indebtedness. This will enable us to identify the various aspects which are covered in the studies so far and which are not covered, so that it will help us in framing suitably the present study with specific objectives and hypothesis.

There is no dearth of studies of agriculture, agriculturists and agricultural labourer in general. But there are very few studies relating to the rural indebtedness among agricultural labourer. The literature concerned with the causes, consequences, credit sources, employment and wage rate of agricultural labourer has been summarised in the following section.

2.2. REVIEW OF LITERATURE

Ramamurthy et. al., (1972) in their analytical study found that co-operative banks, commercial banks and money lenders were the main source of supply of credit to sample farmers of two districts in Tamil Nadu. The credit from the government was conspicuous by its absence. The study further showed that the co-operatives banks were
the most important sources accounting for 61.73 per cent followed by the commercial banks and money lenders constituting 12.61 per cent and 25.05 per cent, respectively. They further observed that commercial banks which started financing for agriculture recently had made significant contribution in the field of agriculture finance.

Balishettar et. al., (1981) in their study examined the problems of rural indebtedness based on data collected from five rice growing villages located in Barrigog Banghag block in the Kamrup district of Assam. They made an attempt to examine the sources of borrowing, causes of accumulation of debt among different categories of farmers and landless labourers, it was observed that they solely depended on non-institutional sources, particularly the agriculturist money lenders. The study further observed that the debt relief measures undertaken by the Government from time to time had no impact in reducing the burden of rural indebtedness in the area.

Patil (1986) in his study on “Agricultural labour in Karnataka : A case study of Dharwad district” examined the socio-economic status of agricultural labours based on primary as well as secondary data. The primary data was collected by personal interview method. He selected five irrigated villages and five non-irrigated villages in Navalagund Block. From these villages he selected a total of 150 samples. The respondents selected were agricultural labour households with land and with out land. The study aimed at examining the socio-economic condition of agricultural labourers, their level of income and wages. It also aimed at studying the extent of
employment and unemployment, their poverty condition and income and expenditure pattern.

The study reveals that demand for labour depends upon the availability of irrigation, intention of land use and the adoption of the technology in agriculture. It is also clear from the study that in irrigated area labour households grow commercial crops. But in non-irrigated areas food crops are important. Further, in both irrigated and non-irrigated villages, female labourers wage is lower than male labourers wage. He has also tested the difference between the level of employment and income with land and without land by using Y test. From this, the study reveals that the difference between the levels of employment and income is found to be significant with respective labourer with land as well as without land in both irrigated and non-irrigated villages.

From this he has concluded that labourers with land have higher level of income, though they work for less number of days. Therefore, only increasing number of days of employment is not going to improve the income of landless labourers. Therefore, he suggested redistribution of land in favour of landless agricultural labourers. This will help on improving their income and living standard. Further, he has suggested provision of regular employment at subsistence level of wages to improve the economic condition of labourers. He has also suggested that dairy farming be encouraged as subsidiary occupation to improve the income level of landless labourers.

Bankar and Suryaprakash (1987) in their study found that the
supply and utilization of crop production credit in Karnataka and concluded that the small and medium farmers received a lower proportion of total loans compared to their numerical strength in the total number of borrowers while the large farmers received a fairly larger share.

Raju (1989) has conducted a study in Andhra Pradesh regarding migrant labourers who were employed in Tungabhadra project in Karnataka state. He has focused on migration adjustment processes at destination and upon return from migration. He has concluded that the economic condition of migrants has improved significantly. Further, the root cause for migration is an absolute poverty. It is, because of green revolution and rural prosperity, the surplus labour from rural areas of neighbouring states has witnessed migration to such places.

Singh and Sharma (1990) in their study found that the cost of loan was one of the important basic characteristics of a good loan and should be at a reasonable cost which involves not only interest rates but also fees for documents and services associated with grant of loan.

Santhapparaj (1991) has conducted a study on “Internal migration, remittance and determinants of remittance: An empirical analysis” based on primary as well as secondary data. The secondary data regarding migration was collected for the period 1971-1989, a total of 240 migrants were selected for the purpose of the study. The basic objective of the study was to focus on rural-urban migration and links between migrants
and migrants households in their place of origin. The primary data was collected during period of 1990-1991 through an interview schedules.

The study reveals that among the various ‘push’ and ‘pull’ factors of migration the economic factors are prominent; most of the migrants maintain links with their native place through visits and remittance to their relatives in rural areas. The purpose of remittance was to meet the household’s consumption expenditure of the relatives. The study has suggested effective land distribution policy and increase in the rural income of the rural subsistence sector. It has also indicated that the remittance does not have any influence on rural economy.

