

Q.No. 1. → What is Rural indebtedness? Define causes and solution of rural indebtedness?

Ans

When are unable to repay a loan and accumulate it, gives rise to the problems of rural indebtedness. Due to lower income or wasteful expenditures, when the farmers are unable to pay the loans they are unable to pay off their debts and thus accumulate the debt as well as pending interest on the amount.

Agriculture is the main stay of Indian population. Agriculture and allied activities sector contribute 17.8 and 17.71% of GDP and is source of employment to 70% of total population. Credit is considered as life line of agriculture. Farmer can obtain credit from institutional and non-institutional sources.

Farmers need credit for productive and non-productive sources. He need credit time and now, agriculture is still gamble of monsoon and other natural conditions and his source of income is very less so he time and again take loans which ultimately become debt.

Rural indebtedness has deep roots in the country. The mounting burden of rural debt has crippled the rural economy. It has constituted a serious threat to economic, social and political life of rural India.

NSSO in the 59th round of survey (January-December 2003) covered indebtedness of farmers. The reports say that 48.6% of households were indebted of the total number of indebted farmers, 61% had operational holding, less than 1 hectare of the total ~~household~~ outstanding amount, 41.6% was taken for purpose other than farm related activities,

(p.T.O)

57.7% of the outstanding amount was sourced from institution channels and balance 42.3% from money lenders, traders, relatives and friends.

* Cause of Rural indebtedness: —

- (a) Poverty
- (b) Ancestral debt
- (c) Litigation
- (d) Sub-division and fragmentation of holding
- (e) Increasing Cost of modern agriculture inputs
- (f) Extravagance of farmers
- (g) High interest rate
- (h) Land Revenue and other taxes

* Effects of Rural indebtedness → It can be broadly classified into economic effects, social and more effect and political effect —

(a) Economic effect: —

- (i) Loss in productive efficiency
- (ii) Transfer of loan from cultivators to Non-cultivators
- (iii) Terms of trade moves against the farmers
- (iv) Loss of property

(b) Social and more effect: —

- (i) Birth of new class of landless proletariat
- (ii) Frustration the minds of cultivators
- (iii) Fall in incentive to work to make permanent in land and increase in income.

(c.) Political effects:—

- (i) Leads to horse trading and selling votes
- (ii) Political freedom of indebted farmer is curtailed

* Solution of the problem of Rural-indebtedness:—

There are two pronged strategy is needed by rural-indebtedness —

(a.) Reduction of old debt → Preceptual debts on which enough rate of interest has already been paid should be written off. In this regards different state have passed debt conciliation Act and have established various boards for mutual settlement between farmers and money lenders. In 1989 the Jantaparty government had written off loans of the small and marginal farmers. In 2005-06 the government provided Rs. 2939 crore as debt relief to farmers. The various special relief packages have been announced which are as follow —

- (i) Special relief package of 2006-07 for six debt ridden district of ~~the~~ vidarbha region of Maharashtra.
- (ii) Relief measure for distressed farmers 2007-08.

(b.) Check the burden of new debt:—

- (i) Reduction in unproductive loans
- (ii) Encouragement to savings
- (iii) Check and control over money lenders
- (iv) New agencies for rural credit including regional, rural banks and micro finance.