

## INFORMAL CREDIT-A SOCIOLOGICAL STUDY OF COMMISSION AGENTS

Sukhbinder\*

### **Abstract**

The present paper examines the problematic areas of the farmer indebtedness from informal credit in Kaithal District of Haryana. The study an adequate light has been thrown on establishing cause and relationship of the problem of indebtedness of the farmer different categories. Farmer indebtedness in the state has been major problem from the long time. Effects of rural indebtedness quite are disturbing and humiliating not only the borrowers bit on his whole family. The present study made an attempt to the status of farmer indebtedness from the Informal credit in detail.

\* Research Scholar, Sociology Department, M.D.U. Rohtak, Haryana, India

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**Introduction:-**

Farmer indebtedness in the state has been a major problem from a long time. It is because of problem of indebtedness, the farmer continued to commit suicides in the states of India. In India there is a one farmer suicide in the state in every 30 minutes since 2002(Sainath2008) while in case of Haryana farmer suicide rate is 4.8per cent per one lakh farmers. (NCBT)Therefore the issue of farmer indebtedness becomes a matter of serious problem for the whole country. Agriculture sector has been one of the promising sectors of the economy. In India, today 59 percent of population got engaged in agriculture for their livelihood (NNSO Report) more even developing countries like India agriculture development is considered as the basis for development. The situation assessment survey (SAS2003) reveals that Haryana aggregate 39 percent farmers do not like farming due to many reasons such as not profitable high risk rate. The Green Revolution resulted in a rapid growth of food grain production with the introduction of new packages of mechanical and petro chemical inputs with well developed irrigation infrastructure especially in developing countries during 1960 and 1970.It was the first time that modern capital intensive agriculture was introduced to India. The package consisted of high yield grain varieties, mainly rice and wheat, heavy fertilizers and pesticide application and carefully controlled irrigation. This new technology paradigm virtually replaced the subsistence system farming .The Green revolution was India first industrial revolution that replaced the traditional farming system .But adverse consequences of green revolution ,in the farm of stagnation in production aggravated the problem of farmers in the era of post green revolution in1980 and 1990. After the green revolution there was growing a trend of over borrowing especially formal informal sources and uses it for others purposes rather than in agriculture. Moreover to farmers are not enough earning to meet their need and to repay the loan due to low yields. The success of the green revolution not only increased the land productivity but it also increased the land expenses. Modern agriculture also needs long term investments on the land. In this way institutional credit remained limited to the some specific categories of cultivation fulfilling only specific needs. In India the demand for both short and long term credit started rising at a rapid rate after the modernization of agriculture. In addition, finance was also needed for land improvements, to purchase tractors, to build farm structures, and dig tube wells. The expert like Murray and Million (1980) stated “Credit makes it possible for hired men to become tenants for tenants to become owners”. Therefore the agricultural credit in India is being channeled through

various formal and informal institutions. The formal sources includes Central Cooperatives Societies ,RRB, and CB and the informal source consists of friends ,relatives, commission agents traders ,private money lenders and microfinance institutions. In this connection Patel (2006) stated that “a moneylender is worse than cancers as cancer kill human being but informal moneylenders kill human being generation to generation.” Only increasing agricultural productivity, through the advance of modern technology, but non availability of finance is major constraint in agriculture development in such economies. Institution credit to agriculture has to be stepped up significantly to meet their demand at the affordable rate and a cost effective mechanism has to be found for its delivery. The need of credit is to play role for current expense of cultivation such as purchase of seeds, manures, etc. But non-availability of finance is major constraint in agricultural development in such economies. Due to the uncertainties in agriculture, most cultivator find it difficult to manage to one harvest to others.(Gill.2000). As historical factors shows that the farmers take loan from others sources such as moneylender, professional traders. One resource for them is borrowing and borrowing in this context should neither be considered objectionable, nor assign of weakness. The business of money lending to the farmers by individuals has sometimes been accused of charging usurious rate of interest on the credit given to the farmers.