Masali (1992) has conducted a research study on agricultural wages in Karnataka, which is based on secondary data. In this study he has tried to examine the growth of labour force in Karnataka between 1961 to 1991 and also inter district wage differentials in the state. He has also examined relationship between agricultural wages and production. From the study he has identified the factors affecting the wage rates of agricultural labourers. He has suggested measures to reduce the excess supply of labour by providing non-farm employment opportunities in rural areas. He has also recommended the formation of labour organization to secure minimum wages as fixed by the Government from time to time. He has stressed the need for effective implementation of the minimum wages act in the rural areas. In this regard he has pointed out the need for labourers education and about the provision of the act. In addition he has
suggested for the development of rural infrastructure facilities to increase the welfare of labourers.

Kasar (1992) in his study has analyzed seasonal migration of farm labourers from dry and backward tracts of Maharashtra towards irrigation tracts for employment and income earning. He has identified some important factors beyond seasonal migration, such as, engaged in harvesting and transportation of sugarcane during crushing season. This seasonal migration is done through middlemen who generally exploit these labourers. In the process of women and children who are also involved are deprived of education and health. The study has revealed that migrants were more indebted than the non-migrants. The lack of employment opportunities in their villages has pushed them to other places, where they got guaranteed employment with high wages. The availability of green fodder for the animals of these labourers served as the ‘pull’ factors, for this kind of seasonal migration.

Assadi (1998) in his study found the distress in rural economy and reported the suicides of more than 20 peasants in northern districts of Karnataka and observed that there were signs of distress in rural economy. The heavy losses due to crop failure and mounting debts to the moneylenders seemed to be the main reason. And this was the main reason everywhere for the farmer’s suicide. In addition to that heavy indebtedness also was the main cause for this. He also observed that many of those farmers who committed suicide were market oriented.
Parthasarathy and Shameem (1998) in their study found that the main reason for the strain on the cotton growing peasant was the growing indebtedness of the agriculturist to the money lender cum dealer. A number of factors were cited as reasons for suicides. These were adverse rainfall and low yields, adverse prices, rise in cost of pesticides and high cost of cultivation, poor position of co-operative credit agencies and commercial banks, growing power of moneylender.

Narayanamoorthy (2001) in his study found that there are many reasons for the persistence of indebtedness among the farmers households in India. (1) Since the agricultural activities are typically seasonal and heavily dependent upon monsoon rain fall, the return from the crop cultivation is not assured most of the time which ultimately affects the repaying capacity of the farmers. (2) Through the distribution of institutional credit for agricultural purpose has increased manifold in India since the nationalization of banks, substantial numbers of farmers still rely on non institutional sources (money lenders and others), where the rate of interest is not only exorbitant but the terms and conditions of the loan are often exploitative. (3) The domination of middlemen in agriculture produce market, prevents the farmers from getting remunerative prices for their produce, this is also considered to be one of the main reasons for the indebtedness. (4) Majority of the farmers also take loans for consumption as well as for a variety of social obligations, which are unproductive and do not help to generate income. As the surplus
income generated through crop cultivation is not assured and often are in adequate, the farmers are unable to repay the loan in time and thus the burden of debt goes on increasing.

Radhakrishana (2002) in his study found that the farmers indebtedness has long been treated as a distress phenomenon. It was indeed so if the debt taken was not used for productive purposes like purchase of inputs that augment out put on creation of assets that augment the earning base of the borrower and instead was used for consumption purposes or marriages and social ceremonies debt can also become a distress phenomenon was the barrowers crops fails due to natural calamities, drought, use of spurious inputs, in fructuous investments or other unforeseen reasons, or if production becomes uneconomic because of high input costs, stagnant technology and lack of remunerative prices which make it impossible for the farmer to repay his capital and interest, finally, and this is quite common, interest becomes a heavy liability if the loan was taken from non institutional sources like money lenders at high rates of interest. The accumulated liability of principal and compound interest can sometimes become a crippling. And the borrower is forced to mortgage or sell his land losing there by his only means of livelihood, in some cases, indebtedness and failure to pay can become one of the important causes for farmers suicides.

Menon (2003) in her study found indebtedness as a huge and growing burden in the rural country side, particularly amongst poor farmers and this was the single most conspicuous reason for the
mounting number of suicides in Karnataka. While there may be a variety of triggers that push individuals to take this drastic step, indebtedness is the common thread that links them all. Further, in all these cases, indebtedness of farmers was predominantly tied to informal sources of credit and not to institutional credit structures like banks and co-operative credit societies. The diminishing presences of institutional credit in agriculture was the only reason for increasing indebtedness, it was accentuated by three years of inadequate rainfall and consequent crop losses in the state during 2002-2003.

