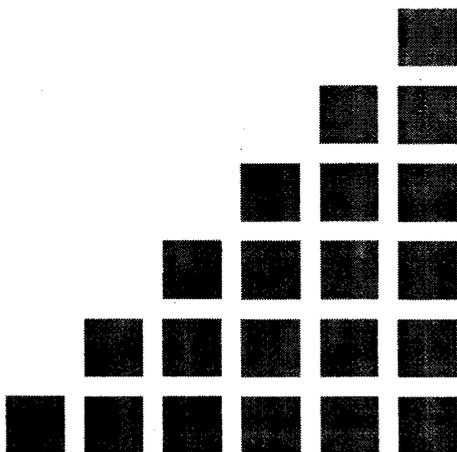
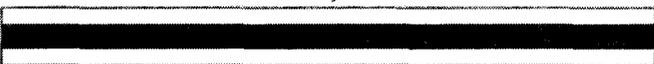


# CHAPTER VI



## CHAPTER VI

### INDEBTEDNESS AMONG AGRICULTURAL LABOUR HOUSEHOLDS IN WEST BENGAL WITH SPECIAL REFERENCE TO UTTAR DINAJPUR DISTRICT

#### 6.1 Introduction

Agricultural labourers are the poorest of the poor and deprived section of the rural society in our country. Low wages, unemployment, assetlessness and social backwardness constitute the poverty syndrome among agricultural labourers, which again compels them to borrow for consumption, house construction and repairs, health care, marriage and other social ceremony purposes. However, as these loans are not economically productive in that they do not help in the creation of additional incomes. They are bound to borrow money from non-institutional as well as institutional sources year after year. The indebtedness may be defined as the amount of outstanding debt principal as well as interest accrued there on as on the date of enquiry (R L E - 1987-88). The average amount of outstanding borrowing comprises the previous outstanding plus current year's borrowing minus repayment made during the current year by the same household. Our objective is to discuss the incidence and extent of indebtedness among agricultural labourer households, sources of debt, purposes of debt and, terms and conditions of debt taken by agricultural labourer households in West Bengal as well as in Uttar Dinajpur district.

#### 6.2 Incidence and Extent of Indebtedness in West Bengal

The different rounds of Rural Labour Enquiry Reports show that the incidence of indebtedness among agricultural labour households though fluctuates over the years but declined in 1999-00 in West Bengal. In 1977-78, 40.2 percent of agricultural labour households were in debt and in 1999-00; it declined to 36.40 percent in West Bengal (Table 6.1). The rapid spread of new techniques (HYV seeds, fertilizers and pesticides) of production and multi-cropping system in agriculture reduces the seasonal variation of employment in agriculture to some extent as compared to earlier periods in West Bengal. Availability of employment in agriculture in most part of the year will increase the income of labourers, which will in turn reduce the incidence of indebtedness in West Bengal.

The average debt per indebted agricultural labour household in West Bengal has increased over the years except 1993-94. The average debt per indebted

household in 1977-78 was Rs. 244, which increased to Rs. 1527 per household in 1999-00 (Table 6.1) in West Bengal. This is due to better access to credit in rural areas as compared to earlier periods. Absence of repayment culture is also contributing to the increase in the size of indebtedness.

At the village level, the situation is worse. The incidence of indebtedness in all villages of Uttar Dinajpur district is 71.11 percent, which is higher than the state level (Table 6.2). From the Table it is clear that the incidence of indebtedness among agricultural labourers is highest (83.33 percent) at *Jagatagaon* – a village under least developed blocks followed by *Tilna* (80 percent) – a village under moderately developed blocks and *Malon* (76.67 percent) - a village under highly developed blocks. The average debt per agricultural labourer in all villages of Uttar Dinajpur district was Rs. 3614.79 which was more than double of the state level figure in 1999-00. The average debt per agricultural labour household was highest at *Dharampur* (Rs. 5345) a village under least developed blocks followed by *Nakol* (Rs. 3889.46) - a village under moderately developed blocks.

