

Credit Availed and Income -Expenditure Pattern of Marginal and Small Farmers in South Western Punjab

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Abstract

The present study was designed to bring out the income and expenditure pattern of marginal and small farmers as well as extent of credit availed by them in debt and suicide prone South-Western Punjab during the period 2014-15. By using multistage random sampling technique, a total sample of 120 farmers covering two districts, four blocks and eight villages of South Western Punjab were taken for the ultimate analysis. The extent of average annual gross income earned by the sampled households came out to be Rs 283482 per household. The figures with respect to marginal and small farmers were estimated at Rs 198337 and Rs 368627 per household, respectively. The expenditure on food was the major cost item followed by education and intoxicants respectively. The results brought out that the extent of agricultural credit availed by the farmers during the last five years was higher in case of the small farmers (Rs 110001 per farm) as compared to marginal farmers (Rs 74333 per farm). Corresponding to marginal farmers, an amount of Rs 28833 and Rs 45500 per farm respectively was taken from institutional and non-institutional sources which accounted for 38.79 and 61.21 per cent of the total loan availed, while the respective figures in case of small farmers came out at 65.30 and 34.70 per cent, respectively. The per cent share of total loan used by marginal farmers for productive purposes came to be relatively low (41.93%) as compared to small farmers (48.79%).

Keywords: *Marginal and small farmers, Institutional agricultural credit, income and Expenditure pattern*

JEL Classification : *Q1, Q14, E02*

Introduction

The growing population, sub-divisions and fragmentation of land holdings and the changed family system from joint to nuclear families in rural areas has made the size of holdings smaller and smaller. The marginal and small farmers account for nearly 84 per cent of the operational holdings in the country, cultivating about 44 per cent of the total area. This group is mainly embroiled in the vicious cycle of low saving and even dis-saving, low investment and low returns. Small holdings' agriculture is important for raising agriculture growth, food security and

livelihood in India. They have contributed around 70 per cent to the total production of vegetables, 55 per cent to fruits against their share of 44 per cent in land area (Birthal *et al.*, 2011). Their share in cereal production was 52 per cent and 69 per cent in milk production. Moreover, from efficiency point of view, small holdings were equal or better than large holdings (Dev, 2012).

Capital is the most crucial input in any industry and agriculture is no exception to it. Agricultural sector, in most of the developing countries, more so in India is primarily small farm agriculture characterized by low income, low levels of operating capital and low investment in depreciable assets (Kahlon and Singh, 1984). So, need for finance is a major element of

agricultural policy.

So far as, Punjab state is concerned out of 10.52 lakh total operational holdings, the number of marginal and small holdings was 1.64 lakh (15.62%) and 1.95 lakh (18.57%), respectively (GoP, 2014). The area operated by these categories is 6.78 and 2.54 per cent respectively. The average size of land holdings in state is 3.77 hectares. The National Sample Survey Organisation found that Punjab farmers were the most heavily indebted (65.4 per cent) as the average debt per farm household was the highest amongst all the states of the country. The indebtedness of the marginal and small farmers, whose economic base was poorer, increased faster than their repaying capacity (Singh *et al.*, 2008). The evidence of distress has further manifested in the form of depeasantisation in the state (Singh *et al.*, 2009).

The present study has been designed to focus on south-western region or cotton belt of the state. This region is most heavily indebted in Punjab agriculture. The average amount of debt per sample household was the highest i.e. Rs 266636 in this region (Singh *et al.*, 2008). Despite the fact that the average farm size in this region was the largest, the per hectare amount of debt Rs 64999 here was still the highest. Large farmers being more resourceful have more access to institutional credit as compared to small and marginal farmers, who have lesser access to formal sources of credit in the country. It was found in a study conducted by (Singh *et al.*, 2008) that south western region was indebted more to the non-institutional sources of credit (45.28 %) than central region (30.68 %) and semi-hilly region (36.77 %), respectively. In a study conducted by National Bank for Agriculture and Rural Development (NABARD) Chair unit at Punjab Agricultural University also highlighted that an average amount of debt per household i.e. 60.5 per cent was contributed by non-institutional sources in cotton belt of Punjab (Sidhu *et al.*, 2000). So, in the light of these facts and taking into account the importance of institutional credit, the present study was designed to bring out the Income and expenditure pattern as well as debt status of marginal and small farmers in south western of Punjab.

