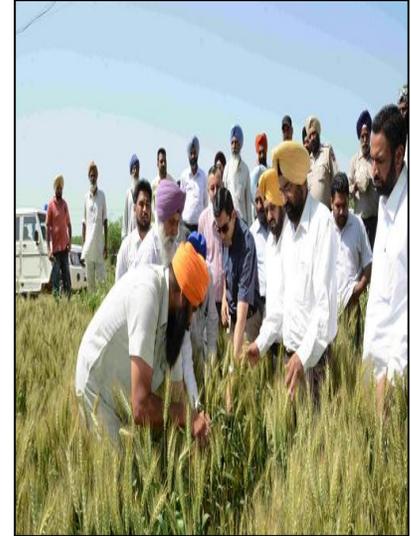




## PROBLEMS OF FARMERS IN DISTRICT SANGRUR OF PUNJAB: A STUDY OF INSTITUTIONAL AND NON-INSTITUTIONAL LOAN

**Dr. Meenu**

Head and Associate Professor, Department of Public Administration and Political Science, Baba Mastnath University, Rohtak, Haryana, India.



### ABSTRACT:

*The World Bank in 1975 has aptly reiterated that credit is often a key element in the modernization of agriculture. Not only can credit remove financial constraint but it also accelerates the adoption of new technology. Credit facilities are also an integral part of the process of commercialization of the rural economy. However, no amount of credit even at the most reasonable rates can guarantee higher productivity or income among the rural poor, as the success depends upon many factors including the availability of inputs and services, sound credit policies, well-managed institutions and appropriate delivery channels. It has highlighted serious issues of agricultural credit. Farmers are a liberty to avail finance from any of the credit institutions. National Bank for Agriculture and Rural Development (NABARD) is providing help in a big way the banks for different agricultural development projects like lift Irrigation Schemes, etc. The success of agricultural production programs depends upon the supply of credit. Under the strategy of multi-agency adopted by the Government, the credit institutions are providing credit to cultivators in general and weaker sections in particular. Because of this, the activities of the money lenders and their exploitation of particularly of the weaker sections in the rural areas have been drastically reduced in the recent years.*

**KEYWORDS :** modernization of agriculture, rural economy, National Bank for Agriculture and Rural Development

**OBJECTIVES:** HIV is one of the major health challenge for prison authorities. HIV in prisons has implications for HIV in the general community. The aim of this paper was to gather information on HIV risk, prevalence, prevention and treatment in prisons in India.

### INTRODUCTION

Without finance, it is difficult for the farmers to sow their fields, especially for the marginal and small farmers. The government of India and Punjab government has made many developmental programs and schemes for these farmers and many institutions are set up to provide financial help to these farmers. These institutional loans are provided by commercial banks, cooperative societies, and regional rural banks. Non-institutional loans are provided by moneylenders, relatives, traders, commission agents, and landlords.

Small farmers have been working under the financial burden and their earnings are very low. Some farmers have left farming but some can't leave farming as they are not skilled in any other profession and some farmers have reached a stage where they commit suicide. The financial position of rural families is upset either due to crop failure or high expenditure on social ceremonies such as marriage, birth or death. This is reflected in huge debt burden on farmers. As per NSSO survey, the peasantry of Punjab is most heavily burdened in the country next to Andhra Pradesh and Tamil Nadu. The rural debt in Punjab is estimated to be more than Rs. 35000 Crore which has resulted in farmers' suicides. As per the latest definition of Poverty, 15.9 % of the population is still living below Poverty line in Punjab. Although this poverty ratio of Punjab is nearly half of National level (29.8 %) yet there is need to change the policy orientation toward inclusive growth model, focusing on upliftment of poor and underprivileged sections of the State. Pertinently, marginal and small farmers constitute around 34% of the total peasant population of the state. There are around 10 lakh farmer families in Punjab of which 3.4 lakh is the marginal and small landholding families. Agriculture in Punjab depends heavily on a system of loans and repayment - year after year, farmers rely on loan money to afford the purchase of agricultural inputs. Repayment is contingent on farm production. Models for the rural credit system include both institutional and non-institutional loans, though there is an alarming lack of legitimate, institutional credit available to farmers. Beyond the limited availability of institutional loans, the barriers to obtaining loans push farmers to rely on non-institutional credit; the reception of loans typically averages 33 weeks of work, 14 trips to the bank, and 4,016 rupees in total transaction costs. Non-institutional loans are typically easier to obtain but also tend to entail much higher interest rates than loans tendered by governmental sources. For instance, the interest charged by non-institutional loans has been documented as high as 60%, as compared to the 16-18% charged by governmental sources. Around one-fifth of the total debt of the farmers is through non-institutional sources, of which commission agents are the most popular medium as they facilitate easy availability of credit at all times and for all purposes.