Vidyasagar and Chandra (2003) in their study concluded that, about 3,000 Andhra Pradesh farmers committed suicides in five years owing to debt trap, drought and crop failure. Government perspective on farmers suicide in India has been critically analyzed in this study to argue that farmer's suicides cannot be reduced to personal problems but related to the context of agrarian’s crisis there was also view that ex-gratia payment to the suicide victims would encourage suicides. In their study they revealed that the debt trap was the main cause of certain farmers taking extreme step of the committing suicide. Debt trap was getting tightened up because of the agrarian crisis on the one hand and inaccessibility of institutional credit on the other. Non-instituions were forthcoming to lend money to farming community for the same purposes for which they lend money to urban middle class. Thus, farmers have depended on non-institutional credit. In many cases extreme step of suicide was taken as a recourse due to heavy pressure and humiliation from the private moneylender.
Gopalappa and Rao (2004) in their study found that the poverty alleviation programme and green revolution of 1970s would not deemed any benefit for agricultural labourers, small and marginal farmers, scheduled castes and scheduled tribes. The farmers distress is an outcome not of the lack of agricultural growth but, enterprising quality of farmers, who pursue growth and even achieve it in good measure. In this regard, farmers in Karnataka respond quite well to changing markets and new technologies. But the drought prone environment combined with a non-caring policy regime, turns into victim the very producers who bring about growth. The result is a spate of suicides among farmers in recent years. It should be sobering thought that each suicide may hinder others for shifting to new crops, technologies and practices.

Gill (2004) in his study attempts to analyse the various aspects of the informal rural credit market which interlinked contracts that occupy a central place. In particular, the nature and extent of interlinked credit contracts collateral requirement, purpose of loan, rates of interest charged in such transactions are dealt with the gap between demand for credit and supply of formal credit has also been worked out, in an attempt to explain the purveyance of informal lenders, their ruthless and exploitative practices notwithstanding. Even till today this consequences undiminished on landless labour, marginal and small farmers result is overdue.

Vyas (2005) in his study attempted to focus on poor agricultural labour households along with chronic poverty which brought to light
starvation deaths in some regions and the spate of suicides by formers in others. Agrarian distress has got nationwide publicity. There is a large concentration of the chronically poor in certain regions. Over 70 per cent of India's poor are located in six states i.e., Uttar Pradesh, Bihar and Madhya Pradesh and Maharashtra, West Bengal and Orissa. These states roughly possess half of India's population. The first three states account for approximately 36 per cent of the country's population but 48 per cent of the poor households depending on agricultural labour, small, marginal farmers and rural artisans constitute the bulk of the rural poor. Slightly less than half (48 per cent) of the rural poor are agricultural labourers and more than a quarter (28 per cent) are self-employed in agriculture. Among the social groups, the scheduled caste and scheduled tribes, particularly the latter, account for a proportionately larger number of the poor. The same is true about women-headed households. Within the households, women and the elderly suffer greater deprivation. Present policies and programmes are not able to protect a sizable section of agricultural population from natural and market induced uncertainties. Hence, a more systematic treatment is needed to safeguard the vulnerable sections of agricultural population or rural poor.

Narayanamoorthy and Kalamkar (2005) in their study explained that the significant increase in crop output per hectare of land as well as increased availability of institution credit to agriculture was due to the introduction of green revolution, the problem of indebtedness has been continuing among the farmers households in India and also
studied the trends and determinants of the incidence as well as extent of indebtedness among the farmers households mainly using the data available from the NSSO report on indebtedness of farmer households. The results showed from the study that, out of all, about 18 per cent in Assam to 82 per cent in Andhra Pradesh were only in the year 2003, while the incidence of indebtedness is found to be higher among the agriculturally advanced states like Andhra Pradesh, Punjab, Tamil Nadu, Karnataka and Haryana during same year.

Kumari (2005) in her study analysed the major factors causing indebtedness in rural areas of Northern Telangana zone. They showed that the lack of technical knowledge, declining irrigation facilities, increasing biotic and non-biotic, lower crop yields and form income, burden of higher family expenditure were the major causes for indebtedness.