Data Sources and Methodology

Multi-stage random sampling technique was followed to draw a representative sample for the study. At the first stage, out of the six districts of cotton belt, two districts namely Bathinda and Sri Mukatsar Sahib were randomly selected. At the second stage, two blocks from each selected districts namely Lambi and

Gidderbaha from Mukatsar district and Talwandi Sabo and Rampura Phool from Bathinda district were selected at random. At third stage, two villages from each selected block were selected and hence total eight villages were selected to carry out the study. At the last stage of sampling procedure, fifteen farmers from each selected village were selected. Thus, a total sample of 120 farmers comprising 60 marginal farmers (having operational land holding upto 2.5 acres) and 60 small farmers (with operational land holding of >2.5 acres and up to 5 acres) as per standard classification of land holdings representing a suitable sample was drawn from the area under study.

Results and Discussion

Socio-economic parameters like age, family composition, education level, operational farm size, social status etc of the sampled respondents were the most important indicators affecting the decision making in various aspects of agriculture production process. The general status, power to take decisions of the individual in the society is greatly influenced by the age of the individual. Overall in the study area majority of the respondent farmers i.e. 55 per cent belonged to the age group of 45 to 60 years. Only 0.83 per cent of the total sampled famers belonged to relatively younger age group i.e. less than 30 years, while 8.33 per cent were more than 60 years old. Category-wise, the proportion of sampled farmers having age between 45 to 60 years was higher among small farmers (56.67%) as compared to marginal farmers (53.33%). On an overall basis, average size of operational holding on sampled farms came to be 2.78 acres. The average operational area in the case of marginal and small farms worked out to be 1.58 and 3.98 acres, respectively. The average family size constituted 5.16 members per household in the study area. Majority of the famers i.e. 45 per cent were found to be illiterate. One-fourth of the total sampled farmers attained education up to middle level. So far as cropping pattern is concerned cotton was the major crop in the kharif season being cultivated on 1.30 acres of land which constituted 23.38 per cent of the total cropped area. Basmati has emerged as second most important crop in the kharif season and occupied about 16 per cent of the total cropped area. In Rabi season, wheat was the major crop which covered about 46 per cent of the total cropped area. Fodder crop was cultivated only on 1.98 per cent of the total cropped area, while the vegetables and oilseeds crops in the Rabi season were cultivated on less than one per cent of the total cropped area.

Table 1. Farm Inventory of Sampled Farmers in South-western Punjab, 2014-15

Inventory	Marginal (n ₁ =60)		Small (n ₂ =60)		Overall (N=120)	
	Number	%age	Number	%age	Number	%age
Tractor	5 (0.08)	8.38	28 (0.49)	46.67	33 (0.28)	27.50
Trolley	2 (0.03)	3.34	17 (0.28)	28.33	19 (0.16)	15.83
Disc harrow	2 (0.03)	3.33	11 (0.18)	18.33	13 (0.11)	10.83
Cultivator	7 (0.11)	11.67	19 (0.32)	31.67	26 (0.22)	21.67
Electric motor	8 (0.13)	13.33	31 (0.52)	51.67	39 (0.33)	32.50
Diesel engine	27 (0.45)	45.00	46 (0.77)	76.67	73 (0.61)	60.83
Submersible pump	0 (0.00)	0.00	6 (0.10)	10	6 (0.05)	5.00
Generator	0 (0.00)	0.00	4 (0.07)	6.67	4 (0.03)	3.33

Figures in the brackets indicates the number per farm

Farm inventory in south-western Punjab

With increased number of mechanized operations and activities on the farm, the investment on farm machinery/implements also gained importance in south-western Punjab. In this regard, the magnitude of farm inventory has been presented in table 1. The results showed that out of the total 120 sampled farmers, 27.50 per cent owned tractor for cultivation. The average number of tractor operated per farm unit came out as less than one i.e. 0.28 on an overall farm situation, while it was very low on marginal farms (0.08) as compared to small farms (0.49). Small farmers being more resourceful, owned more number of farm equipments as compared to marginal farmers. None of the sampled marginal farmers was found to be having submersible pump or generator for irrigations