**PUNJAB AND DISTRICT SANGRUR**

**The number of operational holding by size in district Sangrur in 2010-11 was**

Land in hectare	Farmer
13310	marginal (below 1 hectare)
16398	small (1-2 hectare)
29973	semi medium (2-4 hectare)
21691	medium (4-10 hectare)
4025	large (10 hectare and more)
85397	all holding

Punjab has 23 districts and Sangrur is one of them. Sangrur has large population 16, 55,169. It consists of 6 tehsils and 8 sub-tehsils. District is divided into 10 development blocks. There are 60 villages in this district. The geographical area of this district is 3, 61,452 hectare and the total cultivated area is 3,11,413 hectare. The 303-hectare land is barren and 465-hectare land is not used for any purpose. 1, 89, 375 hectare (61%) land is of very good cultivable land class. In 2016, the total cultivating land is 60 % of the total land of district Sangrur. Despite the good cultivating land, the financial and economic condition of marginal and small farmers is not justifiable. In district Sangrur in 2011 total numbers of workers were 568758, total agriculture workers were 248990. The percentage of agricultural workers to total workers was 43.77. According to the economic and statistical organization, Punjab in 2014-15, the percentage contribution of agriculture to total state income in Punjab to net state income at current prices was 17.65 and at constant price (2011-12) was 17.81. The

percentage contribution of agriculture to total state income in Punjab to gross state income at the current price was 16.78 and at constant price (2011-12) was 16.76.

In district Sangrur on 31.3.2015, Principal Agricultural Markets (Regulated) were 15 in numbers- Dhuri, Lehragagha, Maler Kotla, Sangrur, Sunam, Ahmadgarh, Khanauri, Bhawanigarh, Sullar gharat, Munak sandhar and Dirba and average number of village served per regulated market in 2012-13 were 40, average number of village served per regulated market in 2013-14 were 37 and average number of village served per regulated market in 2014-15 were 37. On 30th June 2015 there were 89 members of co-operative societies per 1000 of the population in district Sangrur. There were 11427 people per served commercial banks on 31st March 2015. 163 sq.km areas were served per market committee and 265 people were served per post office. In 2013-14, in district Sangrur, there were 951 all type of cooperative societies in which 206 cooperative societies were related to agriculture and 745 cooperative societies were of other types of societies. 290148 people were members of these cooperative societies. Working capital of these cooperative societies was 283241 lakh and loan advanced by these cooperatives was 93176 lakh. The number of primary agricultural banks in district Sangrur was 8 in number. The total number of banks working in State as of 31st December 2011 was 8892. The number of Indian Commercial banks was 4231, foreign banks were 8, Co-operative banks were 804 and Post office saving banks was 3849 respectively. The total number of Schedule Commercial bank offices in Punjab was 3983 as on 31st December 2011. The deposits in these banks were to the tune of Rs.114243 crore and credits made by these banks were Rs.53904 crore. The percentage share of Punjab in total bank credit of all states was 3.69%. The share of Maharashtra was (33.97%) followed by Tamil Nadu (11.48%). Credit deposit ratio in Punjab was 80.14. Credit deposit ratio was highest (116.29%) in Tamil Nadu followed by Andhra Pradesh (109.86%).