Singh, Toor and Sharma (2005) in their study observed the agrarian crisis with special reference to indebtedness among Punjab farmers. The purpose for which a loan is taken is an important indicator of its potential for repayment. The various purposes for which different farm categories were taking loans on an average farm house in the state incurred a debt of Rs, 37,913 (41.03 per cent) and Rs. 54,481 (52.97per cent) for productive and un productive purposes. The highest debt was reported on unproductive purposes like marriages, social ceremonies, family maintenance and health care. The same trend has been seen for different categories of farm house holds, the marginal farmers incurred the highest in the
proportion (71 per cent) of their debt on unproductive purpose followed by small farmers, medium farmers semi-medium farmers and large sized farmers. As the farm size increased the proportion of debt on the unproductive purposes decreased except in the case of medium farmers. The small marginal and semi medium farmers incurred the highest proportion of their debt on family maintenance, health care and education of their children while medium and large farmers spent the highest proportion of their loan for celebrating marriages of their children and for purchasing farm machinery the marginal farmers did not spend any amount of loan on purchasing farm machinery and developing irrigation structure on the farm. Because of their small farm size is less than 2.5 acres, of land. But the large farmers have mechanized their farmers and incurred the highest (26.60 per cent) amount on these items, out of which tractor and its implements were the main components.

Prabhu (2005) in his study observed that indebtedness was the major factor for farmers suicide and the agrarian crisis in Karnataka, as many as 61.6 per cent of farmer households were indebted in the state against national average of 48.6 per cent. The study found that the banks were major source of loans (50 per cent) followed by money lenders (20 per cent), co-operative societies (16.9 per cent), relatives and friends (6.8 per cent), traders and government agencies (1.9 per cent each). However, the study revealed that 34 per cent of indebted farmer household barrowed from money lenders. 32 per cent took loans from banks, and 23 per cent from the co-operative banks. 71
per cent of farmers were unaware of minimum support price scheme and 57 per cent of farmers had no knowledge about the crop insurance scheme.

Deshpande and Prabhu (2005) in their study verified the prevalence of indebtedness among the farmers and was seen to be highest in Andhra Pradesh (82 per cent) and lowest in Uttaranchal (less than 10 per cent). More than 50 per cent of farmers availed loans for capital or to meet current expenditures for farming purposes. 58 per cent of borrowing accrued to cultivation and other activates while the remaining per cent met other consumption needs. The largest per cent of indebted farmers was in the size class of 0.01 to 1 hectare. More than 70 per cent of farmers who owned less than 2 hectares were in the indebted category. The average amount of loan outstanding was Rs, 12,585.

NSSO (2005) in their study found that, nearly 43.42 million or 48.6 per cent of the total farmer households in the country have a liability of at least Rs, 300, in cash or kind at the time of any transaction. At the all India level it was of about 147.90 million rural houses holds. 60.4 per cent or about 89.35 millions are engaged in farming. The estimated prevalence of indebtedness was the highest in Andhra Pradesh i.e., 82 per cent falled by Tamil Nadu (74.5 per cent) and Punjab (65.4 per cent) Uttar Pradesh topped in the estimated number of indebted farmer households accounting to 6.9 million falled by Andhra Pradesh (4.9 million), and Maharashtra (3.6 million) rural households owning one hectare or less accounting
for 66 per cent of the farming community and 45 per cent of them were indebted.

Gill (2006) in their study found that the agricultural development is a pre-requisite for rapid economic transformation of the capitalistic economy and surpluses both of labour and capital resources have been contributed by agriculture to the modern economy. Even though agriculture has lesser importance rather than the industrial sector, during the process of transformation. Successful structural transformation is painful for agriculture in all societies, hence, nearly all rich countries safeguard their farmers at the expense of domestic consumers and taxpayers and foreign producers. However, this kind of thinking occurred in mid-1970’s to strengthen the rural economy through linking rural production with industry. This suggested strategy helped not only to reduce the pain of structural transformation, but also to substantially increase rural income and can also contain the population from moving to the cities with an already overflowing population.

Assadi (2006) in his study observed that the rural indebtedness may be located elsewhere such as the cumulative crop losses or the inadequate rainfall, drying up of institutional credit for small and marginal farmers, sharp increase in the cost of production, declining prices of agricultural commodities, withdrawal of subsidies to agricultural sector, or the exclusion of large number of farmers from the safety net as well as from public distribution system. Significantly most of those committed suicide and borrowed money from the
moneylenders, who would charge an interest at a rate of anything between 36 per cent and 60 per cent per annum. This shows that the formal credit system has failed to address the issues of rural indebtedness. In some cases the agrarian crisis has transformed farmers into agricultural labourers.

Suri and Narasimha (2006) in their study observed that the indebtedness was not new to rural Andhra Pradesh. While suicides due to indebtedness is what forces farmers to take their lives is not the amount of debt, but the changed nature of agriculture involving high costs and low or negative returns. The changed nature of politics has largely removed the farmers from the policy arena and led to their increasing immiserisation.

