



Globalisation and Exclusion of Landless Rural Labour in India with Special Reference to Punjab

Anupama Uppal
(Punjabi University, India)
anupamauppal@yahoo.com

Rupinder Kaur
(Punjabi University, Patiala, India)

Gian Singh
(Punjabi University, Patiala, India)

Paper prepared for the 35th IARIW General Conference

Copenhagen, Denmark, August 20-25, 2018

Session 2C: Globalization and Inclusive Growth I

Time: Wednesday, August 22, 2018 [14:00-17:30]

Globalisation and Exclusion of Landless Rural Labour in India with Special Reference to Punjab¹

After about 70 years of independence and a few lesser than that of planned development, India is still a predominantly agrarian economy. It accounts for the largest section of the country's workforce and population. Hence, the agricultural sector becomes the natural focus of any study attempting to analyse the evolution of Indian economy as well as its structural transformation over a period of time. There is no doubt that agriculture in India has improved a lot after Independence, especially after the Green Revolution during the mid-sixties but subsequently, the technology fatigue and the onset of economic reforms pushed Indian agriculture into a profound crisis. Initially, the gains from the Green Revolution were substantial, but by the eighties, all the gains were fully exhausted. During all these phases, the agricultural labourers - an important part of the agrarian economy remained mute partners who have a bigger share in the 'distress' than the 'gains' (Deshpande and Shah, 2007). All discussions on agrarian crisis in the country have largely bypassed this segment of the rural population. The agricultural labourers mostly belong to the economically and socially backward section of society. They are generally employed in low paid and irregular jobs. They possess no skills, have spent fewer years in formal schooling and also have less assets. Hence, they have none or fewer alternative employment opportunities. Any downturn in the agricultural sector endangers their already minuscule sources of subsistence. Ironically, while debates about the agrarian crisis talk at length about the plight of the farmers, little has ever been examined or explored about this section of the rural society (Singh and Bhogal, 2016).

The process of economic reforms in the nineties deepened the agrarian crisis in the country which further increased the vulnerability of the marginal farmers and agricultural labourers (Sahay, 2016). The process of liberalisation proved to be more disastrous for the agricultural labourers as the contradiction of neoliberalism has interwoven with traditional production relations in the agricultural sector which have worked against this asset poor section of the agrarian society (Ramachandran and Swaminathan, 2002). The rural poor are at further risk of marginalisation and continued exclusion if left to the market forces alone. This is essentially due to their vulnerability arising from higher exposure to drought conditions, continuing displacement, and risks emanating from other external shocks, as

¹ The authors are thankful to Indian Council of Social Science Research, New Delhi for sponsoring this study.

well as due to the constraints of a hierarchical agrarian structure (Parthasarthy, 2014). Thus, Indian agriculture has come a long way from the severe food shortages and acute rural poverty experienced during the 1950s and the 1960s. However, it is still plagued by several challenges related to widespread rural poverty, natural resource degradation and attaining competitiveness in the increasingly globalised economy. The process of structural transformation too has not been able to make a significant dent upon the landless rural masses of the country. Rather, the process of depeasantisation, mechanisation of agriculture and exposure of agriculture to market forces have pushed the agricultural labourers to a tighter spot (Basole and Basu, 2009). Actually, the problem is that during the whole process of planned development, among all the sectors of the economy, agriculture is one of the most vulnerable sectors especially on the fronts of sustainability and stability. It happens due to many intrinsic as well as extrinsic factors (Mehta, 2011). That is why agricultural development in the country had not been able to reduce poverty and inequality in the rural areas. In this context, M.S. Swaminathan, the former chairman of National Commission of Farmers, too has stated - “Something is terribly wrong in the countryside.” Had it not been so, the dynamics of Indian agriculture must have reduced rural poverty. On the contrary, it has deteriorated the already deplorable conditions of agricultural labourers. The growth of agricultural productivity, structural transformation and economic reforms along with continuously deepening agrarian crisis, have all added to the woes of this section of the rural society.

The state of Punjab is also no exception in this regard. A predominantly agrarian economy, the fore-runner in adopting the New Agricultural Strategy in the country has been witnessing an upsurge in the agrarian crisis for last many years. Punjab is also going through the phase of structural transformation, but its pace is slower than other states even though it has fully exhausted the productivity gains of the Green Revolution. The irony is that the process of structural transformation is even slower for the rural labour in the state. So, the agricultural sector continues to be the largest employer of rural workforce, and this is happening under a continuous process of fragmentation of land holdings. As a result, a majority of them work in the small sized, low productive holdings without any other alternative employment opportunity (Venkatesh, 2013). In Punjab between 2001 and 2011, the number of cultivators has come down while that of the agricultural labourers has