**Banking Development in Punjab as on 31st December 2011**

Banks	2008	2009	2010	2011
Indian Commercial Banks	3314	3580	3823	4231
Indian Scheduled Banks	3298	3564	3806	3949
b) Indian Non-Scheduled Banks	16	16	17	25
Foreign Banks	6	7	8	8
Co-operative Banks	807	805	804	804
Post Office Saving Banks Punjab Circle.	3854	3877	3853	3849
All Type of Banks	7981	8269	8488	8892

Source: Reserve Bank of India

**Institutional Credit Flow to Agriculture in Punjab (in percentage)**

Year	Commercial banks	Co-operative banks	RRBs
1970-71	17.62	82.38	-
1981-82	37.54	62.46	-
1995-96	38.99	59.02	1.99
2000-01	50.67	46.75	2.58
2004-05	60.15	36.59	3.26
2005-06	55.60	40.73	3.70
2010-11	80.83	14.75	4.42
2011-12	78.62	15.61	5.78
2012-13	78.11	15.83	6.06

Source: (i) EPW Research Foundation 2007-08: Agricultural Credit in India:

Punjab national bank was 25, the number of other commercial banks was 125 and the number of co-operative banks was 63.

**OBJECTIVES**

1. To study the share of the institutional and non-institutional loan in district Sangrur of Punjab.
2. To study the problems faced by the farmers while applying for loans
3. To study the uses and misuses of the institutional loan.
4. To study the number and types of financial institutions set up in the district Sangrur.

**RESEARCH METHODOLOGY**

The data is collected through both primary and secondary sources. The primary data is collected through questionnaire served to 400 farmers in district Sangrur. The data is analyzed by the simple mean method. Secondary data is taken from the reports of Punjab government.

**FINDINGS**

**1. The share of the institutional and non-institutional loan in district Sangrur of Punjab:** 85 percent farmers of total farmer population are obtaining an institutional and non-institutional loan. All the government employees and big farmers are obtaining the institutional loan of more than 5 lakh. 90 percent of small and marginal farmers are obtaining the non-institutional loan of less than 1 lakh.

**2. The problems faced by the farmers while applying for loans:** All the government employees and big farmers are obtaining an institutional loan and are facing no problem in obtaining an institutional and non-institutional loan. 92 percent of small and marginal farmers face problems while applying for the institutional loan like their own illiteracy, no knowledge about paperwork, having no guaranty. To obtain an institutional loan is also difficult for them as the rate of interest is high; their poverty is a big problem in repaying the loan.

**The problems faced by the farmers while applying for loans:**

S.N.	Farmers	Responses	Number	Percentage
1	Small, marginal	Face problems	368	92
2	Big	Face no problems	32	8
3		total	400	100

**3. Farmers obtaining the loan:** According to data, 85 percent respondents either big or small both are obtaining the institutional and non-institutional loan for crop cultivation, consumption and to increase production. 15 percent of respondents are obtaining the non-institutional loan as they are not able to obtain the institutional loan.

**Farmers obtaining loan**

S.N	Responses	Number	Percentage
1	Both institutional and non institutional loan	340	85
2	Only non institutional loan	60	15
3	Total	400	100

4. **Amount of loan taken:** Data shows that 22 percent respondents have taken loan amount 0-1 lakh , 27 percent respondents have taken loan amount 1-2 lakh, 15 percent respondents have taken loan amount 2-5 lakh, 12 percent respondents have taken loan amount 5-10 lakh, 24 percent respondents have taken loan amount more than 10 lakh

**Amount of loan taken**

S.N.	Responses	Number	Percentage
1	0-1lakh	88	22
2	1-2 lakh	108	27
3	2-5 lakh	60	15
4	5-10 lakh	48	12
5	More than 10 lakh	96	24
6	Total	400	100

5. **Purpose of obtaining loan:** 25 percent respondents have taken loan to purchase tractor. 20 percent respondents have obtained loan to purchase agricultural land. 22 percent respondents have obtained loan to purchase agricultural equipments and materials. 33 percent respondents have obtained loan for their own consumption.