Table 1a. Value of Farm Investment of Sampled Farmers in South-Western Punjab, 2014-15

Farm Inventory	(Rs/farm)		
	Marginal	Small	Overall
Tractor	9213 (60.23)	63700 (65.26)	36456 (64.58)
Trolley	927 (6.06)	8854 (9.07)	4890 (8.66)
Disc harrow	417 (2.12)	2319 (2.38)	1368 (2.42)
Cultivator	642 (4.20)	1932 (1.98)	1287 (2.28)
Electric motor	1173 (7.67)	4583 (4.69)	2878 (5.10)
Diesel engine	2925 (19.12)	5175 (5.30)	4050 (7.17)
Submersible pump	0 (0.00)	8050 (8.25)	4025 (7.13)
Generator	0 (0.00)	3000 (3.07)	1500 (2.66)
Total investment	15296	97613	56454

Figures in the brackets indicate per cent to total

t-statistics=10.81* Significant at one per cent level of significance

purposes. In small farm category, the proportion of farmers having trolley, disc harrow, cultivators, electric motors, diesel engines, submersible pumps and generators was estimated to the tune of 28.33, 18.33, 31.67, 51.67, 10.00 and 6.67 per cent, respectively.

The extent of farm investment basically improves the operational efficiency of the farm and ultimately enhances the farm productivity. In this regard, an attempt has been made to evaluate the extent of investment on farm inventory on marginal and small farms in south western Punjab. The values have been presented in Table 1a. The average figure of farm investment on per farm basis was worked out to be Rs 56454 per farm on an overall farm situation, while this was only Rs 15296 per farm in case of marginal farmers and Rs 97613 per farm in case of small farm category. The t-test revealed that the extent of farm investment varied significantly among marginal and small sampled farmers. Major share in the total farm investment was contributed by investment on tractors. Overall in sample, nearly 65 per cent of the total investment was incurred on tractors. The proportion of other farm investment in total value of inventory like trolley, disc harrow, cultivators, electric motors, diesel engine, submersible pump and generators was found to be 8.66, 2.42, 2.28, 5.10, 7.17, 7.13 and 2.66 per cent, respectively. Category wise, the extent of farm investment on all the farm equipments and implements was found to be higher on small farm category as compared to marginal farms.

Source wise income pattern of sampled farmers

The results with respect to annual income of sampled farmers from different sources have been

Table 2. Source-wise Income Pattern of Sampled Farmers in South-western Punjab, 2014-15

Sources of income	(Rs/farm/annum)		
	Marginal	Small	Overall
Crops	82556 (41.62)	228052 (61.87)	155304 (54.78)
Dairying	39281 (19.80)	60639 (16.45)	49960 (17.62)
Off-farm work	51150 (25.79)	36167 (9.81)	43658 (15.40)
Service	12000 (6.05)	10933 (2.97)	11467 (4.04)
Pension	5050 (2.55)	7317 (1.98)	6183 (2.18)
Rented land	667 (0.34)	2667 (0.72)	1667 (0.59)
Hiring out machinery	3167 (1.60)	15833 (4.30)	9500 (3.35)
Others	4467 (2.25)	7020 (1.90)	5743 (2.03)
Total income	198337 (100.00)	368627 (100.00)	283482 (100.00)

Figures in the parenthesis indicates the percent to total
t-statistics=6.234* Significant at one per cent level of significance

presented in Table 2. The results showed that overall in the study area, the extent of average annual gross income earned by the sampled households from all sources came out to be Rs 283482 per household. Source-wise income generation analysis has shown that crop farming was the major source of income and more than 50 per cent of the total income (54.78%) was generated from this source alone. The extent of

Table 3. Household Expenditure Pattern of Sampled Farmers in South-western Punjab, 2014-15

Consumption items	(Rs/household/annum)		
	Marginal	Small	Overall
Food	33850 (44.86)	42250 (41.48)	38050 (42.92)
Education	10239 (13.57)	14283 (14.02)	12261 (13.83)
Intoxicants	8967 (11.88)	12583 (12.35)	10775 (12.15)
Medicines	4747 (6.29)	7290 (7.16)	6018 (6.79)
Electricity bill	4640 (6.15)	6347 (6.23)	5493 (6.20)
Vehicle	4723 (6.26)	8158 (8.01)	6441 (7.26)
Telephone bill	2828 (3.75)	3842 (3.77)	3335 (3.76)
LIC premium	1725 (2.29)	2183 (2.14)	1954 (2.20)
Miscellaneous (social ceremonies, functions etc)	3744 (4.96)	4916 (4.83)	4330 (4.88)
Total expenditure	75463 (100.00)	101853 (100.00)	88658 (100.00)