Mishra (2006) in his study found that the agrarian crisis has precipitated a spate of suicides in Maharashtra, the suicide morality rate for farmers in the state has increased from 15 in 1995 to 57 in 2004. The rain dependent cotton growing farmers of Vidarbha are faced with declining profitability because of dumping. In the global market by the U S, low import tariffs, failure of the monopoly cotton procurement scheme and withdrawal of the state (resulting in the public investment in agriculture, poor government agriculture, extension services and the diminishing role of formal credit institutions). The farmer now depends on the input dealer for advice, leading to supplier induced demand and on informal sources of credit, which result in a greater interest burden in short, the farmer is faced with yield and price, credit, income and weather uncertainties. The
way out is to merge bold public policy initiatives with civil society engagement.

Research Bureau (2007) a working group under the chairmanship of Shri C.P.Swarnkar, C.M.D. Syndicate Bank and comprising other eminent bankers from Commercial Banks and Reserve Bank of India, was set up by the Reserve Bank of India to suggest measures to further simplify the procedures and processes, thereby reducing the cost and time for obtaining agricultural loans. The group has studied the ground realities on procedures on agricultural loans and suggested measures for easing the hardship faced by the formers, including tenant farmers and agricultural labourers as well as borrowers with small loans, credit limits. Ultimately, study group concluded stating that the farmers in India today are multidimensional in nature. Apart from simplified processes and procedures for agricultural loans, the other issues that are equally important to the farmers are availability of water, electricity, proper marketing infrastructure, warehousing, proper extension services and counseling.

Reddy and Reddy (2007) in their study found that the declining viability of agriculture was due to stagnant technology. Improper use of resources, low farm capital formation and decline in farm employment. Even though the new methods of cultivation have enhanced land productivity they have not contributed to the profitability of the farmers. The poor performance and declining profitability of agriculture due to one or more reasons have resulted in widespread household indebtedness, which is often identified as the
main reason for the farmer’s suicides. Even reforms have also lead to substantial increase in the costs of farming. For example, minimum wage implementation, both fertilizer prices and water charges recorded a steep increase during the 1990’s. The policies should thus strive to safeguard the interests of both farmers and labourers, i.e., the entire rural community.

Deshpande and Khalil (2007) in their study focused on the large debate and their discussions surrounds only the farmers and the farm sector, thus, by-passing agricultural labourer and their role in the entire process. In all these initiatives, the agricultural labourers remained mute partners, always to share the distress but rarely to partake gains. Government has carried out many new policy package to remove the distress in the agriculture sector, with the introduction of land reforms and green revolution (credit, technology, and input delivery system). Basically, it does not flow from the ground and stays in the top-down framework as usual. The package in its application conveniently forgets the unemployment and wage trend of agricultural labourers as one among the sufferers.

Mohanty (2007) in his study observed the sources of borrowing as described in the seventh Rural Labour Enquires(RLE’s). There has been a considerable drop in the agricultural credit flow from institutional sources since the, 1990’s. Institutional sources of credit did register a significant increase from around 3 per cent to more then 8 per cent between 1983 and 1993. But it almost declined to 4 per cent in 1999-2000. Despite all high claims of micro finance and so-called
S.H.G revolution, the share of commercial banks in total credit supply got declined from 21 per cent to 16.6 per cent between the sixth and seventh R L E’s. At the same time, the share of usurious money lenders had increased from 22 per cent to 29 per cent of the total debt received by agricultural labourers was from 27.6 per cent to 31.7 per cent by rural labour class. Money lenders still continue to be the biggest source of rural debt. Such increasing trend of rural indebtedness being recognised as a significant obstacle for rural development, distress and shock to social psyche among the indebted households.

Jeromi (2007) in his study found that trade liberalization and a host of other factors like deficient rainfall, excessive concentration on export oriented perennial crops, decline in production and productivity, fall in prices etc. the agricultural sector of the state has been facing a crisis during the last one decade and it led to rise in farmers’ indebtedness and suicides. While farm distress continued, there was significant rise in loans issued by formal financial institutions. In general farmer's suicide was reported more in those districts which are concentrating more on cultivation of export-oriented commercial crops. Agricultural crisis was one of the major reason for suicide, but not the sole reason. Most farmers who committed suicide had land holding below one acre and average loan liability was Rs 72,000. Besides this, many farmers had private borrowings from friends and relatives. Their inability to repay these loans (liquidity) is considered as the proximate reason (trigger point) for committing suicide.
Mahapatra (2007) in his study analyzed the employment generation, income of different categories of labour and the extent of indebtedness and earning prevalent among rural landless labours and agricultural households in Orissa, with a view to understand their livelihood patterns. In this state where more than 85 per cent of the population is rural one third of rural households constitute landless labour households which depend completely on wage employment. Another 60 per cent of rural households is comprised of marginal farmers and small farmers, who do not generate sufficient income from their land. Even small farmers with up to five acres supplement their agriculture with outside jobs or wage employment. The evidence relating to rural labour households and agricultural labourer households shows an explicit overall decline in employment both for male and female labour. There is also a decline in the average number of earning members per household. Clearly, the rural labour households and agricultural labour households in this state are characterised by low earning, declining in income, low consumption and high debt and remedies will have to be found to generate more employment and income.