The question of indebtedness among agricultural labour households has always been viewed as a problem rather than a harbinger of prosperity. This has been so primarily due to the preponderance of the deficit nature of their family budgets due to low wages, low employment availability and seasonal variations of employment opportunities in agriculture. As indebtedness among agricultural labour households is incurred only to meet the deficit in family budget rather than to create additional productive facilities, the quantum of indebtedness will go on accumulating beyond one's repaying capacity.

**Table 6.1**  
**Incidence (Percentage Number of Indebted Agricultural Labour Households) and Extent of Indebtedness (Average Debt Per Indebted Agricultural Labour Household) of Agricultural Labour Households in West Bengal**

	1977-78	1983	1987-88	1993-94	1999-00
Percentage Number of Indebted Agricultural Labour Household	40.2	49.01	39.40	43.20	36.40
Average Debt Per Indebted Agricultural Labour Household (In Rs.)	244	679	1725	1410	1527

**Data Source:** Rural Labour Enquiry Reports on Indebtedness for the years 1977-78, 1983, 1987-88, 1993-94 and 1999-00

**Table 6.2**  
**Incidence of Indebtedness Among Agricultural Labour Households Across Surveyed Villages of Uttar Dinajpur District**

Particulars	<i>Delwalpur</i>	<i>Malon</i>	<i>Tilna</i>	<i>Nakol</i>	<i>Dharampur</i>	<i>Jagatagaon</i>	<b>All Villages/ District</b>
Families With Debt	17 (56.67)	23 (76.67)	24 (80.00)	19 (63.33)	20 (66.67)	25 (83.33)	128 (71.11)
Families Without Debt	13 (43.33)	67 (23.33)	6 (20.00)	11 (36.67)	10 (33.33)	5 (16.67)	52 (28.89)
Total	30 (100.00)	30 (100.00)	30 (100.00)	30 (100.00)	30 (100.00)	30 (100.00)	180 (100.00)

**Data Source:** Own Field Survey

**Table 6.3**  
**Percentage of Indebted Agricultural Labour Households According to Sources Across Surveyed Villages of Uttar Dinajpur District**

Sources	<i>Delwalpur</i>	<i>Malon</i>	<i>Tilna</i>	<i>Nakol</i>	<i>Dharampur</i>	<i>Jagatagaon</i>	<b>All Villages/ District</b>
Government	36.00	38.89	28.57	25.00	21.43	28.13	30.16
Bank	-----	-----	-----	-----	-----	3.12	.58
Co-operative Society	-----	-----	7.14	-----	-----	-----	1.16
Money lender	8.00	16.67	14.29	20.83	46.43	25.00	21.97
Employers	12.00	5.56	7.14	8.33	7.14	9.38	8.09
Friends and Relatives	32.00	25.00	32.14	37.5	14.29	28.12	27.74
Shopkeepers	12.00	13.89	10.71	8.33	10.71	6.25	10.40
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

**Data Source:** Own Field Survey

### 6.3 Sources of Debt

The sources of debt may be broadly classified into two categories – institutional and non-institutional sources. Institutional sources include government, banking institutions and co-operative societies. Non-institutional sources include moneylenders, employers, shopkeepers, and friends and relatives. From the Table 6.4, it is clear that the share of institutional sources in supplying rural credit has increased over the years in West Bengal. In 1977-78, the share of institutional sources was 16.81 percent, which increased to 27.28 percent in 1999-00. On the other hand, the share of non-institutional sources decreased from 83.19 percent to 72.72 percent in 1999-00 in West Bengal. Out of different sources, the share of friends and relatives was highest (30.45 percent) followed by shopkeepers (23.90 percent) during 1999-00.

But the share of money lenders in supplying rural credit declined from 26.64 percent in 1977-78 to 13.49 percent in 1999-00.

