



### CREDIT AND FARMERS IN A NORTH INDIAN VILLAGE

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#### **Introduction**

Y.K. Alagh (2003) states that globalization, as a new policy of economic reforms, has been accepted in India during the last 15 years (since 1991). After accepting it various sections of people faced various problems especially the poor, the marginal farmers and the labourers. It is claimed that this new wave of globalization or the New Economic Policy (NEP) in the national context, provides liberty for participation in open economy. New Economic Policy initiated by the government of India in 1991 has, in brief, the following components: Globalization, Privatization, and Liberalization (LPG), among them globalization extends its area of influence and vastly encompassing all spheres of life, industry to agriculture. There has been a paradigm shift in the Indian Economic Policy from state oriented developmental strategies to market oriented strategies of development, and from micro-finance to livelihood finance. Livelihood finance is a comprehensive approach to promoting sustainable livelihoods for the poor farmers. The special measures have also been taken-up for agriculture sector during the process of globalization. These are infrastructure development, agricultural credit, agricultural marketing and crop insurance to say a few.

In Indian context, many social scientists have studied the economic aspects and issues such as awareness, development and utilization of programmes and their consequences for the farmers. Views and findings of some of those may be quoted here: S.C. Dube (1955), long back, has found that "Agriculture is the main stay of the rural economy of India, the crafts and occupation of the country-side are generally integrated with it". A brief analysis of the economic role of different castes would be giving us a clear idea of the village economy in the context of rural development.

Ramkrishna Mukherjee (1957), in his study of West Bengal, has found that the dynamics of rural society cannot be revealed without any analysis of its economic structure. He has found that the



economy plays a basic role in the social development of any people and also contributes to social-ideological sphere of a society. Andre Beteille (1974) has found that social organization of agriculture will in turn be related to other aspects of social system like kinship, caste and localities. For these reasons the groups and categories actually engaged in agriculture and their mutual relations will vary from one society to another. To the extent that major changes in economic activity also involve changes in social organization, a correct understanding of the social framework is essential of the prospects for economic change. K.C. Alexander (2000) finds some of the areas of the processes of development, impact of development on the occupational structure, pattern of time utilization and differentiation of roles. According to him changes seem to have appeared in beliefs and values with improvement in the level of living and expansion of knowledge.

Yogendra Singh (2004) states that impact of globalization on the structural changes in the society comes generally through the changes in the economic policies. In this sense, we witness radical changes at the economic level. The basic organs of economy such as capital, market, modes of production and trade are getting increasingly entwined into web of global interdependence. Among all these rural credit is an important dimension of the rural economy. Under new economic policies, new avenues and methods are forth coming. S.K. Bhaumik and Abdur Rahim (2004) have found that the rate of participation of the rural households in credit markets (formal or informal) has been extremely high. According to them a large number of the marginal and small farmers are forced to borrow money from the informal moneylenders. R.S. Bhople (2004) has found that majority farmers had a favourable attitude and a minority of the farmers have highly favourable attitude towards National Agricultural Insurance Scheme.

All the above and many other social scientists have studied various issues empirically to know about the problems of farming and farmers, related to development and flow of credit to farmers and suggested how to solve those problems. Thus there is still need to study the awareness, utilization and consequences of the new credit avenues and facilities for the farmers from the ongoing new form of credit at micro level, particularly of such new forms of credit as credit cards and crops insurance policy as these are the latest to be added to the list of rural development measures.



### Objectives of the Study

In the above context, some specific issues related to awareness, utilization and consequences of new form of credit for farmers and problems faced by them need to be studied in depth. Thus, the present study focuses upon the following specific questions:

1. What is the socio-economic background of farmers in rural setting?
2. How far the farmers are aware of new forms of credit namely the credit cards and crop insurance?
3. How far the farmers have utilized these new forms of credit namely the credit cards and crop insurance?
4. What are the consequences of these new forms of credit ( Kisan Credit cards and Crop Insurance) for farmers that may bring some changes among them?