increased. According to Census, 2001, the proportion of cultivators out of total rural workers in Punjab was 31.5 per cent, while that of the agricultural labourers was 22.0 per cent. During 2011, the share of cultivators came down to 29.8 per cent and that of agricultural labourers increased to 23.9 per cent (Census of India, 2001 and 2011). During this period, although the number of operational holdings in the state has increased from 997 thousand to about 1053 thousand, but it has grown mainly due to increase in marginal and small land holdings (GoI, 2017 and **Error! No bookmark name given.** as visited on 22nd July 2017). The data from the Ministry of Agriculture, Government of India, shows that the number of marginal land holdings in Punjab has increased from 123 thousand, in 2001 to about 164 thousand, in 2011 and that of the small holdings have increased from 173 thousand, to about 195 thousand. On the other hand, the numbers of semi-medium, medium and large land holdings have declined from 328 thousand, 301 thousand and 72 thousand respectively during 2001 to about 325 thousand, 298 thousand and 70 thousand in 2011. Thus, increase in a number of marginal and small land holdings along with the fall in the same for semi-medium, medium and large land holdings, has led to a fall in the average size of operational holding from 4.03 hectare to 3.77 hectare during this period (GoI, 2017). These facts clearly point out that now more agricultural workers are working on relatively smaller holdings. This reduces their bargaining power, and hence they form the poorest sections of the rural society. The studies have indicated that the real wages of an agricultural labourer in Punjab are lower than that of the non-agricultural workers in the rural areas (Sidhu, 1988 and Venkatesh, 2013). Various issues of 'Wage Rate in Rural India' published by the Labour Bureau (visit <http://labourbureau.nic.in> for various reports) show that in rural Punjab, the wages of agricultural labourers have always been less than the average daily wages of the carpenter and mason in rural areas. During 2013-14, the agricultural labourer was earning only 70 per cent of the daily wages earned by those working with a carpenter as well as a mason (GoI, 2015). Most of these workers are not able to make both ends meet and live below the poverty line. Most of these workers are asset poor (Basole and Basu, 2009) and also belong to socially marginalised groups (Deshpande et al., 2001) and hence they constitute the greatest segment of rural poor. As their earnings are lower than their consumption expenditure, they have to depend upon borrowings from the landlords, moneylenders or other non-institutional sources. Their

access to institutional sources is usually minimal due to the absence of any collateral. As a mechanism of exploitation, social differentiation and labour control, debt continues to be a defining feature of rural lives (Fairbairn et al., 2014). All agrarian relations and modes of exploitation are reflected through the extent and composition of debt in any agrarian society. The debt taken through non-institutional sources is an important method of surplus extraction and its redistribution without participating in its generation. It perpetuates the semi-servile conditions of the agricultural labourers by reducing their freedom to attain an alternative occupation with a different employer, thus creating the conditions of bonded labour which are an essential characteristics of the semi-feudal society (Prasad, 1974). This informal credit system or the debt in itself is a mechanism which is interlocked with labour as well as product market which has a further bearing on not only the nature of employment of the indebted agricultural labourers but also their level of living. Hence, it is important to put together some of the insights on these issues. This paper has been divided in to seven sections. Apart from this introductory section, Section II gives data and methodology, Section III throws light on the income and consumption expenditure of the sampled agricultural labour households; Section IV shows the extent of poverty among them; Section V examine the extent and pattern of indebtedness among these households; Section VI discusses the determinants of their indebtedness and finally Section VII concludes the study and gives the policy suggestions on basis of its major findings.

II. Data and Methodology: This study is based on the primary survey of rural Punjab, a north Indian state. Through stratified random sampling method, this study has taken a sample of 301 agricultural labour householdsⁱ from three districts (one each from three different agro-climatic zones of the state). Out of these 301 selected labour households 159 (i.e. 53 per cent of the total selected households) are casual labourⁱⁱ households and 142 (47 per cent) are the contractual or permanent labour householdsⁱⁱⁱ. Standard statistical tools like mean values and proportions have been used while carrying out tabular analysis. For finding the impact of different determinants upon the incidence of indebtedness among the selected labour households, multiple regression analysis has also been used.

III. Income and Consumption Expenditure of the Agricultural Labour Households:

The agricultural labourers are placed at the bottom of the economic ladder. The uncertainty and irregularity of employment for this section of agrarian society leads to fluctuations in income as well. Their landlessness and lack of assets add to their woes as they do not have other alternative sources of earnings except hiring out their labour. Low and stagnant income along with fewer alternative employment opportunities has become a major reason of increasing indebtedness among the rural masses as these households find it hard to meet their consumption need through their meager income. Further, the pattern of consumption expenditure is also an important indicator of a family's standard of living. A greater proportion of the income being spent on food items reveals a lower level of expenditure on important non-food items such as education, health, entertainment etc. Since these items are helpful in raising human capabilities, a lower expenditure on these non food items lowers human capital formation and so lowers the earning capacity of the households. A greater share of total expenditure on food items is thus considered an indicator of persistent poverty (Engel, 1895, as cited in Stigler, 1954) as well as indebtedness. Hence, it is important to know about the income as well as the consumption pattern of these households. This can be observed from Table 1.

Table 1: Per Capita Income and Consumption Expenditure of Agricultural Labourers in Punjab: Category-wise

| | Casual Labour Household | Contractual Labour Household | All Sampled Labour Household |
|---|-------------------------|------------------------------|------------------------------|
| Per Capita Income, of which | 16245.25 | 21079.22 | 16735.22 |
| A. Income from hiring out labour in agriculture | 14559.87 (89.10) | 19973.82 (93.78) | 15210.80 (90.89) |
| B. Income from hiring out labour in non-farm rural sector | 1048.86 (6.42) | 748.47 (3.51) | 901.64 (5.39) |
| Per Capita Consumption Expenditure | 19320.38 | 18393.08 | 18865.91 |
| A. Nondurables | 11011.74 (57.00) | 10689.27 (58.12) | 10853.70 (57.53) |
| B. Durables | 826.51 (4.28) | 2133.37 (11.60) | 1467.00 (7.78) |
| C. Services | 3714.67 (19.23) | 3229.29 (17.56) | 3476.78 (18.43) |
| D. Socio-Religious Ceremonies | 3767.47 (19.50) | 2341.16 (12.73) | 3068.43 (16.26) |
| Average Propensity to Consume | 1.19 | 1.04 | 1.12 |

Source: Field Survey, 2015-16

Figures in bracket show percentage out of their respective totals.