**Table 6.4**  
**Average Amount of Debt Per Indebted Agricultural Labour Household by Sources of Debt in West Bengal**

Sources	1977-78	1983	1987-88	1993-94	1999-00
Government	13 (5.33)	50 (8.50)	106 (6.14)	313 (22.20)	146 (9.56)
Co-operatives	21 (8.61)	44 (7.48)	151 (8.75)	43 (3.05)	68 (4.45)
Banks	7 (2.87)	88 (14.97)	313 (18.13)	207 (14.68)	203 (13.29)
Employers	25 (10.25)	131 (22.28)	146 (8.46)	78 (5.53)	36 (2.36)
Moneylenders	65 (26.64)	90 (15.31)	221 (12.80)	267 (18.94)	206 (13.49)
Shopkeepers	32 (13.11)	42 (7.14)	191 (11.07)	219 (15.53)	365 (23.90)
Friends and Relatives	61(25)	111(18.88)	236(13.67)	242(17.16)	465(30.45)
Others	19 (7.79)	33 (5.61)	362 (20.97)	41 (2.91)	38 (2.49)
Total	244 (100.00)	588 (100.00)	1726 (100.00)	1410 (100.00)	1527 (100.00)

**Data Source:** Rural Labour Enquiry Reports on Indebtedness for the years of 1977-78, 1983, 1987-88, 1993-94 and 1999-00

**Table 6.5**  
**Average Amount of Debt Per Indebted Agricultural Labour Household According to Sources Across Surveyed Villages of Uttar Dinajpur District**

Sources	Delwalpur	Malon	Tilna	Nakol	Dharampur	Jagatagaon	All Villages/ District
Government	1376.47 (51.80)	1747.39 (53.81)	1062.50 (38.94)	1421.05 (36.45)	775 (14.10)	1128 (29.97)	1268.40 (35.09)
Bank	_____	_____	_____	_____	_____	100 (2.65)	16.66 (.46)
Co-operative Society	_____	_____	75(2.69)	_____	_____	_____	12.5(.35)
Money lender	138.24 (5.20)	452.17 (13.92)	270.83 (9.72)	836.84 (21.52)	1625 (30.40)	1108 (29.44)	738.51 (20.43)
Employers	36.40 (1.37)	37.48 (1.07)	187 (6.73)	57.89 (1.49)	350 (6.55)	20 (.53)	114.44 (3.17)
Relatives	1041.18 (39.19)	739.13 (22.73)	985.83 (35.39)	1205.26 (30.99)	2250 (42.10)	1280 (34.01)	1250.24 (34.59)
Shop Keepers	64.71 (2.44)	273.91 (8.43)	204.17 (7.33)	368.42 (9.47)	345 (6.45)	128 (3.40)	238.70 (6.38)
Total	2657.07 (100.00)	3247.38 (100.00)	2785.83 (100.00)	3889.46 (100.00)	5345 (100.00)	3764 (100.00)	3614.79 (100.00)

**Data Source:** Own Field Survey

At the village level, the source wise distribution of indebted agricultural labour households is shown in Table 6.3. The data have been presented separately for each type of sources to bring out their relative positions in indebtedness. It is a matter of concern that 68.2 percent of the indebted households of Uttar Dinajpur district had borrowed money from non-institutional sources like part time money lenders, landlords, friends and relatives, and shop keepers as against a mere 31.80 percent households which went to institutional agencies like government, banks and co-operatives. At highly developed villages of Uttar Dinajpur district, the higher proportion of indebted agricultural labour households depends on institutional sources as compared to villages under moderately developed and least developed blocks.

From the Table it is clear that out of non-institutional sources, friends and relatives emerged as a major source of rural credit in Uttar Dinajpur district. It may be noted that 27.74 percent households depend on friends and relatives for their borrowing. The next important source is part time money lenders. Except *Dharampur* – a village under least developed blocks, in all villages, friends and relatives played an important role in supplying rural credit in the district. At *Dharampur*, 46.63 percent households depend on money lenders. The role of money lenders is more important in villages under least developed blocks. These money lenders are not professional money lenders. They are rich cultivators or service man in rural areas. They lend money to agricultural labourers or other rural people on part time basis. Apart from maintaining agricultural activities or other activities, they provide money to the poor people on the basis of mortgage of land or other valuable articles.

Table 6.5 gives the average amount of debt per indebted agricultural labour households by source of debt across villages of Uttar Dinajpur district. Observation shows that the share of institutional sources was found to be considerably low at 35.44 percent of total borrowing in the district. Out of institutional sources, the share of government is highest (35.09 percent) and the share of co-operatives (.35 percent) and banks (.46 percent) were very negligible. Out of non-institutional sources, friends and relatives emerged as the major sources of credit for the agricultural labour households at the district level. It is a matter of concern that friends and part time money lenders jointly contributed more than half of the total rural borrowings. But it is true that these two sources provide loans to the villagers (sometimes without bothering much about security of loans) during their hard times – ill health, natural calamities, death, accidents etc.