Kareemulla (2008) in his study found that the per hectare credit flow increasing in Uttar Pradesh and India as a whole, the level of credit in the state is lower at three fourths that of the country. This is partially attributable to lower banking network and higher indebtedness in Uttar Pradesh. Considering the fact that UP accounts for over 20 per cent of the countries agricultural production, there is a
need to augment the credit flow to the sector in this state. However, the major impediment, as it appears is the level of indebtedness among the farmers in the state coupled with this default of loans caused by crop failure and diversion of funds for non productive purposes acts as the stumbling block in the smooth flow of credit to agriculture. Therefore, aggressive measures have to be taken to widen the crop insurance coverage and proper credit follow up by the institutional agencies are essential for rejuvenating agricultural credit system in Uttar Pradesh.

Mohanakumar and Sharma (2008) in their study examined and linked the agrarian crisis and farmers distress in Kerala to the neoliberal policy regime implemented in the country in the recent past. The association between the two is more in the regions of the state that are heavily dependent on export-oriented crops such as coffee and pepper. The worst effected were the small farmers as they were more vulnerable to crop losses and price declines. Unless the plight of farmers is addressed in terms of changing the macro policies regulating taxes, prices and imports, the condition of the farmers cannot be improved on a sustainable basis either by increasing the availability of institutional credit or providing some alleviatory steps to the victims of suicide families.

Sukpal Singh (2009) in his study found that structural transformation process in Punjab has reduced the income generation and distorted the self sufficiency in the rural economy, due to non-viability of farming about two lakh small farmers have given up felt cultivation and joined the labour market either as agricultural labourer
or as industrial worker. This after the cultivators, agricultural labourer is the largest several worker category, accounting for 30.5 per cent of the total workers slightly lower than that for India as a whole (31.8 per cent). The demand for human labour in the farm sector in Punjab has decreased significantly since the late 1980. As a result, a large scale unemployment prevailing in the agricultural sector. Moreover the all India average growth of real wages for unskilled agricultural workers has risen continuously at the rate of about 3 per cent per annum, whereas in Punjab during this period, the average increase in real wages was only 1.21 per cent per annum.

Kakali (2010) in his study explored labour market discrimination in rural India with special reference to the State of West Bengal In India. He found that agricultural labourers are discriminated against in terms of their earning capacity, which depends on their bargaining strength, which in turn, depends on the gender factor and wage advances taken by the agricultural labours. However, and analysis of the broader picture shows that such discrimination against agricultural labourers is possible only due to the failure of the government to strengthen their economic position and empower agricultural labourers in West Bengal. Despite implementing various measures like land reforms, minimum wage laws, and enactment of the National Rural Empowerment Guarantee Act (NREGA), which ensures 100 days of employment to labourers, the government has failed in empowering and strengthening the rural poor. The two important programmes introduced by the Left Front
Government in 1977 were land redistribution and registration introduced of bargadars, but after their initial success, they failed to keep up with the required momentum and protect the interests of either the landless or the landed rural households. Even the implementation of the NREGA failed to provide adequate employment to the rural/agricultural labour force. He also found that that labourers got only 5-20 days of work under this programme.

Finally, with the rising costs of cultivation, the economic condition of rural poor worsened, thereby pushing them further away from the means of production. This compelled them to work either as agricultural labourers or as non-farm workers, but given the scarcity and seasonality of non-farm employment opportunities in the advanced district of Nadia, the reliance on farm employment is increasing over time. The farm sector, on the other hand, is dominated by the middle peasants, who are strongly united among themselves, and with the help of panchayats, work against the interest of agricultural workers.