The Table demonstrates that the per capita income of the sampled agricultural labour households is Rs. 16735.22. It is higher for the contractual labour households (Rs. 21079.22) than the casual ones (Rs. 16245.25). We can also see that the primary source of income in case of these households is from hiring out labour in agriculture with a proportion of 90.89 per cent. This proportion is 93.78 per cent for the contractual labour households as compared to 89.10 per cent for the casual labour households while the income from hiring out labour in the rural non-farm sector constitutes merely 5.39 per cent of the total income of the sampled agricultural labour households. The proportion of income from this source is higher for the casual labour households (6.42 per cent) than the contractual labour households (3.51 per cent). On the other hand, the per capita expenditure for all the sampled agricultural labour households is Rs. 18865.91 which is higher for the casual labour households (Rs. 19320.38) than that of the contractual labour households (Rs. 18393.08). Out of this total consumption expenditure by the sampled households, 57.53 per cent of its total annual consumption expenditure upon nondurable items, 7.78 per cent on durable items, 18.43 per cent on services and 16.26 per cent on socio-religious ceremonies. Thus, the non-durable items constitute the major consumption expenditure of this segment of rural population. This leaves them with fewer resources to spend upon education, health and other items of human capital formation. These households actually struggle hard to make both ends meet. Their total consumption expenditure always falls short of their total income. This is confirmed by a higher propensity to consume which has been found to be 1.12 for all the sampled households. These households spend more than their average income on consumption expenditure and that the situation is worse for the casual labour categories as we can observe that the average propensity to consume for the casual labour households is 1.19 as compared to 1.04 for the contractual labour households. This indicates that while the contractual labour households can almost cover their consumption expenditure from their income or say fall a little short of it, the casual labour households find it hard to do so. The casual labour households are found to spend 119 per cent of their income which means that they have to borrow to meet their consumption expenditure out of which the

major amount is spent on non-durable food items. Hence, it is difficult to curtail consumption expenditure. Thus, due to low income, these households are forced to borrow from others to make both ends meet. On the other hand, the contractual labour households are spending about 4 per cent above their average level of income. It does not mean that their consumption level is very high but it is due to low level of income as a majority of these workers are already living below the poverty line. The incidence of poverty among the sampled workers can be observed in the next section.

IV. Extent of Poverty among the Agricultural Labourer in Rural Punjab: The State of Punjab is one of the most affluent states of India with high agricultural productivity. This state also boasts of a low poverty ratio. During 2011-12, only about 8 per cent of the population in Punjab was below the poverty line as compared to around 22 per cent in the national average. The rural poverty in the state is even lower (7.66 per cent) (<http://planningcommission.nic.in/data>, as visited on 30th July 2017). However, close to half of the agricultural labourers in rural Punjab have been found to be below the poverty line, and this ratio is higher in high poverty zones (Bhandari and Chakraborty, 2015). Though, poverty is simply defined as the inability of an individual to satisfy certain basic minimum needs for a sustained, healthy and reasonable level of living, but there are a large number of issues associated with the estimation of poverty in the country using the official poverty line that needs to be given serious consideration. However, the debate on the measurement of poverty line still rages on. The poverty prevailing among the agricultural labour households in rural Punjab has been analysed on the basis of the following criteria:

1. THE EXPERT GROUP CRITERION

The poverty line worked out by the Expert Group (GOI, 1979) is Rs. 49.09 (rounded to Rs. 49.0) monthly per capita expenditure at 1973-74 prices for the rural areas. However, for this study, the poverty line has been estimated by using the general consumer price index for the agricultural labourers for the year 2015-16 (GOI, 2016). The poverty line comes to be Rs. 25683.84 per capita, per annum. The agricultural labourers having per capita income and consumption expenditure below this level have been considered as poor households.

2. THE 50 PER CENT OF THE STATE PCI CRITERION

In this method, we define or draw the poverty line by taking 50 per cent or half the per capita income (PCI) level of the state. Punjab's per capita income at current prices for the year 2015-16 was Rs. 114561 (GoP, 2016). The formula for finding the per capita income of persons who will fall below the poverty line can be worked out as follows:

$$\begin{aligned}\text{Cut-off income} &= \text{PCI of State}/2 \\ &= \text{Rs. } 1,14,561/2 \\ &= \text{Rs. } 57280.50/- \text{ (per capita, per annum)}\end{aligned}$$

3. THE 40 PER CENT OF THE STATE PCI CRITERION

In this method, we take 40 per cent of the per capita income of the state instead of 50 per cent, and we draw the poverty line as follows.

$$\begin{aligned}\text{Cut-off income} &= \text{PCI of State}/100 \times 40 \\ &= \text{Rs. } 114561/100 \times 40 \\ &= \text{Rs. } 45824.40/- \text{ (per capita, per annum)}\end{aligned}$$

Using these thresholds on income as well as consumption expenditure, the incidence of poverty among the sampled households can be observed from Table 2.