On a close look at the sources of credit according to the development of villages, we find a considerably high share of institutional sources at highly developed villages as compared to moderately developed and least developed villages. The institutional sources at highly developed villages supplied more than 50 percent of total borrowings by agricultural labourers. This is due to the fact that the number of beneficiaries under anti-poverty programmes at the highly developed villages was higher as compared to moderately developed and least developed villages. Subsidized loans under anti-poverty programmes since 20 years increased the shares of institutional sources at highly developed villages. Out of non-institutional sources, friends and relatives is the important source of credit providing 39.19 percent of total borrowings at *Delwalpur* and 22.76 percent of total borrowing at *Malon* followed by money lenders, shopkeepers and employers. In contrast, for the moderately developed and least developed blocks, the share of institutional sources was found to be considerably low as compared to non-institutional sources. Villages under these blocks, friends and relatives emerged as the major source of credit followed by money lenders, shop keepers and employers.

#### **6.4 Purposes of Debt**

Agricultural labourers take loans for both productive and unproductive purposes. The productive purposes include buying or improvement of land, animals, improved seeds, fertilizers, agricultural implements, digging of wells, construction of minor canals for irrigation, fencing and banking of fields; or setting up of small business like dairy farming through milch animals, rearing of livestock, development of horticulture, cultivation of cash crops, i.e. vegetables and fruits, poultry farming, bee keeping, basket or rope making etc. Loans taken and utilized for these purposes usually generate additional income thereby enhancing the repaying capacity to a large extent. The share of productive purposes in total borrowing was very much marginal in West Bengal. During 1977-78, only 15.57 percent borrowings were productive purposes. But in 1999-00, the share of productive purpose loan in total borrowing increased to 33.4 percent, while 66.60 percent (Table 6.6) loans were used for unproductive purposes. The loans taken for unproductive purposes result in debt burden as they do not generate income and are raised generally to fulfill household consumption needs, performance of religious or / and social functions like marriages, births and deaths, meeting the need of obligations like litigation or settling disputes,

buying of jewellery etc. As these loans generally do not help in creating economic assets, it, therefore, becomes very difficult for the borrowers to repay such loans. It is basically this form of debt, which perpetuates the miseries of a sizable population of agricultural and rural labour households (RLE Indebtedness, 1983).

The field level study shows that sample agricultural labour households were indebted on an average amount of Rs. 2584.97 for unproductive purposes and this constituted about 71.51 percent of the total indebtedness in all villages of Uttar Dinajpur district. Marriages and other ceremonies is evidently the main cause of largest amount of borrowing, as it constitutes 19.98 percent of their total borrowing (Table 6.7). The marriage of a daughter is now much more expensive than the marriage of a son because large portion of expenditure for marriage is incurred for paying dowry and money also used for entertaining the neighbours. The marriage of a daughter of an agricultural labourer costs in the range of Rs. 20,000 to Rs. 35,000. The other important cause of indebtedness is expenditure on medical purpose, as it constitutes 19.55 percent of their total borrowing followed by household consumption (18.67 percent) and business activities (13.90 percent). Agricultural labourers suffer from malnutrition, ill health and poverty. Poverty forces them to borrow money for medical purposes and consumption purposes from moneylenders and friends and relatives at high rate of interest rate. A part of borrowing under consumption purposes was taken by them in the form of paddy known as 'dehri loans' and genuine borrowing to keep going over the difficult days before the harvest. This indebtedness is confined to a small number of individuals. Out of 180 families, only 15 families (8.33 percent) borrowed 32 maunds odd of paddy in the year of 2004-05 stipulating to repay 52 maunds paddy after six months. The month of borrowing was Asharh and Sraban; Magh and Phalgun were the months of repayment. The normal stipulation is that 1.25 mounds should be repaid for every mound borrowed after six months.