Vijay and Makeni (2011) have investigated the labour market in two villages in the West Godavari district of Andhra Pradesh. They found that the West Godavari district in Andhra Pradesh has witnessed a significant growth in output during the post-Greens revolutions period. This growth has been the result of intervention by the State to facilitate increased production or of intervention by the industry for assured output. However, in the labours market both villages there is demand for land among the labour supplying
households. In one village it takes the form of land owned by the labour-supplying household (Badarala), whiles in the other village, the labour supplying households have entered the tenancy market (Velagapalli). In the process, the labour-supplying households become organizers of production, leading to an internalization of their demand for labours. As more and more labour-supplying households become organizers of production they are likely to completely or partially withdraw from the supply side of the labour market. Further, being owner-operated households, they are also expected to withdraw from the demands side of the market. A combined effect of this could be a reduction in both the wage rate as well as employment in the market. This might provide more incentives to labour-supplying households to withdraw from the labour market, thereby reinforcing the incompletely formed market.

Singh, Sidhu and Bhullar (2012) have examined the extent and magnitude of indebtedness among the marginal and small farmers across different regions in Punjab. They found that 80.83 and 84.17 per cent respectively of the marginal and small farmers were under debt in Punjab in 2005-06. The extent and magnitude of indebtedness was found to be the highest in Region-III, followed by Region-II and Region-I, which reflects that the bulk of marginal and small farmers were living miserable conditions in the popularly known as cotton belt of the state. It was noted that majority of the marginal and small farmers are still in the clutches of the commission agents. Even they suggested that there is a need to deliver more of institutional credit to
the marginal and small farmers at low rate of interest with easy repayment facilities. The banking systems also need to be tuned upto serve these particular categories of farmers in a less formals and more user way. There is also a strong need to bring these farmers under the ambit of NREGA so that they can get employment in their villages and will be provided 100 days employment in a year when they are free from the farming. This would certainly increase their income and reduce their indebtedness.

Dhanraj and Katti (2012) have studied the factors associated with pesticide use and impact on agricultural labourers. They found that more than 75 per cent of labourers uses either “moderately hazardous” or “highly hazardous” pesticides as classified by world Health Organisation (WHO). Whereas 88 per cent did not use any form of protection, while handling pesticides. Illiteracy, poverty, capitalistic relationship of production, lack of awareness and training often force agricultural labourers to use heavy doses of pesticides in a agriculture. Further, they found that agricultural labourers are not only using pesticides for agricultural purposes but for suicides too. This study also found that there is ample scope for reducing pesticide exposure through training, agricultural extension and community mobilization. Hence, the suggested that existing regulatory, mechanism should be strengthened to reduce pesticide induced health problems. Further they said that the establishment of single independent nodal agency providing mobiles health van and use of low profile channels are also necessary for reducing pesticide induced health problems.
Rubeena (2013) in her study examined the role and importance of value chain financing which requires due attention from national and regional level financing corporations. She found that value chains in agriculture play a vital role as an approach to minimizing costs and risks of financing the agriculture sector. Value chain financings has emerged as another business model to provide financial services to different players in the agriculture sector in general and to small farmers in particular. This model deviates from the individual lending model as decisions about financing are based on the health of the entire value chain including markets demand and not just on the credibility of the individual borrow. This model has potential to overcome the deficiencies of the individual lending model adopted earlier in most of developing countries. She also found that a large amount of funds have been provided to the Indian agriculture sector, but the growth rate declined after 2006. Different segments of the banking system support agriculture through credit. The co-operative banks, which typically attend to small and marginal farmers, have been losing market share over a long period of time. The commercial banks with their large resource base, have been expanding credit to agriculture. The author suggested that banks should be introduced cash credit type of rollover credit facilities to effectively support multi-activity farms and improve incomes of values chain participants.

Harsh (2013) in his study observed that large landholders benefited from numerous exemptions such as to bogus religious, educational, and charitable trusts; they distributed land to their
relatives; they let go only of their most marginal lands; or they continued to retain benami possession of many of these lands through frauds and force. The cultivable wastelands are often actually being cultivated by large, upper-caste landowners, and allotments to scheduled caste and scheduled tribes (SC/ST) landless households often remain on paper, as allottees are forcefully evicted or even not allowed to take possession. He has also found in many villages that local revenue officials sometimes do not even measure or point out the allotted land to the landless households.

He also found that the cumulative impact of all the measures of land reform on rural landlessness has been negligible. The Draft Land Reforms Policy, using National Sample Survey Office (NSSO) data (2003-04), notes that while one-third of all rural households are landless, those near to landlessness (less than 0.4 hectares) add up one-third more. The next 20 per cent hold less that 1 hectare. In other words, 66 per cent of the country’s population has rights over only 5 per cent of the country’s land, whereas 10 per cent of the population has control over 55 per cent of the land.