Figures in the parentheses indicate the percentage to total
t-statistics=4.175* Significant at one per cent level of significance

average annual income generated from dairying, off-farm work, services, pension, rented out land, hiring out of machinery and other sources estimated to the tune of Rs 49960, Rs 43658, Rs 11467, Rs 6183, Rs 1667, Rs 9500 and Rs 5743 per household which contributed 17.62, 15.40, 4.04, 2.18, 0.50, 3.35 and 2.03 per cent to the total income on total sampled farm households

The gross annual income of marginal and small farmers has been estimated at Rs 198337 and Rs 368627 per household, respectively. Category wise, the extent of average annual income earned from crop farming was higher among small farmers (Rs 228052 per household) than that of marginal farmers (Rs 82556) which contributed 61.87 and 41.62 per cent to the total income, respectively. Compared to small farmers, the share of total income generated from dairying, off-farm work, service, pension and other sources was higher among marginal farmers. The t-test indicates that the mean difference between the income earned by marginal and small farmers was highly significant as the value of t statistics (6.234) is very high than the table value. On the whole, it may be concluded that crop farming and dairying were the main sources of income of the sampled farmers as these sources together contributed more than 60 per cent of the total income in the south western Punjab. The extent and proportion of total income generated from off farm work by the marginal farmer was found to be very high as compared to small farmers.

Household expenditure pattern

The extent of annual expenditure of sampled farmers on various households' items of daily needs in south-western Punjab has been shown in Table 4. The results indicated that in the south-western area of Punjab state, average annual expenditure turned out to be Rs 88658 per household of total sampled farmers while the per farm extent of household expenditure on small farms (Rs 101853 per annum) was higher than that of marginal farmers (Rs 75463 per annum). The value of t statistics indicates that the expenditure pattern varied significantly across the marginal and small farms. Out of the total expenditure, the expenditure on food was the major cost item head and the average amount of expenditure incurred by the sampled households on it was estimated at Rs 38050 (42.92%) on overall farms, while the respective figures on marginal and small farms worked basis out as Rs 33850 (44.86%) and Rs 42250 (41.48%), respectively. On overall farm, the item wise extent of households expenditure incurred on education, intoxicants, medicines, electricity bills, vehicles,

Table 4. Purpose-wise and Source wise Extent of Loan Availed by the Sampled Farmers During Last Five Year in South Western Punjab (2010-11 to 2014-15)

Purpose	Marginal		Small		Overall	
	Amount	% to total	Amount	% to total	Amount	% to total
Productive purpose						
Institutional	20000 (69.36)	64.17	31667 (44.08)	59.01	25833 (51.32)	60.90
Non-institutional	11167 (24.54)	35.83	22000 (57.64)	40.99	16583 (39.64)	39.10
Sub-total	31167 (41.93)	100.00	53667 (48.79)	100.00	42417 (46.02)	100.00
Non-productive purpose						
Institutional	8833 (30.64)	20.46	40168 (55.92)	71.30	24501 (48.68)	49.25
Non-institutional	34333 (75.46)	79.54	16167 (42.36)	28.70	25250 (60.36)	50.75
Sub-total	43167 (58.07)	100.00	56334 (51.21)	100.00	49751 (53.98)	100.00
Total Loan						
Institutional	28833 (100.00)	38.79	71834 (100.00)	65.30	50334 (100.00)	54.61
Non-institutional	45500 (100.00)	61.21	38167 (100.00)	34.70	41833 (100.00)	45.39
Grand total	74333 (100.00)	100.00	110001 (100.00)	100.00	92167 (100.00)	100.00