Only 28.49 percent of debt was incurred for productive purposes in the district. Here productive purposes include a debt for agricultural production, small business and purchase of milch animals. The share of debt for productive purpose was the highest (61.54 percent) at *Delwalpur* - a village under highly developed blocks. At *Delwalpur*, we found that more than 50 percent of their debts were supplied by the government under different anti-poverty programmes for running small business, agricultural production and for purchasing milch cow. In this village, most of the labourers engaged in the business of paddy husking apart from hiring out labour. They

purchase paddy from the market and converted into rice, and sell into market and earn some money. But all labourers of this district are not able to utilize these subsidized loans properly for business purposes or purchasing milch animals; they also used some part of subsidized loans for consumption purposes or other unproductive purposes. This will reduce their repaying capacity. At *Jagatagaon* – a village under least developed blocks, labourers get loans for bamboo basket making or for small shopping under various anti-poverty programmes. But 50 percent (Table 6.9) of the agricultural labourers beneficiaries in this village reported that they are not able to utilize this loan properly. In the district whole of 30 percent (Table 6.9) of agricultural labourer beneficiaries under different anti-poverty programmes, reported that they were not able to utilize their subsidized loans due to acute poverty.

On the other hand, the amount of debt for productive purpose was the lowest (15.43 percent) at *Dharampur* - a village under least developed blocks. So with the development of villages, the amount of debt incurred for productive purposes declined. Out of unproductive purposes, the average amount of debt for household consumption was the highest (29.38 percent and 30 percent) at *Delwalpur* and *Malon* – villages under highly developed blocks followed by house construction (2.66 percent) at *Delwalpur* and, marriage and social ceremonies (20.22 percent) at *Malon*. At moderately developed villages, out of unproductive purposes, the amount of debt for household consumption was highest (20.66 percent) at *Tilna* followed by debt for medical expenditure (16.38 percent). At *Nakol*, the amount of debt for medical purposes formed 34.24 percent followed by house construction (18.94 percent). At *Dharampur* – a village under least developed blocks, the amount of debt per household was the highest (34.61 percent) for medical purposes followed by marriage and other ceremonies (29.65 percent). The amount of debt incurred for medical purposes was the highest at *Nakol* and *Dharampur* because most of them reported that they generally go outside the state for doing work in various industries in Delhi, Haryana and Punjab for few months when there is scarcity of work in their villages. Due to excessive pressure of work and unhealthy and unhygienic conditions of living in the slum areas of work sites, they fell into ill and returned home. After returning home, they take loans for treatment from relatives, money lenders at high rate of interest. On the other hand, at *Jagatagaon*, the average amount of debt per household was the highest (44.85 percent) for marriage and other ceremonies followed by household consumption (17.75 percent). At *Jagatagaon*, the amount of debt per

household was the highest for marriage and other ceremonies because of prevalence of dowry system at a higher rate as compared to other villages of this district.

**Table 6.6**  
**Average Amount of Debt Per Indebted Agricultural Labour Household by Purpose of Debt in West Bengal**

Purposes	1977-78	1983	1987-88	1993-94	1999-00
Household Consumption	162(66.39)	312(53.15)	799(46.32)	507(35.93)	741(48.53)
Marriage and Other Social Ceremonial Occasions	21(8.61)	42(7.16)	32(1.86)	174(12.33)	96(6.23)
Productive Purposes	38(15.57)	174(29.64)	469(27.19)	101(7.16)	169(11.07)
Purchase of Land and Construction of Buildings	-----	33(5.62)	40(2.32)	347(24.59)	341(22.33)
Repayment of Old Debt	-----	-----	2(.12)	2(.14)	8(.52)
Others	23 (9.43)	26(4.43)	383(22.20)	280(19.84)	172(11.26)
Total	244(100.00)	588(100.00)	1725(100.00)	1410(100.00)	1527(100.00)

**Data Source:** Rural Labour Enquiry Reports on Indebtedness for the years of 1977-78, 1983, 1987-88, 19993-94 and 1999-00.