Table 2: Percentage of Agricultural Labourers Living Below the Poverty Line: Category-wise

| Criterion | Categories | | | | | |
|--|-------------------------|------------------------------|------------------------------|-------------------------|------------------------------|------------------------------|
| | Casual Labour Household | Contractual Labour Household | All Sampled Labour Household | Casual Labour Household | Contractual Labour Household | All Sampled Labour Household |
| | Income Poverty | | | Consumption Poverty | | |
| Expert Group (Poverty Line Rs. 25683.84 Per Capita Income, Per Annum) | 89.16 | 87.88 | 88.53 | 79.13 | 84.10 | 80.07 |
| 50 Per Cent of the State PCI (Poverty Line Rs. 57280.50 Per Capita Income, Per Annum) | 99.73 | 100.00 | 99.67 | 97.59 | 99.72 | 98.01 |
| 40 Per Cent of the State PCI (Poverty Line Rs. 45824.40 Per Capita Income, Per Annum) | 99.20 | 98.20 | 98.34 | 95.98 | 98.33 | 96.01 |

Source: Field Survey, 2015-16.

Table 2 represents the income based incidence of poverty among the agricultural labour households and its categories in the rural areas of Punjab. On the basis of the Expert group criterion, 88.53 per cent of the population belonging to the sampled agricultural labour households are living below the poverty line and this proportion is 89.16 per cent

for the casual labour households and 87.88 per cent persons for the contractual labour households. At a poverty line with 40 per cent of state per capita income, we can observe that 98.34 per cent of the total population belonging to the agricultural labour households can be termed as poor. This proportion is 99.20 per cent for the casual labour households and 98.20 per cent for the contractual labour households. By taking the poverty measure of 50 per cent per capita income of the state, nearly all of the members belonging to the agricultural labour households come under the poverty line. By using the Expert Group method and the poverty line at 40 per cent of state per capita income, the proportion of the poor among the casual labour households is higher than that of the contractual ones, while in case of poverty line at 50 per cent of state per capita income, the proportion of poor become greater for the contractual labour households than the casual ones. On the other hand, in case of consumption based poverty measures, the incidence of poverty is lower than those obtained by using the income based measures. This is due to the fact that these households meet their consumption needs through borrowings. As we have already seen that their average consumption expenditure is higher than their average income leading to lower consumption based poverty rates. However, going by any measure, we can say that a big majority of the agricultural labour households in Punjab are living below the poverty line. Due to low income and mounting expenditure, they generally have to rely upon borrowings. Since they do not have sufficient physical assets to present as the collateral for borrowings from the formal market, they generally depend upon informal sources for the same. The exorbitant rates of interest in the informal market of rural areas act as a mechanism of exploitation of this economically deprived occupational group. These factors go a long way in keeping the agricultural labourers under persistent poverty. In fact, mounting burden of debt has acquired serious dimensions in recent times in Punjab which has claimed many lives of these impoverished people (Sharma, 2005). Actually, the main focus of the current discourse on agrarian crisis and loan waivers is upon the farmers and the poorest segment of the agrarian society, i.e. the agricultural labourers are generally forgotten (Deshpande and Shah, 2007). It is they who bear the maximum brunt due to increased uncertainty of employment as well as earnings. Another factor working against them is that they are not covered by any social security scheme (NCEUS, 2007). This is the main reason behind the fact that they constitute the biggest

proportion of the rural poor (IHD, 2014). Their woes have increased as the economy is being globalised and the institutional supports are being withdrawn from the agricultural sector. This has led to a crisis like situation in the state. Hence, in the current scenario, it is important to examine the extent and structure of indebtedness among the agricultural labour households as well.

V. Extent and Pattern of Indebtedness among the Agricultural Labourer in Rural Punjab:

In Table 3, we can have an overview of the extent of indebtedness among the agricultural labour households along with their different categories, i.e. the casual labour households and the contractual labour households.

Table 3: Extent of Debt among Agricultural Labour Households: Category-wise

| Categories | No. of Households | | Indebted Households as Percentage of Sampled Households | Average Amount of Debt (Rs.) | |
|------------------------------|-------------------|----------|---|------------------------------|------------------------|
| | Sample d | Indebted | | Per Sampled Household | Per Indebted Household |
| Casual Labour Household | 159 | 123 | 77.36 | 48380.50 | 62540.65 |
| Contractual Labour Household | 142 | 118 | 83.10 | 61795.77 | 74364.41 |
| All Labour Households | 301 | 241 | 80.07 | 54709.30 | 68329.88 |

Source: Field Survey, 2015-16.

The Table shows that out of the total sampled households of the agricultural labourers, 80.07 per cent are indebted. However, the incidence of indebtedness is higher among the contractual labour households as compared to the casual labour households. The Table reveals that out of the contractual labour households, 83.10 per cent are indebted as compared to 77.36 per cent for the casual labour households. As far as the extent of indebtedness among the agricultural labour households in Punjab is concerned, we can notice that average debt per sampled household is about Rs. 54709 and the debt per indebted household is about Rs. 68330. The amount of debt is higher among the contractual labourers as compared to the casual labourers. The average debt per sampled household for contractual labourers is about Rs 61796 and per indebted household is Rs 74364 vis-à-vis Rs 48381 and Rs 62541, respectively per sampled household and per indebted household for the casual labourers. Thus, the nature of the labour contract clearly affects the amount a labourer can raise from the rural credit market. The regularity

of the job is assumed to ensure a greater repaying capacity and hence a higher amount of loans. This fact results in the casual labourers getting lower amount of loans as compared to the contractual ones.