Even he opined that political will is mustered for actual implementation of land reforms, what sense will this make for landless SC or ST rural workers, unless the land is allotted within a much larger and comprehensive package of agrarian reforms, of renewed public investment in agriculture focusing on reviving sustainable technologies for smallholding rain-fed farming, or income protection and support to farmers, of watershed development in
rainfed areas to develop land and conserve water, and of strengthening rural credit, among other measures. But there is no sign whatsoever of any such public priority and the near-terminal crisis in the farms sectors continues. In such a scenario, a policy for a new generation of land reforms appears likes a pie in the sky.

2.3. ISSUES FOR RESEARCH

From the forgoing review of literature the following important research issues are identified. There are not many studies analyzing the certain issues like nature, purpose and magnitude of rural indebtedness among agricultural labourers by social groups, repayment performance, consequences and problems of indebted agricultural labour households. Such information is vital role in evolving appropriate procedures for channelising institutional credit to agricultural labour households. In this background it is intended to undertake a study on rural indebtedness among agricultural labourer in the state of Karnataka.

Agriculture dominates India’s economy to such an extent that 66 per cent of working population is dependent on agriculture. As a result Indian Five Year Plans are formulated in such a way that makes agriculture a developed one. This can be justified on the ground that agriculture employing about 66 per cent of the total population provides a large part of the market for industrial goods.

There might be some doubts whether agriculture can act as a ‘leading sector’ in the process of growth but there can be no doubt that it will act as a severe ‘bottleneck’ to the development of the
The economy if sufficient attention is not given for improving the productivity. In order to give sufficient attention to improve productivity the government and planners should be very particular about raising the living levels of the rural labourers.

The Government of India is keen to develop the villages because 70 per cent of the people are living in rural areas. Moreover, 18 per cent of the total national income has been derived from agricultural sector in 2010-11.

Rural life is very much affected by poverty. The main victims of poverty are the unemployed and underemployed rural masses, which includes landless agricultural labourers, artisans, tenants and marginal farmers.

Agricultural labour is one of the important factors of production of agricultural production. Majority of them are residing in villages. It has been estimated by Dandekar and Rath that 96 per cent of the total agricultural labourers are living in villages 215 million people are spending less than Rs.20 per month the at 1960-61 prices which is the poverty line fixed by the Dandekar and Rath.

Malavia (1975) had the view that “unemployment, under-employment and very low wages combined with social oppression make the life of the agricultural workers miserable.”

Agricultural labourers should be provided with at least bare minimum requirements i.e., enough food, shelter, cloth, medical facilities, education etc. to use them in a more productive way in order to achieve maximum production in agriculture. The steps taken
to better the condition of the workers through various schemes and plans has not been denied. But all those are not enough if the quantum of expenditure incurred, the efforts made and the time involved are collectively taken into consideration that make a cost-benefit analysis of all the rural economic development programmes.

In recent years the demand for agricultural credit has been increasing tremendously. The government at all the levels has been making efforts to meet the growing needs of the farm labourers through its formal agencies, informal agencies continue to be attractive and have largely extend credit for consumption and social ceremonies and their interest and other terms of conditions of loans are onerous and yet they can exist with the informal financial institutions mainly due to their proximity. Feel-at-ease-timely and quick service, all time access, purpose free credit, flexibility in loan repayment and low transaction costs, informal sources of credit are not only considered but are also exploitative, the degree of exploitation varies from one region to another and also they vary from one crop to another.

Debt repaying capacity of the farm labourers is declining over the years. Further, repaying behaviours as well as credit utilization pattern is also the reason of indebtedness among the farm labour families. Many empirical studies reported that indebtedness and other risk factors are mainly responsible for increasing farm labour suicide rate in the recent years particularly in the states like Karnataka, Andhra Pradesh and Maharashtra. Most of the existing studies have
not covered the extent of indebtedness among agricultural labourer, repayment attitude and consequences of indebtedness.

All the above mentioned factors made the researcher to take up study on agricultural labourers. The researcher is very keen in studying the conditions of the agricultural labourers. The topic of research has been narrowed down to employment, income, expenditure and indebtedness among agricultural labourers to make it possible to have a deep and detailed study of the problems of theirs.

Though the rural problems are acute, many studies have not been carried out at the level of villages. The reason that studies at village level are not considered fashionable enough by sophisticated researchers in the field of economics. They are mainly interested in national level studies. That is why policies framed by them became ineffective at the bottom level.

This gap can be reduced by bringing the realities to bear on policy formulation at various level of decision making. Hence studies at bottom level are necessary to bring out the realities of the problem of agricultural labourers.