**Table 6.7**  
**Average Amount of Debt Per Agricultural Labour Households According to Purposes Across Surveyed Villages of Uttar Dinajpur District**

Purposes	Delwalpur	Malon	Tilna	Nakol	Dharampur	Jagatagaon	All Villages/ District
Household Consumption	780.59 (29.38)	991.30 (30.53)	575.42 (20.66)	600 (15.43)	435 (8.14)	668 (17.75)	675.05 (18.67)
Medical	58.82 (2.21)	334.78 (10.31)	456.25 (16.38)	1331.58 (34.24)	1850 (34.61)	208 (5.53)	706.57 (19.55)
Marriage and Other Ceremonies	47.06 (1.27)	656.52 (20.22)	241.67 (8.67)	115.79 (2.98)	1585 (29.65)	1688 (44.85)	722.34 (19.98)
Production Activities	676.47 (25.46)	56.09 (1.73)	208.33 (7.48)	315.79 (8.12)	100 (1.87)	120 (3.19)	246.11 (6.81)
House Construction	70.59 (2.66)	195.65 (6.02)	429.17 (15.41)	736.84 (18.94)	650 (12.16)	380 (10.10)	410.38 (11.35)
Business Activities	594.12 (22.36)	878.26 (27.05)	375 (13.46)	142.11 (3.65)	525 (9.82)	500 (13.28)	502.41 (13.90)
Purchase of Milch Animal or Cow	364.71 (13.73)	65.21 (2.01)	500 (17.95)	357.89 (9.20)	200 (3.74)	200 (5.31)	281.30 (7.78)
Repayment of Old Debt	64.71 (2.43)	69.57 (2.14)	-----	289.47 (7.44)	-----	-----	70.63 (1.95)
Total	2657.07 (100.00)	3247.38 (100.00)	2785.83 (100.00)	3889.46 (100.00)	5345 (100.00)	3764	3614.79 (100.00)

**Data Source:** Own Field Survey

## **6.5 Outstanding Loans According to Terms and Conditions**

Access to institutional credit of agricultural labour households is very much limited due to lack of adequate and proper assets, illiteracy and ignorance of agricultural labourers, and unwillingness to go through the complex procedure of borrowing from the commercial banks and other financial institutions. As a result, they are forced to go to non-institutional agencies like money lenders, friends and relatives, employers and shop keepers for getting credit against unfavourable terms and conditions like mortgaging of land, gold, silver and other valuable assets, hand notes etc. On the basis of available data in the study area, the term and conditions under which credit is available by the sample agricultural labour households are grouped under two broad categories: (1) favourable/normal terms and conditions with nominal or zero interest rate; (2) unfavourable /abnormal terms and conditions with abnormal rate of interest.

Borrowing under favourable / normal terms and conditions refers to the loan available by the sample households at a very low rate of interest from the institutional agencies and from the very close friends and relatives, and employers. It includes financial assistance received under different anti-poverty programmes and also loans obtained from close relative and employers at zero interest rates. The beneficiaries of such government loans pay nominal rate of interest and security received here includes third party guarantee over and above personal loans. The agricultural labour households are given loans by the government with a maximum of 4 percent rate of interest. These loans are given to agricultural labour households for their economic development after deducting subsidy and no security is needed for sanctioning these loans. Sometimes agricultural labourers also get loans from very close friends and relatives without any security with zero interest to meet productive and unproductive purposes. Employers also provide loans or wage advances to the labourers against their labour with zero interest rate. They provide loans to the labourers to secure labour service during peak agricultural seasons at prevailing wage rates due to scarcity of labour. But this percentage is negligible.

The loans under unfavourable / abnormal terms and conditions includes loans obtained from money lenders, friends and relatives who charge exorbitant / arbitrary rate of interest and provide loans against mortgage of land, gold and silver etc. The abnormal terms and conditions are further classified into three sub-heads like (1)

loans against mortgage of land with abnormal rate of interest known as '*sudvarna*'; (ii) loans against mortgage of gold, silver with interest rate of Rs. 24 – Rs. 60 per annum; (iii) loans without mortgaging any assets with high rate of interest of Rs. 60 – Rs. 180 per annum.