#### **The Reasons Farmers Need Commission Agent Credit:-**

The marginal farmers face many difficulties while getting loan from the bank or PACS. The formal credit is often ration with the bank lending rate typically fixed by authorities /govt. and unresponsiveness to excess demand for credit .As consequences of this financial repression unorganized money market had tend to develop and had become an essential part intermediation process. The farmers have to bribe the official of the formal credit agency for get credit Indian informal credit market once for longer than informal one. The banking system still hesitant to provide credit to the farmers the 30 percent of rural especially population marginal and small farmers out of institutional credit and depended on informal sources for their credit purposes. Since institutional source of credit do not meet this excess demand , it spill over the unregulated section of the credit market .Hence inter the commission agents who provide credit on the condition that the cultivator sells his crop to the moneylenders alone .Credit thus gets linked more and more without put ,wherever the agriculture is commercialized .On the face of it ,there seems to be nothing wrong with the whole situation .But an in depth probe reveals that here we

have a serious dilemma-informal credit market are synonymous with exploitation (charging exorbitant rate of interest being one form of exploitation)It is indeed strange the despite the exploitive element present ,these institution gaining popularity .Rural Indebtedness can broadly be due to two reasons, which not in position control of rural al population and not in their control over family expenses. It is observed that poor farmers face more difficulties while getting loan from formal sectors The only condition of the arthiyas credit was that indebted farmers have sells their yields to arthyas. (Jodhka 1960)The vexatious question arises that in the matter of indebtedness, 70 percent farmers feels that that they cannot carry on their farming without the credit and marketing facilities of marketing available by the arthiyas . Though they feels that they get low market price of their yield from the market .The farmers regards the arthiyas a necessary evil .Though his dealing are not above board and cost of his credit is high ,his service is required for consumption and emergency credit requirements. Interlinkages were thoughts to be remnant of semi feudal mode of production, but now it is being realized that phenomena has strength with the growing commercialization of agriculture .Just as the middle/big farmers were the main source of credit for agricultural source of informal credit for agricultural farmers .The green revolution not only increased productivity, it also multiplied expenses on land, HYV seeds, fertilizers and pesticides were all to be bought from the market. Institutional credit remained limited to some specific categories of cultivators only and did not provide a viable alternative. The success of green revolution during the 1960 and simultaneous development of market networks where the surplus yield could be sold at competitive prices led to a near complete transformation of the credit exchange system. Initially the bigger landowners and annually all categories of farmers started taking their surplus yield to the market centre locally known as mandi. The yield was sold to the traders or to the official agencies through arhtiyas. The centre government fixed a minimum procurement price. This also reduced the possibility of distress sale.

Development of marketing networks was one of the components of developmental efforts. The mandis were opened to provide an alternative to the traditional system of commerce such as the Shah –Sammi system. The first mandi were opened 1945, but it was only during 1950 and early 1960 that the mandi became popular with the farmers. .Arhtiyas were the middlemen through whom the farmers sold their yield to the private traders or to the state agencies .The arthiyas received affix amount of commission on farm yields. They generally advanced up to 50to 60 per

cent of the value of the expected yield .The amount was usually advanced by taking signatures or thumb impressions of the borrowers farmers was likely to bring to them .Though in most cases they charged 2percent monthly ,the prime motive of their lending was commercial .They could not expect much business .And unless the money was advanced. On the other hand an indebted farmer not only sold his yield through the arthiya form that he borrowed. Credit it makes also sure the farmer took his yield to the mandi even if he had no surplus. They felt that arhtiyas cheated by manipulating the scaling of their yield and charged high rate of interest However arhtiyas was not powerful enough to dictate terms to the farmers so fluctuate prices. The main attraction of their credit was their easy availability .Farmers generally had informal relations with their arhtiyas .Whenever they needed credit, they had to just sign on the account book and they got the money .At times a framer could the money simply sending a note through another person. Many small farmers had to borrow from arhtiyas even if they had to borrow from bank because their need exceed the maximum amount they were allowed to borrowed .(jodhka 2006)

### **OBJECTIVE OF THE STUDY**

1. To find out the farmers indebtedness by the source
2. To search the utilization pattern of loan by the farm household
3. Find out the factors which effect the dependency of farmers household for credit from commission agent