As far as the source of the debt is concerned, the asset poor labour households are generally found to be borrowing more from non-institutional sources like landlords, money lenders and traders as they do not have adequate collateral which is necessary to borrow from institutional sources. Thus, their exclusion from the asset ownership leads to their exclusion from organised capital market as well. This is confirmed by the source-wise distribution of debt among the sampled labour households (Table 4).

Table 4: Debt Incurred from Different Credit Agencies: Category-wise

| Source of Debt | Casual Labour Household | Contractual Labour Household | All Sampled Labour Household |
|---|------------------------------|------------------------------|------------------------------|
| Institutional Sources | | | |
| Primary agricultural cooperative societies/co-operative banks | 2748.43 (5.68) | 788.73 (1.28) | 1823.92 (3.33) |
| Commercial banks | 2849.06 (5.89) | 2464.79 (3.99) | 2667.77 (4.88) |
| Sub-total | 5597.48 (11.57) | 3253.52 (5.26) | 4491.69 (8.21) |
| Non-institutional Sources | | | |
| Money-lenders | 1534.59 (3.17) | 1619.72 (2.62) | 1574.75 (2.88) |
| Traders | 5949.69 (12.30) | 4260.56 (6.89) | 5152.82 (9.42) |
| Large farmers | 25867.92 (53.47) | 49669.01 (80.38) | 37096.35 (67.81) |
| Relatives and friends | 9430.82 (19.49) | 2992.96 (4.84) | 6393.69 (11.69) |
| Sub-total | 42783.02 (88.43) | 58542.25 (94.74) | 50217.61 (91.79) |
| Total | 48380.50 (100.00) | 61795.77 (100.00) | 54709.30 (100.00) |

Source: Field Survey, 2015-16

Figures in bracket show percentage out of their respective totals.

The table shows that out of per household debt of about Rs. 54709, the amount raised through institutional sources is merely Rs. 4492 (8.21 per cent) and the remaining Rs. 50217 (91.79 per cent) is raised from non-institutional agencies such as money lenders, traders and large farmers. Interestingly, the amount borrowed by the casual labourers from institutional sources is higher than that of the contractual labourers in absolute as

well as percentage terms. It can also be observed that the large farmers lend a greater amount of money to their contractual labourers as compared to the casual workforce working in their fields. After the large farmers, the casual labourers rely more on their friends and relatives, while in case of the contractual labourers the next important source of borrowings is from the traders. Greater reliance upon large farmers for borrowings reflects a continuous process of exploitative relationships between the landed/proprietary class and the landless toiling masses. It transforms itself into bonded labour, low wages and low bargaining power of the latter and thus the unorganised credit market finds its ways to control the labour as well as goods market.

Table 5: Pattern of Debt according to the Rate of Interest: Category-wise
(Percentage of Total Debt)

| S.NO | Categories | Rate of Interest | | | | | | TOTAL |
|------|--------------------------------|------------------|---------------|----------------|-----------------|-----------------|-----------------|--------------|
| | | 0 | 1 to 7 | 8 to 14 | 15 to 21 | 22 to 28 | Above 29 | |
| 1. | Casual Labour Household | 19.53 | 8.09 | 4.62 | 12.21 | 49.48 | 6.06 | 100.00 |
| 2. | contractual labour household | 2.77 | 6.47 | 5.74 | 28.63 | 54.74 | 1.64 | 100.00 |
| 3. | All Labour Households | 11.16 | 7.28 | 5.18 | 20.41 | 52.11 | 3.86 | 100.00 |

Source: Field Survey, 2015-16

The distribution of debt according to the institutional and non-institutional agencies largely influences the distribution of debt according to the rate of interest at which the money in the rural credit market is lent/borrowed. If the share of non-institutional sources is higher, the rate of interest is generally higher. Table 5 shows that more than half of the amount borrowed is raised at the rate of interest between 22 and 28 per cent. In this category, a greater proportion is borrowed by the contractual labourers as compared to their casual counterparts. It has been found that about 72 per cent of the total debt incurred by labour households in rural Punjab the interest charged is between 15 and 28 per cent which is very high. The contractual labourers who largely rely on large farmers and traders for their borrowings, raise almost 83 per cent of their total borrowing at this exorbitant range of rate of interest, while for the casual labourers, it is about 62 per cent. Although, about 20 per cent of the total debt by the casual labourers is at zero or negligible rate of interest, yet it also raises about 6 per cent of its borrowings at a rate 29 per cent and above. Thus, we can observe that a considerable amount of the total debt by the agricultural labour households is taken at very exorbitant rates. This is likely to

hamper their repaying capacity. The persistence of this debt across the generations has a long lasting effect upon the livelihood strategies of the indebted families.

The repaying capacity of the indebted households is also governed by the utilisation of the debt. The purpose of the loan by the borrowers not only gives us an insight about their current plight but also provides an idea about their repaying capacity in future time periods. A loan for consumption purposes indicates that the borrowers are not able to meet even their consumption needs from their current incomes. Since these are unproductive loans as they do not increase the earning capacity of the borrowers, a greater share of loans for this purpose also indicates low paying capacity in future time periods unless the current economic conditions are changed.