Figures in the parentheses represent the percent share to the total loan in each category

telephone bills, LIC premium and miscellaneous items came to be Rs 12261, Rs 10775, Rs 618, Rs 5493, Rs 6441, Rs 3335, Rs 1954, and Rs 43320 per household accounted for 13.83, 12.15, 6.79, 6.20, 7.26, 3.76, 2.20 and 4.88 per cent to the total expenditure. Similarly, item wise proportion of total expenditure incurred on education, intoxicants, medicines, electricity bills, vehicles, telephone bills, LIC premium and miscellaneous items came to be 13.57, 11.88, 6.29, 6.15, 6.26, 3.75, 2.29 and 4.96, on marginal farms, while the respective figures on small farms estimated at 14.02, 12.35, 7.16, 6.23, 8.01, 3.77, 2.14, 4.83 per cent, respectively.

Extent of loans availed

This section has focused on the extent of loan availed and utilized by the sampled farmers. Source-wise and purpose-wise analysis was undertaken on the loans availed by the sampled farmers.

Purpose and source wise extent of loan availed by farmers

An indicated in Table 4 the extent of average amount availed by the sampled farmers during the last five years worked out to be Rs 92167 per farm in the study area. Out of the total loan, an amount of Rs

42417 per farm (46.02%) was utilized by the sampled farmers for productive purposes and Rs 49751 per farm (53.98%) was utilized for non-productive purpose, respectively. Source-wise, an amount of Rs 50334 and Rs 41833 per farm was borrowed from institutional and non-institutional sources which accounted for 54.61 and 45.39 per cent of the total loan availed respectively. The share of total non-institutional loan used for productive and non-productive purposes was estimated at 39.64 and 60.36 per cent, respectively. Category-wise, the extent of loan availed by the farmers during the last five years was higher in case of the small farmers (Rs 110001 per farm) as compared to marginal farmers (Rs 74333 per farm). Hence, for non-productive purposes the sampled farmers have preferred non-institutional agencies rather than institutional sources in the study area.

Source-wise loan availed by the sampled farmers for productive purpose

The results have been shown in Table 5 out of the total loan taken for productive purpose, the average amount of loan availed for purchasing farm equipments and implements during the last five years was found to be Rs 21417 per farm which accounted

Table 5: Source-wise Loan availed by the Sampled Farmers for Productive Purpose under Different Item Heads during the last five year in South-western Punjab, 2010-11 to 2014-15

(Rs/farm)

Purpose	Marginal		Small		Overall	
	Amount	% to total	Amount	% to total	Amount	% to total
Farm equipments and implements						
Institutional	5500	75.00	26500	74.65	16000	74.71
Non-institutional	1833	25.00	9000	25.35	5417	25.29
Sub-total	7333 (23.53)	100.00	35500 (66.15)	100.00	21417 (50.49)	100.00
Irrigation structures						
Institutional	14500	66.41	3833	29.49	9167	52.63
Non-institutional	7333	33.59	9167	70.51	8250	47.37
Sub-total	21833 (70.05)	100.00	13000 (24.27)	100.00	17417 (41.06)	100.00
Dairy animals and cattle shed						
Institutional	0	0.00	0	0.00	0	0.00
Non-institutional	1000	100.00	3833	100.00	2417	100.00
Sub-total	1000 (3.21)	100.00	3833 (7.14)	100.00	2417 (5.70)	100.00
Farm buildings						
Institutional	0	0.00	1333	100.00	667	57.14
Non-institutional	1000	100.00	0	0.00	500	42.86
Sub-total	1000 (3.21)	100.00	1333 (2.48)	100.00	1167 (2.75)	100.00
Total loan for productive purpose						
Institutional	20000	64.17	31667	59.01	25833	60.90
Non-institutional	11167	35.83	22000	40.99	16583	39.10
Grand Total	31167 (100.00)	100.00	53667 (100.00)	100.00	42417 (100.00)	100.00

Figures in the parentheses represent the percent share to the total loan

50.49 percent in the total loan amount of the sampled farmers. The extent of productive loans availed for upgrading farm equipments and implements, developing irrigation structures, dairy animals & cattle shed and farm buildings came out to be Rs 7333, Rs 21833, Rs 1000 and Rs 1000 per farm in case of marginal farmers, while the corresponding figures in the case of small farmers worked out Rs 35500, Rs 13000, Rs 3833 and Rs 1333 per farm, respectively.