**Amount of loan taken**

S.N	Responses	Number	Percentage
1	Purchase tractor	100	25
2	Purchase agriculture land	80	20
3	agricultural equipments and materials	88	22
4	Own consumption	132	33
5	Total	400	100

6. **Land ownership of loan seekers:** 25 percent respondents have 1-2 hectare land. 35 percent respondents have 2-4 hectare land. 30 percent respondents have 4-10 hectare land and 10 percent respondents have more than 10 hectare land.

**Land ownership of loan seekers**

S.N.	Responses	Number	Percentage
1	1-2 hectare	100	25
2	2-4 hectare	140	35
3	4-10 hectare	120	30
4	More than 10 hectare	40	10
5	Total	400	100

7. **Background of loan seekers:** 32 percent respondents have obtained loan due to their poverty. 27 percent respondents have obtained loan due to crop failure. 17 percent respondents have obtained loan as they find no one to help them. 24percent respondents have obtained loan for agriculture as they are not skilled in any other profession and can't work as laborer, agriculture is only their main source of income.

**Background of loan seekers**

S.N.	Responses	Number	Percentage
1	Poverty	128	32
2	Crop failure	108	27
3	No one to help	68	17
4	For agriculture	96	24
5	Total	400	100

8. **Awareness about financial institutions:** 78 percent respondents are aware about financial institutions in their village and district. 22 percent respondents are not aware about financial institutions in their village and district as they are illiterate and living away from the community.

**Awareness about financial institutions**

S.N.	Responses	Number	Percentage
1	Aware of financial institution	312	78
2	Not aware of financial institutions	88	22
3	Total	400	100

9. **Awareness about the number and types of institutions:** There are many institutional and non institutional loan providers in every district of Punjab. 61 percent respondents are aware about all the number and types of financial institutions in their village and district. 39 percent respondents are not aware about all the number and types of financial institutions in their village and district.

**Awareness about the number and types of institutions**

S.N.	Responses	Number	Percentage
1	Aware of all no. and types of financial institutions	244	61
2	Not aware of all no. and types of financial institutions	156	39
3	Total	400	100

10. **Preference of financial institution by the loan seekers:** 82 percent respondents prefer both institutional and non institutional loan as they are aware about them and they can reach these institution. 18 percent respondents prefer only non institutional loan.

**Awareness about the number and types of institutions**

S.N.	Responses	Number	Percentage
1	Both institutional and non institutional	328	82
2	Only non institutional	72	18
3	Total	400	100

11. **Benefits of institutional loan to loan seekers:** 50 percent respondents prefer institutional loan due to low rate of interest. 18 percent respondents prefer institutional loan as government sometime exempt them

from interest payment. 32 percent respondents prefer institutional loan as some time government exempt them from repayment of loan due to crop failure.

**Benefits of institutional loan to loan seekers**

S.N.	Responses	Number	Percentage
1	Low interest rate	200	50
2	Exempt from interest	72	18
3	Exempt from repayment	128	32
4	Total	400	100

**12. Benefits of non institutional loan to loan seekers:** 58 percent respondents prefer non institutional loan as it can be obtained easily. 22 percent respondents prefer non institutional loan as it can be obtained without any formality of papers. 20 percent respondents prefer non institutional loan as it can be obtained without any guaranty as the reputation of loan seekers matters more.