**Table 6: Pattern of Debt according to Purpose: Category-Wise
(Percentage of Total Debt)**

| S.NO . | Purpose | Casual Labour Household | Contractual Labour Household | All Sampled Labour Household |
|--------|--|-------------------------|------------------------------|------------------------------|
| 1. | Farm Inputs & Machinery | 0.40 | 0.56 | 0.49 |
| 2. | Marriages and other Socio-Religious Ceremonies | 38.05 | 28.10 | 32.63 |
| 3. | House Construction | 4.47 | 12.16 | 8.65 |
| 4. | Domestic Needs | 32.83 | 38.82 | 36.09 |
| 5. | Health Care | 19.99 | 17.13 | 18.43 |
| 6. | Livestock | 0.40 | 1.23 | 0.85 |
| 7. | Educational Purpose | 1.87 | 1.34 | 1.58 |
| 8. | To Purchase Land | 2.00 | 0.67 | 1.28 |
| | TOTAL | 100.00 | 100.00 | 100.00 |

Source: Field Survey, 2015-16

In Table 6, we can notice that the maximum amount of debt is taken for meeting domestic needs. This is followed by the debt for marriages and other socio-religious ceremonies and then by health care. The table clearly shows that the domestic needs, health care and socio-religious ceremonies are the main purposes for which the agricultural labour households have to borrow. Both the categories of labour households use more than 80 per cent of their total debt for these purposes. In the discussion so far, we have observed the incidence as well as the burden of debt on agricultural labour household in Punjab. Since a considerable proportion of this debt is raised at a very high rate of interest and is used to meet daily expenses; it points towards a very alarming situation. These results

indicate that most of these labour households earn so little that they are unable to meet their bare domestic needs. Higher cost of the credit further adds to their expenses manifold, leading to sale of assets which further jeopardizes their capacity to earn as it not only reduces the size of the physical assets but also leads to a decline in investment in terms of human capital which pushes them deeper into the morass of poverty and indebtedness across the generations. Therefore, an urgent need is felt to provide institutional support to mitigate the dual problem of low earnings and mounting debt. For this purpose, firstly it is important to explore the repaying capacity and the burden of debt among these households in the different regions of the state as well as among the different categories of the labourers. Hence, a few ratios have been calculated and given in Table 7. These ratios provide a glimpse of the labourers' resources to repay their debt. Here, it must be kept in mind that the labour households are generally landless or near landless (that is why they are working on fields of other's). Therefore, the assets show the value of the house and other durable assets; savings are simply a difference of their household expenditure and household income in a year.

Table 7: Ratio of Debt to Assets, Savings, Household Size and the Earning Members

| Category | Debt-asset ratio | Debt-saving ratio | Average debt per household member | Debt per earning member |
|------------------------------|------------------|-------------------|-----------------------------------|-------------------------|
| Casual Labour Household | 0.28 | 5.07 | 10297.86 | 27102.08 |
| Contractual Labour Household | 0.40 | 1.07 | 12285.88 | 42207.01 |
| All Sampled Labour Household | 0.34 | 1.59 | 11240.61 | 36675.95 |

Source: Field Survey, 2015-16

We can observe from this Table that for all the labour households in Punjab, about 34 per cent of their assets would be needed to pay off their current debt which means 159 per cent of their annual savings. In per capita terms, it indicates an unbearable debt burden of Rs. 11241 per member of the labour household or Rs. 36676 per earning member of the household. This amounts to more than Rs. 3000 per month which is beyond the capacity of a poor household incurring debt even to meet its daily needs. Any contingency of life pushes it deeper down the poverty line. The existing debt comprises respectively, 28 per cent and 40 per cent of the household assets of the casual and the contractual labour households. Ironically, its repayment means 507 per cent and 107 per cent of the annual

household savings of the casual and contractual labour households, respectively. The burden of debt in case of the casual labourers is Rs. 10298 per member of the household and Rs. 27102 per earning member of the family while in case of the contractual labour households, it amounts to be Rs. 12286 per member and Rs. 42207 per earning member of the family. This means that every earning member of the casual labour households will have to spare about Rs. 2250 per month out of their earnings and the same amounts to be Rs. 3500 for every earning member belonging to contractual labour household.

VI. DETERMINANTS OF INDEBTEDNESS

The incidence of indebtedness, as well as its extent within a specific population group, is influenced by various individual as well as macro socio-economic factors. The related literature suggests that the level of debt can be affected by the family size and its composition, income, expenditure, education, caste, region, availability and source of debt etc. Hence in this chapter, an attempt has been made to find the impact of different variables on the level of debt among the agricultural labour households. For this purpose log linear multiple-regression method has been used to analyse the relative indebtedness of the different agricultural labour categories in the selected regions as given below:

Where, Y= Indebtedness (Rs.)

$$Y = f(X_1, X_2, X_3, X_4, X_5)$$

X₁= Family Size

X₂= Ratio of debt from non-institutional sources to that from all sources (institutional as well as non-institutional)

X₃= Income from subsidiary occupations other than the main occupation (Rs.)

X₄= Educational level of the decision-maker of the family (dummy)

X₅=Proportion of the dependent members in the family.

The results of this functional relationship can be observed from Table 8. The Table gives the determinants of indebtedness among the agricultural labourers in rural Punjab.