Source-wise utilization of loan availed by the sampled farmers for non-productive purpose

The results pertaining to loan taken by the sampled farmers for non-productive purpose under different item heads are given in Table 6. Out of total unproductive loan, an average amount of loan on per farm basis for house construction was Rs 25167 which accounted for about 51 per cent to the total loan on an overall farm situation. The extent of loan on account of performing marriage ceremonies was estimated to the tune of Rs 18458 per farm household which

constituted about 37 per cent of the total unproductive loan. In case of marginal farmers, the extent of unproductive loan availed for the purpose of house construction, marriage ceremonies, education of the children and medical treatment has been worked out as Rs 20333, Rs 10833, Rs 2000 and Rs 4167 per farm household which constituted 47.10, 38.61, 4.63 and 9.65 per cent respectively to the total consumption purpose loan. Similarly, in the case of small farmers, the extent of unproductive loan taken for the purpose of house construction, marriage ceremonies, education of the children and medical treatment worked out Rs 30000, Rs 20250, Rs 2668 and Rs 3417 per farm household which constituted 53.25, 35.95, 4.74 and 6.06 per cent, respectively to the total non-productive loan availed. Contrary to the marginal farmers, institutional sources were preferred more by the small farmers as the share of institutional sources to the total unproductive loan with respect to all purposes except medical treatment was very high as compared to non-institutional sources.

Table 6. Source-wise Extent of Loan availed by the sampled farmers for non-productive purposes during the last five year in the South-western Punjab, 2010-11 To 2014-15

(Rs/farm/household)

Purpose	Marginal		Small		Overall	
	Amount	% to total	Amount	% to total	Amount	% to total
House construction						
Institutional	3000	14.75	20833	69.44	11917	47.35
Non-institutional	17333	85.25	9167	30.56	13250	52.65
Sub-total	20333 (47.10)	100.00	30000 (53.25)	100.00	25167 (50.59)	100.00
Marriage ceremonies						
Institutional	5833	35.00	16667	82.30	11250	60.95
Non-institutional	10833	65.00	3583	17.70	7208	39.05
Sub-total	16667 (38.61)	100.00	20250 (35.95)	100.00	18458 (37.10)	100.00
Education of children						
Institutional	0	0.00	2668	100.00	1334	57.15
Non-institutional	2000	100.00	0	0.00	1000	42.85
Sub-total	2000 (4.63)	100.00	2668 (4.74)	100.00	2334 (4.69)	100.00
Medical treatment						
Institutional	0	0.00	0	0.00	0	0.00
Non-institutional	4167	100.00	3417	100.00	3792	100.00
Sub-total	4167 (9.65)	100.00	3417 (6.06)	100.00	3792 (7.62)	100.00
Total loan for non-productive purpose						
Institutional	8833	20.46	40168	71.30	24501	49.25
Non-institutional	34333	79.54	16167	28.70	25250	50.75
Grand total	43167 (100.00)	100.00	56334 (100.00)	100.00	49751 (100.00)	100.00

Figures in the parentheses represent the percent share to the total loan in each category

Source-wise extent of seasonal/short term loan availed by sampled farmers

Seasonal and short term loan refers to the loan which was taken by the farmers for one season mainly for the purpose of variable inputs like seeds, fertilizers, pesticides etc. These are also referred to as crop loans. The status of sampled farmers with regard to short term loans has been given in Table 7. It was found that on total farm scenario, the extent of seasonal loan availed by sampled farmers was Rs 128125 per farm. Out of this total loan the relative share of *kharif* and *Rabi* season came to be about 56 and 44 per cent, respectively. The relative share of non-institutional sources (60.24%) was higher as compared to institutional sources (39.76%) in the total short term loan availed by sampled farmers. Among institutional sources commercial banks and cooperative institutions were actively engaged in extending short

term loan in the study area and the share of loan given by these institutions turned out to be 32.39 and 7.37 per cent, respectively. Similarly among non-institutional sources, the share of commission agents, landlord, relative and friends came out as 55.15, 4.18, and 0.91 per cent respectively to the total loan. Season-wise the per cent share of respective sources of finance to the total loan was more or less same but the extent of loan taken from these sources with respect to *kharif* season was more as compared to *Rabi* season in value terms.