It is observed that 66.66 percent (Table 6.8) of the total outstanding debt incurred by the agricultural labourers have been borrowed at high rate of interest under abnormal terms and conditions and the share of borrowing under normal terms and conditions is only 33.33 percent in the study area of Uttar Dinajpur district. But it is true that most of the agricultural labourers have no proper assets / or property for borrowing. As a result, they are bound to take loans without mortgaging any assets from non-institutional sources. Loans without mortgaging any assets entails higher interest rate (Rs. 60 – Rs. 180 per annum) as compared to the interest rate (Rs. 24 – Rs. 60 per annum) charged for loans against mortgaging gold, silver. Agricultural labourers have borrowed 36.27 percent of their total borrowing without mortgaging any assets at high rate of interest. Loans against mortgaging land constitute 22.32 percent of the total borrowing.

Some agricultural labourers possess some amount of cultivable land. They borrow money against mortgaging land from money lenders or friends and relatives. All crops of mortgaged land is taken away by money lenders as interest rate year after year until the agricultural labourer is able to repay the principal amount. This system is known as '*Sudvarna*'. Another exploitative practice that prevails in this district is in the form of '*khaikhalasi*'. Under this system, borrowers take loans against mortgaging land from money lenders for certain periods. In this case, there is no need to repay loans in cash to money lenders. In exchange, the crop of the land is consumed by money lenders for the stipulated period. Land will be returned by money lenders after the stipulated period. This system is rarely found in this district. Loan against mortgaging silver and gold constitutes 8.07 percent of the total borrowing. Sometimes, labourers get loans without any interest rate. This type of loans is provided by very close relatives and employers. This constitutes 3.19 percent of the total borrowing.

The share of loans under normal terms and conditions is higher in the highly developed villages as compared to moderately developed and least developed villages. The share of loans against mortgaging of land is highest at *Dharampur*

(32.74 percent) – a village under least developed blocks followed by *Nakol* (27.06 percent) – a village under moderately developed blocks of the district.

**Table 6.8**  
**Average Outstanding Loans Per Agricultural Labourers According to Terms and Conditions Across Surveyed Villages of Uttar Dinajpur District**

Term and Conditions of Loans	<i>Dehwalpur</i>	<i>Malon</i>	<i>Tilna</i>	<i>Nakol</i>	<i>Dharampur</i>	<i>Jagatagaon</i>	All Villages/ District
<b>A. Loans Under Normal Terms and Conditions</b>							
1. Loans Under Zero Interest Rate	147.06 (5.53)	252.17 (7.77)	83.33 (2.99)	78.94 (2.03)	50 (.94)	80 (2.13)	115.25 (3.19)
2. Loans Under Nominal Rate of Interest (4 percent Per Annum)	1376.47 (51.80)	1608.25 (49.52)	645.84 (23.18)	1026.32 (26.39)	975 (18.24)	908 (24.12)	1089.98 (30.15)
<b>B. Loans Under Abnormal Terms and Conditions</b>							
1. Loans Against Mortgage of Land With Abnormal Rate of Interest ( Known as Sudvarna)	570.59 (21.47)	573.91 (17.67)	472.92 (16.98)	1052.63 (27.06)	1750 (32.74)	420 (11.16)	806.68 (22.32)
2. Loans Against Mortgage of Gold, Silver With Abnormal Rate of Interest (Rs. 24 to Rs.60 Per Annum)	200 (7.52)	125 (3.85)	195 (7.00)	263.16 (6.77)	475 (8.89)	492 (13.07)	291.69 (8.07)
3. Loans Without Mortgaging of Any assets with Abnormal Rate of Interest (Rs. 60 to Rs. 180 per annum)	362.95 (13.66)	688.05 (21.91)	1388.74 (49.85)	1468.41 (37.75)	2095 (39.20)	1864 (49.52)	1311.19 (36.27)
<b>Total</b>	2657.07 (100.00)	3247.38 (100.00)	2785.83 (100.00)	3889.46 (100.00)	5345 (100.00)	3764 (100.00)	3614.79 (100.00)

**Data Source:** Own Field Survey

**Table 6.9**  
**Utilization of Loans by Indebted Agricultural Labour Households under**  
**Different Anti-Poverty Programmes Across Surveyed Villages of Uttar Dinajpur**  
**District**