### **METHODOLOGY AND RESEARCH PROCEDURE**

In order to analysis the magnitude of indebtedness among the small and marginal farmers ,various primary and secondary data has been collected through different ,statically tools and technique has been employed .For this purpose ,a stratified random technique has been employed .In order to review the probability of indebtedness 40 percent of the case has been studied

### **PROFILE OF KAITHAL DISTRICT**

Kaithal District is one of the important district of Haryana. It was earlier part of the district Karnal and 1973 became part of newly created district Kurukshetra. Kaithal become new district 1 Nov. 1989. The district head quarter is situated at Kaithal town. Others smaller town are Gulla, Pundri and Cheeka. The total area of Kitahal district is 2, 389, 89 Km. Kaithal is known for intensive cultivation of rice and Wheat with a well developed irrigation infrastructure. This city is situated on National highway No 65 connecting the state capital Chandigarh. As per census

2011 Kaithal population is 8, 20000. The sex ratio is 887/1000 and 11.5 of the population under 6 years. The effective literacy rate is 87.5 female literacy rate is 73.07.

#### Size of Sample:-

In order to analysis the problem of indebtedness among the farmers, to different categories of castes categories of respondents have been taken in to consideration. Among general castes there are 63 (74.17) of jats, 15(17.64) are Brahmins have been taken in to consideration. Among the scheduled caste categories there is 5(5.88) have been taken as a sample size for analyzing the indebtedness problem .Among Other Backward Castes there is one each ,belong to OBC category (one each to Nai and Lohar )have been taken in to consideration. Among different categories of farmers , there are 18(21.17) of landless farmer (those who are not piece of land ) ,The marginal farmer s (land up to 2.5 acre )are 28(32.94), the small farmers land (land up to 2.5 to 5 acres) whose number are 13 (15.29) and larger farmers (land between 7.6-10 acres )who are 10 in number have been taken in to consideration for study.

#### Analysis of Data

**Table -1.1**

**Classification of the respondents the land owned in acres**

Sr. No.	Land in Acres	No. of Respondents	Percentage
1 Landless Farmers	0-0	18	21.17
2 Marginal farmers	Up to 2.5	28	32.94
3 SmallFarmers	2.5-5	13	15.29
4 Middle Famers	5.1-7.5	16	18.82
5 Big Farmers	7.6-10	10	18.82
Total		85	100

The table 2.4 reveals the category wise of the respondents the land owned in acres. In landless category 21.17 farmers have no land for cultivation. In marginal farmer category 32.94 respondents have up to 2.5 acres land. In small farmer category 15.29 per cent respondents have 2.5 to 5 acres land .In middle farmers category 18.82 per cent respondents have 5.1 to 7.5 acres land .In big farmer category 18.82 per cent respondents have 7.6 to 10 acres land for cultivation.

**Table 2.1**

**Category wise Problem Faced by Respondents While Taking Loan from Bank**

Sr. No	Category	Need middleman Help	Long Process	Take money Advance	No Problem	Total
1	Agriculture labour	5 (27.5)	3 (3.53)	0 (0.00)	10 (55.56)	18
2	Marginal Farmers	21 (56.76)	0 (0.00)	0 (0.00)	16 (43.24)	37
3	Middle Farmers	5 (33.33)	1 (6.66)	1 (6.66)	8 (53.33)	15
4	Big Farmers	10 (66.67)	0 (0.00)	1 (6.66)	4 (26.67)	15
5	Total	41	04	02	38	85

The Table 2.5 depicts Problem faced by farmers while taking loan from bank .In 18 Agriculture respondents 27. 5 percents respondents need middle man help and 3.53 find long process and 55.56 find no problem. In marginal farmers category out of 37 respondents 56.76 need middle man help and 43.24 find no problem. In middle farmer category out of 15 respondents 33.33 need middleman help and 6.66 find long process and 6.66 said take money advance and 53.33 find no problem.

In big farmer category out of 15 respondents 66.67 need middle man help and 6.66 percent respondents said take money advance and 24.67 percent respondents faced no problem.