In case of marginal farmers, during the *kharif* season the commercial banks lent 15.57 per cent of the total short term credit, while co-operative credit societies advanced only 7.81 per cent of the credit to the sampled farmers. Majority of the marginal farmers borrowed from non-institutional agencies because of easy availability of loans for both productive and non-productive purposes. The commission agents

Table 7. Source-wise Extent of Seasonal/short Term Loan availed by the Sampled Farmers in South Western Punjab, 2014-15

Source of loan	Marginal			Small			Overall		
	Kharif	Rabi	Total	Kharif	Rabi	Total	Kharif	Rabi	Total
A. Institutional sources									
Commercial bank	5250 (15.57)	4083 (13.87)	9333 (14.78)	40500 (36.60)	33167 (40.23)	73667 (38.15)	22875 (31.69)	18625 (33.30)	41500 (32.39)
Cooperative institutions	2633 (7.81)	2517 (8.55)	5150 (8.16)	7417 (6.70)	6317 (7.66)	13733 (7.11)	5025 (6.96)	4417 (7.90)	9442 (7.37)
Sub-total (A)	7883 (23.38)	6600 (22.42)	14483 (22.93)	47917 (43.30)	39483 (47.90)	87400 (45.26)	27900 (38.65)	23042 (41.19)	50942 (39.76)
B. Non Institutional sources									
Commission agent/Arthiya	21917 (65.00)	19167 (65.12)	41083 (65.06)	59833 (54.07)	40417 (49.03)	100250 (51.92)	40875 (56.62)	29792 (53.26)	70667 (55.15)
landlord	2667 (7.91)	2583 (8.78)	5250 (8.31)	2917 (2.64)	2533 (3.07)	5450 (2.82)	2792 (3.87)	2558 (4.57)	5350 (4.18)
Relative/friends	1250 (3.71)	1083 (3.68)	2333 (3.69)	0 (0.00)	0 (0.00)	0 (0.00)	625 (0.87)	542 (0.97)	1167 (0.91)
Sub -total (B)	25833 (76.62)	22833 (77.58)	48667 (77.07)	62750 (56.70)	42950 (52.10)	105700 (54.74)	44292 (61.35)	32892 (58.81)	77183 (60.24)
Grand total (A+B)	33717 (100.00)	29433 (100.00)	63150 (100.00)	110667 (100.00)	82433 (100.00)	193100 (100.00)	72192 (100.00)	55933 (100.00)	128125 (100.00)

Figures in the parentheses represent the percent share to the total loan

disbursed nearly 65 per cent of the total credit, while landlords 7.91 per cent and relatives and friends gave credit below 4 per cent of the total credit. In case of *rabi* season commercial bank and cooperative institutions together contributed 22.42 per cent to the total seasonal credit, whereas in case of non-institutional sources commission agents contributed larger proportion i.e. 65.12 per cent to the total crop loan availed by this farm category. The share of Landlords and friend/relatives came to be 8.78 per cent and 3.68 per cent respectively.

In small farm category, average short term credit availed by sampled farmers from the institutional sources in kharif season was 36.60 per cent, while cooperative institutions contributed 6.70 per cent. The share of commission agents in kharif season was 54.07 per cent followed by land lords at meager 2.64 per cent. Friends/relatives did not contributed to the total credit availed in kharif season by small sampled farmers. In rabi season, institutional sources contributed 47.90 per cent to the total short term credit here. The share of non-institutional sources i.e. commission agents as the biggest source contributed 49.03 per cent followed by landlords which was only 3.07 per cent to total crop loan availed by this farm category.

Conclusion and Policy Implications

In Punjab, a large proportion of the total population

is still living in the rural area and most of them have been sustaining their livelihood through agriculture. Overtime increasing farm expenses associated with stagnant productivity has led to decline in income of the farmers. Among all categories, the marginal and small farmers are the most affected categories in this regard. In order to meet the increasing farm expenses, farmers had to resort borrowings from different sources of credit. Crop farming was the major source of income in marginal and small categories of farms in south-western Punjab. Food was the major item head in terms of household expenditure followed by education and intoxicants. Although the total institutional loan availed by the marginal farmers for productive purposes was less than small farmers in absolute terms, but it was very high among marginal farmers in terms of per cent share.

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