<b>Villages</b>	<b>Number of Indebted Agricultural Labour Households (Beneficiaries) Taken Loan For Small Business or For Purchasing Milch Cow Under Different Anti-poverty programmes</b>	<b>Number of Indebted Agricultural Labour Households (Beneficiaries) Not utilized Properly Loans Taken Under Different Anti-Poverty Programmes for the Said Purposes</b>	<b>Number of Indebted Agricultural Labour Households (Beneficiaries) Utilized Properly Loans Taken Under different Anti-Poverty Programmes For the Said Purposes</b>
<i>Delwalpur</i>	9 (100.00)	3 (33.33)	6 (66.67)
<i>Malon</i>	14 (100.00)	3 (21.43)	11 (78.57)
<i>Tilna</i>	8 (100.00)	2 (25.00)	6 (75.00)
<i>Nakol</i>	6 (100.00)	2 (33.33)	4 (66.67)
<i>Dharampur</i>	6 (100.00)	1 (16.67)	5 (83.33)
<i>Jagatagaon</i>	10 (100.00)	5 (50.00)	5 (50.00)
<b>All Villages</b>	53 (100.00)	16 (30.19)	37 (69.81)

**Data Source:** Own Field Survey

## 6.6 Overall Findings on Indebtedness of Agricultural Labourers

The different rounds of Rural Labour Enquiry Reports show that the incidence of indebtedness among agricultural labour households declined in 1999-00 in West Bengal compared to earlier periods. However, average debt per indebted agricultural labour household in West Bengal has increased over the years. At the district level, the average debt per indebted agricultural labour household is also very high. This is due to better access to credit in rural areas as compared to earlier periods. Absence of repayment culture is also contributing to the increase in the size of indebtedness. From the Table 6.4, it is clear that the share of institutional sources in supplying rural credit has increased over the years in West Bengal. But it is a matter of concern that 72.2 percent indebted agricultural labour households depended on non-institutional sources in 1999-00 and in Uttar Dinajpur district, 68.2 percent of the indebted agricultural labour households had borrowed money from non-institutional sources. Agricultural labourers take loans for both productive and unproductive purposes. The share of productive purposes in total borrowing was very much marginal in West Bengal. In 1999-00, the share of productive purpose loan in total borrowing was 33.4 percent, while 66.60 percent (Table 6.6) loans were used for unproductive purposes. The loans taken for unproductive purposes result in debt burden as they do not generate income. It is observed that 66.66 percent (Table 6.8) of the total outstanding debt incurred by the agricultural labourers have been borrowed at

high rate of interest under abnormal terms and conditions in the study area of Uttar Dinajpur district

## 6.7 Summary

Agricultural labourers are the poorest of the poor and deprived section of the rural society in our country. Low wages, unemployment, asset-less-ness and social backwardness constitute the poverty syndrome among agricultural labourers, which again compels them to borrow for consumption, house construction and repairs, health care, marriage and other social ceremony purposes. Our objective is to discuss the incidence and extent of indebtedness among agricultural labourer's households, sources of debt, purposes of debt and, terms and conditions of debt taken by agricultural labourer households in West Bengal as well as in Uttar Dinajpur district. The incidence and extent of indebtedness of the district at the village level is higher than the state level figures. The main cause of indebtedness is the borrowing for marriage and social ceremonies followed by medical purposes and household consumptions at the village level of the district. But at the state level, the main cause of indebtedness is the borrowing for household consumption followed by purchase of land and construction of building and productive purposes. However, as these loans are not only economically productive in that they do not help in the creation of additional incomes. . They are bound to borrow money from non-institutional as well as institutional sources years after years. At the state level, the main source of rural credit is friends and relatives followed by shopkeepers and money lenders. But at the village level, the share of subsidized loans provided by the government under different anti-poverty programmes in total borrowing is higher than the shares of friends and relatives and money lenders. Out of non-institutional sources, friends and relatives emerged as the main source of rural credit at the village level of the district. The role of financial institutions is not sufficient in supplying rural credit. In this context, the role of the Bangladesh Grameen Bank Model of micro- financing turned out to be an extremely effective tool in supplying rural credit. This innovation of self-help groups and the micro credit has helped the poor, especially women to gain better access to credit facilities. But the progress of formation of SHGs is not expected rate in this district. As a result poor people of this district deprived from the institutional finance. Agricultural labourers mainly get institutional finance from the Government under different anti-poverty programmes.