Table 2.2

## Category wise reason farmer prefer arthiyas

Sr. No.	Category	Easy Getting loan	PACS not sufficient	Not Aware of PACS/Bank	Total	Percentage
1	Agriculture labour	9 (50)	4 (22.22)	5 (27.77)	18	12.17
2	Marginal farmer	20 (54.05)	7 (18.91)	10 (27.02)	37	43.52
3	Small Farmer	6 (46.15)	4 (30.76)	5 (38.46)	13	15.29
4	Big Farmer	7 (41.17)	4 (23.52)	4 (23.52)	17	18.82
5	Total	42	19	24	85	100

The table depicts the Category wise reason farmer prefer arthiyas for credit. In Agriculture labour category out of 18 respondents 50 percent was found it was easy getting loan from arthiyas, 22.22 percent said that PACS was not sufficient for getting loan and 27.77 percent respondents were not aware about PACS or Bank. In marginal farmer category out of 37 respondents 54.05 percent found it was easy getting loan from arthiyas, 18.91 percent respondents found PACS and bank not sufficient and 27.02 percent respondents not aware about PACS and Bank. In small farmer category out of 13 respondents 46.15 percent it was easy getting loan from arthiyas 30.76 percent respondents found that PACS was not sufficient and 38.46 percent respondents were not aware of PACS and Bank. In big farmer category out of 17 respondents 42.17 percent found it was easy getting loan from arthiyas 23.52 percent respondents found PACS was not sufficient and 23.52 percent respondents were not aware about PACS or bank.



Table3.1

## Category wise Farmers Borrowed loan from Arthiyas

Sr. No.	Category	Upto 50000	Up to 50001-100000	100001-150000	150001-200000	200001-250000	Not borrowed	Total	Percentage
1	Agriculture Labour	6 (33.33)	4 (22.22)	0 (0.00)	1 (5.5)	2 (11.11)	6 (33.33)	18	21.17
2	Marginal Farmer	19 (51.35)	6 (16.21)	0 (0.00)	1 (2.70)	1 (2.70)	10 (27.02)	37	43.52
3	Small Farmer	5 (33.33)	1 (6.66)	4 (26.66)	3 (20)	0 (0.00)	2 (13.33)	15	17.64
4	Big Farmer	3 (20)	2 (13.33)	1 (6.66)	3 (20)	1 (6.66)	5 (33.33)	15	17.64
5	Total	33	13	05	08	04	23	85	100

The table3.3 showed the category farmers borrowed loan From Arthiyas. In agriculture labour category out of 18 respondents 33.33 percent borrowed up to 50000 , 22.22 percents respondents borrowed up to 50001-100000 and 5.5 percent respondents borrowed 150001-200000 and 33.33 percent respondents not borrowed . In marginal farmer category out of 37 respondents 51.35 percent respondents borrowed up to 50000, 16.21 percent respondents up to 50001-100000 and 2.70 percent respondents borrowed up to 200001-250000 and 27.02 percent respondents not borrowed . In small farmer category out of 15 respondents 33.33 percent respondents borrowed up to 50000, 6.66 percent up to 50001-100000 and 26.66 percent respondents 100001-150000 and 20 percent respondents 150001-200000 and 13.33 percent respondents not borrowed . In big farmer category out of 15 respondents 20 percent borrowed up to 50000, 13.33 percent respondents up to 50001-100000, and 6.66 percents respondents 100001-150000 and 20 percent

respondent borrowed up to 150001-200000 and 6.66 percent 200001-250000 and 33.33 percent respondents not borrowed.

**Table 3.2**  
**Category wise Farmer relation with arthiyas**

Sr. No.	Category	Regular Borrowed	Only Sells	No Relation	Total	Percentage
1	Agriculture labour	12 (66.66)	0 (0.00)	6 (33.33)	18	21.17
2	Marginal Farmer	26 (70.27)	3 (6.97)	8 (21.62)	37	43.52
3	Small Farmer	10 (66.66)	3 (20)	2 (13.33)	15	17.64
4	Big Farmer	9 (60)	1 (6.66)	5 (33.33)	15	17.64
5	Total	57	07	21	85	100