Table 8: Factors Determining Indebtedness among Agricultural Labour Households
(Results of Multiple Regression Analysis)

| Sl. No | Factors | Casual Labour Household | Contractual Labour Household | All Sampled Labour Household |
|--------|-------------|-------------------------|------------------------------|------------------------------|
| 1. | Family size | 0.082 | -0.304 | 0.030 |

| | | | | |
|----|---|----------|----------|----------|
| 2. | Ratio of debt from non-institutional sources to all sources | 0.627*** | 0.846*** | 0.726*** |
| 3. | Income from subsidiary occupations | 0.000 | 0.079 | 0.027 |
| 4. | Educational level of the head of family | 0.063 | 0.014 | 0.071* |
| 5. | Proportion of dependent members | 0.085 | -0.042 | 0.019 |
| | R ² | 0.422 | 0.705 | 0.531 |

Source: Field Survey, 2015-16

* Significant at one per cent

** Significant at five per cent

*** Significant at ten per cent

The Table shows that for the state as a whole, the explanatory variables depict about 53 per cent of the variation in the dependent variable that is the level of indebtedness. But among the independents, it has been found that the ratio of the debt from non-institutional sources to all the sources is the most influential factor determining the level of indebtedness among the agricultural labour households in rural Punjab. It has been found to be positively associated with the level of indebtedness in the state. This indicates that the lower access of the agricultural labourers to institutional sources of debt or a higher ratio of their debt from non-institutional sources increases their level of indebtedness. This is equally true for the casual as well as contractual labourers. Interestingly, for the state as a whole, the education level of the head of the family has been found to be positively influencing the level of indebtedness among the agricultural labourers, but it is weakly related, though statistically significant.

VII. Conclusions and Policy Suggestions: To sum up, we can say that during the current situation of the agrarian crisis in the state, the agricultural labourers are living in a deplorable conditions - their income level is too low to cover their domestic needs. This has led to a higher incidence of poverty and indebtedness among them. We have seen that a greater proportion of the debt has been raised for consumption purposes only. Since for the last few decades, the state support to the agricultural sector is being curtailed leading to a crisis like situation in this particular sector, the agricultural labourers are the first to suffer. The sluggish state in agriculture has not only led to stagnation in real wages of the agricultural labourers but also fragmentation of land holdings which means that the agricultural labourers in the state are now working on reduced size of farms which further constraints their bargaining strength. At the same time, the structural transformation in the state is slower as compared to the other states in the top income bracket of the country.

Thus, the agricultural labourers in rural Punjab keep working on nearly stagnant real wages due to lack of other better alternative employment opportunities. This means that they keep working under adverse economic conditions without any employment and income security. We have observed that the level of indebtedness among the agricultural labour households is positively associated with the ratio of non-institutional to institutional loans.

This points towards very important policy strategies. In this regard, the most important thing to do is to extend the scope of agricultural loans to the agricultural labourers as well. There should be an emphasis on generation of more of non-farm activities in the rural areas, especially during the off-season to enable them to augment their income. Banks and other financial institutions have to come forward to finance these activities to the people who are unable to provide any collateral. Actually, the real financial inclusion will be possible only if this stratum of rural population is adequately covered. For this purpose, the micro finance programmes at a low rate of interest should be promoted at the village level. But this needs an intense vigilance through the nationalised banks so that the private parties may not exploit them. Apart from it, there should be a strict vigil upon local money-lenders and other non-institutional agencies regarding the rate of interest they charge from their clients. Any complaints regarding exploitative practices being followed by these agencies should be strictly dealt with.

As we have observed that the gap in income and expenditure is the main reason behind the incidence of indebtedness in the agricultural labour households, there is a need to work on both the aspects. On the income side, apart from encouraging the non-farm subsidiary activities, there is also a great need to enforce the payment of minimum wages to this section of the rural society and there are also suggestions to ensure the proper implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). But we need to delve deep into the problem of rural indebtedness before making these suggestions. The successful implementation of MGNREGA and strict implementation of Minimum Wage Act is definitely essential and will also help in reducing the incidence as well as the extent of indebtedness among the agricultural labour households, but it also acts as a double edged sword. The experience of many states has revealed that the implementation of MGNREGA and enforcement of the Minimum Wage

Act leads to an upward pressure on wages which is undoubtedly good for the labourers but it also leads to an increase in the cost of production and hence pinches the cultivators hard, especially the marginal and the small farmers. Hence, the benefit of one section of the society would be at the cost of the other who are not competitors but need each other. For agricultural labourers also, this may reduce their demand due to increased wages and they may not turn into net beneficiaries if the increase in wages is too high on average profitability of the agricultural sector. Therefore, there is a need for a well co-ordinated policy which along with taking care of the implementation of MGNREGA and strict enforcement of Minimum Wage Act, should also work on remunerative procurement prices of the crops which leave sufficient returns to farmers to save them from further indebtedness. Thus, implementation of MGNREGA and enforcement of Minimum Wage Act cannot work without revisions in procurement prices of agricultural products. We have also seen that for the agricultural labour households, the second most important purpose of raising loans is health care. Actually, with irregular and low income and without any assets and social mechanism to fall upon in the times of contingencies of life, taking loans from non-institutional sources is the only option for these households. This points towards the need of a well-knit social protection system which should take care of health expenditures as well as the temporary and permanent disabilities of the individuals working in the informal sector in general and agricultural sector in particular. Moreover, all the movements on the implementation of land reforms and organising the rural masses against the irrational policies of the government towards agriculture generally bypass the interests of the agricultural labourers. Hence, the unions and other bodies fighting for the interests of the agricultural production sector should include agricultural labourers not only in the process of land reforms but also in other issues which are detrimental to the agricultural sector. In the broader perspective, the interests of the farmers and the agricultural labour households are common and any policy which favours one and is against the other, is actually against the common interests of the agricultural sector in the long run as both sections of the rural society suffer together and so can prosper together only if there are well coordinated agricultural policies serving the common interests of all the sections of agricultural communities.