**Benefits of non institutional loan to loan seekers**

S.N.	Responses	Number	Percentage
1	Obtain easily	232	58
2	Without formality	88	22
3	Without any guaranty	80	20
4	Total	400	100

**13. Interest rate of non institutional loan:** Generally interest rate of non institutional loan is higher than the institutional loan. 81 percent respondents have opinion that interest rate of non institutional loan is higher than the institutional loan but 19 percent respondents have opinion that interest rate of non institutional loan is not higher than the institutional loan as they can obtain loan at any time without any delay.

**Interest rate of non institutional loan**

S.N.	Responses	Number	Percentage
1	interest rate of non institutional loan is higher	324	81
2	interest rate of non institutional loan is not higher	76	19
3	Total	400	100

**14. Problems in repayment of loan:** Most of the farmers are facing problems while repaying their loan. Sometime due to crop failure and sometime due to more expenses on other works. 22 percent farmer can't repay loan as they have taken loan more than their capacity. We can say they are overburdened with loan. 29 percent respondents are not able to repay loan due to more consumption in their household. 33 percent respondents are not able to repay loan due to crop failure. 26 percent respondents wants to wait for the declaration of government about exemption in loan repayment.

**Problems in repayment of loan**

S.N.	Responses	Number	Percentage
1	Loan more than capacity	88	22
2	Over consumption	116	29
3	Crop failure	132	33
4	Wait for exemption	104	26
5	Total	400	100

**15. Period of repayment of loan:** 10 percent respondents repay their loan in one year. 22 percent respondents repay their loan in 1-5 years. 55 percent respondents repay their loan in 5-10 years. 13 percent respondents repay loan in more than 10 years.

**Problems in repayment of loan**

S.N.	Responses	Number	Percentage
1	1 year	40	10
2	1-5 years	88	22
3	5-10 years	220	55
4	More than 10years	52	13
5	Total	400	100

**16. Attention paid by the institutional and non institutional loan providers to the loan seekers:** According to 72 percent respondents, non institutional loan providers- aartiyas, commission agents and moneylenders pay more attention to them for loan. According to 20 percent respondents both institutional and non institutional loan providers pay attention to them for loan. According to 8 percent respondents none of both institutional and non institutional loan providers pay attention to them for loan.

**Attention paid by the institutional and non institutional loan providers to the loan seekers**

S.N.	Response	Number	Percentage
1.	Non-institutional loan providers	288	72
2.	Both institutional and non-institutional loan providers	80	20
3.	None of the above	32	8
4	Total	400	100

**17. Expectations of loan seekers from state government:** 58 percent respondents want that government should pay attention to the poor farmers and not to the union leaders. 42 percent respondents want that Government policies are needed to be more concerned with marginal and small farmers.

### Expectations of loan seekers from state government

S.N.	Responses	Number	Percentage
1	government should pay attention to the poor farmers	232	58
2	Government policies should more concern with marginal and small farmers.	168	42
3	<b>Total</b>	<b>400</b>	<b>100</b>

### SUGGESTIONS

1. The government should conduct the fair survey to find out the actual loan seekers as deserving poor farmers are not getting the attention of government for the loan as well as for other benefits.
2. Many government employees having large agricultural land obtain the institutional loan and misuse loan as the extra income source and sometimes get the benefit of exemption from loan repayment on government declaration. Such cases should be checked.
3. Literate, educated and professionally well-settled farmers obtain a large amount of institutional loan easily and deposit loan in the form of fixed deposit on the names of their children and many acts as moneylenders. Such cases should be checked.
4. Union leaders of farmers union at district and tehsil level get all the financial benefits from the government after farmers' agitation and protest but poor farmers at the ground level are not able to get any benefit from the government and from financial institutions. The government should pay attention to the demands and conditions of poor farmers.

### CONCLUSION

The study shows that the farmers of Punjab are mostly depended on institutional credit increased rapidly in recent years in Punjab. Farmers in Punjab depend on both institutional and non-institutional loan for their needs.

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