The table depicts the category wise farmer relation with arthiyas. In agriculture labour category out of 18 respondents 66.66 percent respondents were regular borrowed from arthiyas and 33.33 percent respondents were no relation with arthiyas. In marginal farmer category out of 37 respondents 70.27 percent respondents were regular borrowed from arthiyas and 6.97 percent respondent sold their crop to arthiyas and 21.62 percent respondents had no relation with arthiyas. In small farmer category out of 15 respondents 66.66 percent respondents were regular borrowed from arthiyas and 20 percent only sold their crop to arthiyas and 33.33 percent respondents had no relation with arthiyas. In big farmer category out of 15 respondents 60 percent were regular borrowed from arthiyas and 6.66 percent respondents only sold and 33.33 percent had no relation with arthiyas.

## Conclusion

Our finding is based on the collected data, through the interview of the farmers. In the whole study, we found that most of the farmers dependent on agriculture. Majority of the farmers are illiterate and depend on commission agent for money, because most of their need for credit time to time household expenditure, weeding, agriculture's input which they need cash that is not possible through the formal sector. The result of the study indicates that the informal mechanism of credit delivery is playing an important role for marginal and small farmers in meeting their credit requirements in the state. During the field investigation it was observed that poor farmhouse hold face more difficulties from the institutional bank as compared arthiyas. The categories that dependent of local informal source of credit were the landless and agriculture labourers. During the field survey it was also observed many respondents did not want to take loan from the bank because these banks exploited them and if someone gets indebtedness to the bank its hard oneself loan from the formal credit. It was found that the needs one hundred rupees he will approach to arthiya, marginal and small farmers faces more difficulties while getting loan from the commission agent. Our analysis shows that in spite of growth of formal sector in Haryana not in position to take place in formal sector. Through the study, we analyzed the problem of farmer's indebtedness and compare the status of farmer. Definitely farm expenditure (capital and current) was the common purpose of loan taken by different size of landholding farmers, but marginal and small farmers used a significant amount of loan in marriage and ceremonies expenditure. In contrast taking institutional credit is a difficult process. They faced a long procedures and formalities, and given bribe to the bank official for easy getting loan. The main reason for getting loan from the informal source also those banks gives loan only once or twice time. But their daily requirement for credit such as wedding construction household expenditures that can not fulfilled by the banks. So the farmers turn to arthiyas to take loan. In case of informal credit, most frequent reason for borrowing was the investment of land because for modern agriculture. Investment in farm machinery is compulsory. The indebtedness in peasants was because of crop failure due to the frequent attacks of pesticides and growing problem of water logging.

**Suggestion and implementation:-**

Rural indebtedness which has become a feature or characteristic of rural Indian is a stigma on our society. It is harming both our social fabric as well as individual. It needs immediate attention our social reformers as well as the individual one of the measures that can be suggested is that cooperative societies and banks should be function effectively in the villages. The system of advancing loan by these bodies should not be made complex and complicated. They should be made to release that it is no use borrowing for celebration of ceremonies or on litigation or for the mater for any unproductive purpose. They should spends on social functions only that much money which they can afford. Spending after borrowing money reduces their social prestige. Each registered money lender should be legally bound to submit his account to the concerned authorities showy the amount advanced, rate of interest charged, total amount received back, security kept at the time of advancing loan, which should be strictly checked to ensure that there is no unnecessary exploitation of the borrowers. Unregistered money lenders should be punished. They should not permitted to undertake any money lending business in no way on better term than those applicable to registered money has received his capital by the way of interest from his debtor and no suit entertained by the court. Cooperative credit society should be formed in each village which should advance money without any collateral securities. On the basis of foregoing analysis, we suggested that the state government should monitor the informal mechanism of credit, increase the awareness among farmers in general and marginal and small in particular, about the disadvantages of utilization of loan in unproductive activities and strength the cooperative societies, as only one percent farmers belong to Self Help Group(SHG). Bank should implement low cost which enable financial institutions to improve their efficiency ratios, facilitate the use of low cost distribution channels and enable application of the credit, risk of management system that decrease the defaulters rate. The state government should also boost set up credit counseling centre with the bank of commercial banks for advising public ongoing access to financial systems.

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