References:

- Basole, A. and Basu D. (2009). Relations of Production and Modes of Surplus Extraction In India: An Aggregate Study. *Working Paper 2009-12*. Department of Economics. University Of Massachusetts. Amherst.
- Bhandari, L. and Chakraborty, M. (2015). Poverty Grid: Punjab. liveMint <http://www.livemint.com/Politics/ZxjmcAwSJPv6p6LOkdqjII/Poverty-grid-Punjab.html>, as accessed on July 30th, 2017.
- Deshpande, R.S., Jyotishi, A. and Narayananamoorthy, A. (2001). Indebtedness among Agricultural Labourers from Deprived Castes: Towards an Explanation. *Artha Vijnana* 43(1-2): 159-172.
- Deshpande, R.S. and Shah, K. (2007). Agrarian Distress and Agricultural Labour. *The Indian Journal of Labour Economics*. 50(2): 257-72.
- Engel E. (1895). Die Lebenskosten Belgischer Arbeiter-Familien Fruher and Jetzt, *International Statistical Institute Bulletin*, 9: 1-74.
- Fairbairn, Madeleine Jonathan Fox, S. Ryan Isakson, Michael Levien, Nancy Peluso, Shahra Razavi, Ian Scoones and K. Sivaramakrishnan. (2014). Introduction: New directions in agrarian political economy. *The Journal of Peasant Studies*: 41(5): 653–666.
- GoI (1979). *Report of the Task Force on Projection of Minimum Needs and Effective Consumption Demands Perspective*. Planning Division, Planning Commission. Government of India, New Delhi.
- GoI (2015). Wage Rates in Rural India 2013-14. Government of India. Ministry of Labour and Employment. Labour Bureau. Shimla/Chandigarh.
- GoI (2016). *Economic Survey of India, 2015-16*. Government of India, New Delhi.
- GoI (2017). *Agricultural Statistics at a Glance 2016*. Government of India, Ministry of Agriculture & Farmers Welfare. Department of Agriculture, Cooperation & Farmers Welfare. Directorate of Economics and Statistics. New Delhi.
- GoP (2016). *Statistical Abstract of Punjab, 2015-16*. Government of Punjab, Chandigarh.
- Government of India (2011). Census of India. <http://www.censusindia.net>
- Government of Punjab (2014). *Punjab Statistical Abstract*.

IHD (2014). *Indian Labour and Employment Report, 2014*. Institute for Human Development. New Delhi.

Mehta, R. (2011). Statistics on Farmers and Farm Management for furthering synthesis of agricultural development and related policy analysis. Paper for 4th Meeting of Wye City Group on Statistics on Rural Development and Agriculture Household Income, 9th – 11th November, Brazil.

NCEUS (2007). *Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector*. National Commission for Enterprises in the Unorganised Sector. New Delhi.

Parthasarthy, D. (2014). Agriculture, Technology, Livelihoods and Employment: Debates, Issues, and Concerns. *Jobs and Livelihoods: Mapping the Landscape*. Social Sciences. IRIS Knowledge Foundation. Mumbai.

Prasad, Pradhan (1974). Reactionary Role of Usurer Capital in Rural India. *Economic Political Weekly*. 9 (32-33-34): 1305-08.

Ramachandran, V. K. and Madhura S. (2002). Introduction. In *Agrarian Studies: Essays on Agrarian Relations in Less-Developed Countries*, eds. V. K. Ramachandran and Madhura Swaminathan. New Delhi: Tulika Books.

Sahay, Gaurang R. (2016). Globalisation, Liberalisation and Agrarian Distress: A Study of Suicides among Farmers in India. A paper presented at 6th Global Labour University Conference, Berlin.

Sharma, H. R. (2005). Economic conditions of agricultural labour households in 1990s: a state level analysis of wage earnings and indebtedness. *Indian Journal of Labour Economics*, 48(2), 425-436.

Sidhu, H.S. (1988). Wage Determination in the Rural Labour Market: The case of Punjab and Haryana. *Economic and Political Weekly*, 23 (52/53): 147-150.

Singh, Sukhpal and Bhogal, S. (2016). The forgotten ones: Looking at agricultural labourers. *The Tribune*. May, 3.

Stigler G. J. (1954). The Early History of Empirical Studies of Consumer Behaviour, *Journal of Political Economy*, 62 (2): 95–113.

Venkatesh, P. (2013). Recent Trends in Rural Employment and Wages in India: Has the Growth Benefited the Agricultural Labours? *Agricultural Economics Research Review*. 26 (Conference Number): 13-20

Notes:

ⁱ **Agricultural Labour Household:** A household whose major source of income is agricultural wages.

ⁱⁱ **Casual Labourer:** A person casually engaged in others' farm and getting in return wages according to the terms of the daily or periodic work contract is a casual wage labourer.

ⁱⁱⁱ **Contractual Labourer:** In this survey, a contractual labourer is a person employed in agriculture all through the year under an informal contract. This contract is for the wage payments in cash and kind for all agricultural tasks throughout the year.