### Research Methodology

Initially, it was proposed that the study would be conducted in a village, namely, Dulkhara. It is situated in district Bulandshahr at above 28 kms. North-East from the district headquarter town. Bulandshahr district lies in western part of Uttar Pradesh, which is located between the Yamuna and Ganga Doab. The village, which lies in the interior, where diversity of occupations existed, facilities for purchasing the goods, selling agricultural produce, transport and communication were less easily available. The village having various castes and sufficient number of farmers who have made use of the new form of credit that is why it has been purposively selected for study. All farmers (i.e.315) have been purposively selected which constituted the universe of study. They include total number of beneficiaries of the new form of credit and all other non-beneficiary farmers. At the first stage, data were collected through case study method. At the second stage, after conducting the case studies, a survey of all farmers was carried out with the help of an interview guide (including questions both close and open ended on various aspects of the problem under study) and observations. After the collection of data, data have been analyzed qualitatively and quantitatively. Qualitatively analysis was done of the case studies and observation. Simple quantitative analysis has been undertaken of the data collected through survey based on interview guide from all farmers. The separate code designs



were prepared based on the interview guide used for data collection. Univariate and bivariate analysis of the various aspects of the problem have been undertaken by constructing single variate and bivariate tables.

### Results and Discussion

On the basis of the analysis of the facts from 315 farmers and case studies' we arrive at the following findings. The findings have been grouped into different sections related to the objectives.

#### Socio-Economic Background of Farmers

Socio-economic background has been studied in terms of age, religion, caste, education, type of family, land holding and occupation. Now the facts on the above attributes which have been collected through field survey are presented below:

1. 15.2 percent of the farmers are in the young age i.e. below 35 years age group, 53.6 percent of the farmers are in the middle age i.e. 36 to 50 years age group and 31.2 percent of the farmers are in the old age i.e. above 51 years age group.
2. 88 percent of the farmers belong to the Hindu religion and 12 percent of the farmers belong to the Muslim religion.
3. 22.6 percent of the farmers belong to General caste, 44.4 percent of the farmers belong to Other Backward Castes and 33 percent of the farmers belong to Scheduled Castes.
4. 13.4 percent of the farmers are illiterate, 29.8 percent of the farmers are primary educated, 45.4 percent of the farmers are secondary educated and 11.4 percent of the farmers are college educated.
5. 40.9 percent of the farmers live in joint family and 59.1 percent of the farmers live in nuclear family.
6. 71.1 percent of the farmers are small, 14.6 percent of the farmers are marginal, 10.1 percent of the farmers are middle and only 4.1 percent of the farmers are big.
7. 59.1 percent of the farmers are engaged in only agriculture, 5.4 percent of the farmers are engaged in agriculture and business, 9.8 percent of the farmers are engaged in agriculture and service and 25.7 percent of the farmers are engaged in agriculture and labour.



### Awareness about New Form of Credit among Farmers

Awareness of new form of credit among farmers have been studied in terms of awareness about the Kisan Credit Card (KCC), sources of awareness of KCC, awareness about the National Agriculture Insurance Scheme (NAIS), sources of awareness of NAIS, knowledge of terms and conditions and the interest rate on credit card. Now the facts on the above attributes which have been collected through field survey are presented below:

1. All the famers have awareness about the Kisan Credit Cards.
2. 18.5 percent of farmers have got the awareness about the Kisan Credit Card from bank manager, 14.9 percent of farmers have got the awareness about the Kisan Credit Card from first beneficiaries, 38 percent of the farmers have got the awareness about the Kisan Credit Card from the same caste person and 28.6 percent of farmers have got the awareness about the Kisan Credit Card from the any other sources.
3. 24.8 percent of the farmers have awareness about the National Agriculture Insurance Scheme and 75.2 percent of the farmers do not have awareness about the National Agriculture Insurance Scheme.
4. 20.3 percent of the farmers have got the awareness about the NAIS from the bank manager, 4.5 percent of farmers have got the awareness about the NAIS from first beneficiaries and 75.2 percent of the farmers have not awareness about the National Agriculture Insurance Scheme.
5. 17.3 percent of the farmers know about the terms and conditions of the credit card, 10 percent of the farmers do not know about the terms and conditions of the credit card and 72.7 percent of the farmers do not have credit card.
6. 23.5 percent of the farmers know about the interest rate on credit card, 3.8 percent of the farmers do not know about the interest rate on credit card and 72.7 percent of the farmers do not have credit card.

### Utilization of New Form of Credit by the Farmers

Utilization of the new form of credit has been studied in terms of KCC holder, receiving the credit through KCC, source of getting credit, amount of credit and use of credit. Now the facts on the above attributes which have been collected through field survey are presented below:

1. 27.3 percent of the farmers are the Kisan Credit Card holder and 72.7 percent of the farmers are not the Kisan Credit Card holder.
2. All farmers (i.e. 27.3%), who have the Kisan Credit Card, receive the credit from the Kisan Credit Card.



3. No farmers have been benefitted from the National Agriculture Insurance Scheme because no natural calamities have occurred in this area for last few decades.
4. 21.9 percent of the farmers borrow the money from the credit card upto 50,000, 4.1 percent of the farmers borrow the money from the credit card 50,000 to 3 lakhs, 1.3 percent of the farmers borrow the money from credit card 3 lakhs to 5 lakhs and 72.7 percent of the farmers do not have Kisan Credit Card.
5. But out of 86 farmers, who are KCC holder, 27.9 percent of the farmers use the credit card money on the agriculture, 45.34 percent of the farmers use the credit card money on the social events i.e. marriage, death fast, 2.32 percent of the farmers use the credit card money on education, 3.48 percent of the farmers use the credit card money on health, 12.79 percent of the farmers use the credit card money on repayment of old debt and 8.13 percent of the farmers use the credit card money on lending.

### Consequences of the New Form of Credit among Farmers:

The consequence of the new form of credit has been studied in terms of change in life style among farmers.

1. But out of 86 respondents, 26.74 percent of the respondents say that now become debtor, 20.93 percent of the respondents say that not dependence on moneylender, 18.61 percent of the respondents say that no money problem, 33.72 percent of the respondents say that any other changes.
2. 22.5 percent of the respondents say that the process of obtaining credit card is difficult, 4.8 percent of the respondents say that the process of obtaining credit card is easy and 72.7 percent of the respondents do not have credit card.
3. Large majority (i.e. 71.15%) of the respondents (user of new form of credit or non user) have the favorable feeling about the new form of credit, very small number (i.e. 7.8%) of the respondents (user of new form of credit or non user) have unfavorable feeling about the new form of credit.





### Conclusion

Those utilized credit properly for the purpose for which it was sanctioned, its impact is flow of benefits to the beneficiaries have helped in improving their economic status. It reflects that big farmers have shown the best results. Those farmers who have taken credit both from formal as well as informal sources, they are not in a better condition. Though the dependency on the local money lender has decreased apparently yet it increases sometimes when they repay the loan of the formal source. It has been found that only farmers with stronger socio-economic and political power have got better access to formal sources of credit. Informal sector credit attracts much higher interest rates as compared to formal sector credit (48 percent as compared to 8.5 percent per annum), that is how the farmers have favorable feeling towards the new form of credit.

Some of the farmers are not interested in getting Kisan Credit Cards, as they feel superior in comparison to others who are seeking credit on Kisan Credit Card. Thus social reputation also comes in the way for accepting the new credit facility. The change is seen among this cases who have properly utilized credit card and thus have shown significant improvement in their life style in comparison to the previous generation and apparently improving materially as they have acquired assets like T.V., Radio, News Paper and Scooter etc.

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