

# RURAL LABOUR INDEBTEDNESS IN ASSAM

Gautam Purkayastha



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This book, based on an intensive field study, is an attempt to analyse the dynamics of rural labour indebtedness in Tinsukia district in the context of the State of Assam and national economies. Although quite a good number of studies have been conducted at the national level by official agencies, no academic study with the objective of analysing the problem of rural labour indebtedness in its entirety has so far been attempted in Assam. Moreover, all the official studies have looked at a decline in the incidence of indebtedness as a sign of economic health of the rural landless and other assetless people without examining the basic question of whether this decline represents a fall in their credit requirements or it simply represents a deterioration of their credit worthiness.

In the light of the above, the present volume which is the fruit of the author's doctoral research, establishes, after thorough and in-depth analysis that (a) the level of indebtedness does not necessarily imply the debtor's economic status. Purpose of loan, its sources, manner of utilisation, repayment performance and such other factors acquire added importance in ascertainment of the status of a debtor; (b) fluctuations in the incidence of indebtedness is to be viewed neither with alarm nor with complacency without relating it to the strategic variables such as income, saving, asset-holding, occupation, etc.

The book will be of great interest to all those concerned with the socio-economic uplift of the poorest of the poor in the rural areas of the developing economies.

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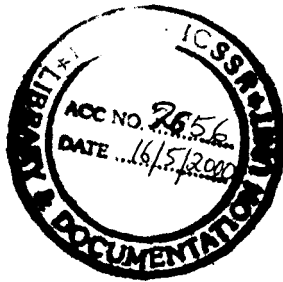


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# 1

## Objectives, Importance, Methodology, Key Concepts of the Study

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### 1.1 Importance of the Study

**T**HE rural labour force constitutes one of the weaker segments of Indian society. The incidence of poverty, unemployment and indebtedness is quite high among the members of this segment of the population. In contrast to the urban labour class, the rural labourers comprising agricultural, industrial and commercial labourers are unorganized. Therefore they are unable to exert their collective pressure for improving their level of wages. Insecurity of their wage-employment and low wage level are forcing these manual workers to draw conditional loans from non-institutional sources like relations, village money lenders, shopkeepers, etc., there being hardly any arrangement for institutional finance for them. Debt incurred from such sources often carries with it obligations like high rate of interest generally combined with informal arrangement of supplying concealed low-paid labour. This is responsible to a good deal for keeping this single largest segment of the rural work force perpetually under the vicious circle of poverty. Realizing the

gravity of the situation stated above, official arrangements have been made to periodically review the economic conditions of the rural labour households including their state of indebtedness. The Ministry of Labour, Government of India, has so far brought out four reports on the state of indebtedness of the rural labourers. Similarly, the National Sample Survey Organization is also devoting some rounds of its studies specifically to the problem of rural indebtedness. Recently, National Commission on Rural Labour has completed (November 1990) another country-wide survey to evaluate the existing position of the unorganized rural workers of the country. Besides, RBI reports particularly in the early stage and Census Reports are also supplementing the aforesaid efforts by bringing out some pertinent information relating to this rural toiling class.

Although a large volume of data relating to rural labour indebtedness has been generated by the official studies, no academic study with the object of analyzing the problem in its totality has so far been attempted, particularly in the case of Assam. For example, all the official studies have looked at a decline in the incidence of indebtedness as a sign of economic health of the rural labour class without examining the basic question of whether this decline represents a fall in their credit requirements or it simply represents a deterioration of their credit worthiness in the estimation of the founding agencies. To our mind no meaningful inference can be drawn from a decline or a rise in the incidence of indebtedness. The composition of debt in terms of its purposes, end use, sources, etc. is to be explored before drawing an inference from a decline or rise in the level of indebtedness. Moreover, the level of indebtedness has to be linked up with such strategic variables as income, saving, asset holding, occupation, investment, etc. for drawing meaningful inferences.

## 1.2 Objectives of the Study

The present study attempts to analyse the dynamics of rural labour indebtedness in the State of Assam taking Tinsukia

district as the focal point. It starts with the basic premise that indebtedness as such is neither a sign of health nor an absence of it. One important objective of the present study is to identify the reasons behind the State's low level of debt incidence in spite of the grossly underdeveloped state of rural development and high level of poverty ratio. The other important objectives are as follows:

- (i) To identify the purpose for which a rural labour household incurs debt and to find out the relative importance of each purpose.
- (ii) To examine whether or not loans incurred are utilized for the purposes for which they were taken.
- (iii) To identify the sources from which loans are taken and to examine the relative importance of the various sources.
- (iv) To explore the hardships faced by the indebted rural labour households in servicing debt.
- (v) To examine the explicit terms and conditions relating to interest payment, repayment and the implicit conditionalities such as services to be rendered to the creditors.
- (vi) To evaluate the role assigned of the financial institutions in alleviating the economic condition of this class of the poorest of the poor.
- (vii) To ascertain the relationship between the loanee and the lender in terms of mutual benefits received by both classes from such dealings.
- (viii) To correlate indebtedness with the relevant variables like poverty, income, employment, literacy, size of the family, etc.

The study is likely to unravel many hitherto unexplored variables regarding rural labour indebtedness in Assam arising out of the local, cultural, historical, socio-economic specificities of the State. The findings are likely to be not only academically revealing but also useful to the policy makers.

### 1.3 Hypothesis to be Tested

The central hypothesis of the present work is that the level of indebtedness does not necessarily imply the debtors' economic status; to ascertain the status of the debtor the purpose for which the loan is incurred, the manner it is utilized, the source from which it is taken, the repayment performance and other relevant factors are to be thoroughly investigated into. Similarly a rise or decline in the incidence of indebtedness is to be viewed neither with alarm nor with complacency without relating in to the strategic variables.

### 1.4 Key Concepts

The study will make use of the following key concepts:

*Household:* A household is a group of persons normally living together and taking food from a common kitchen.<sup>1</sup>

*Rural Labour Household:* A household is classified as rural labour household if its income during the last 365 days was more from wage-paid manual labour\* (agricultural and/or non-agricultural) than either from paid non-manual employment or from self-employment.<sup>2</sup>

*Agricultural Labour Household:* Household earning 50 per cent or more of their total income during the last 365 days from wage-paid manual labour in agriculture are treated as agricultural labour household.<sup>3</sup>

*Landless Households:* It is defined as households having cultivated land of less than one bigha. Land covered by home and homestead is not treated as cultivated land.

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\* Manual work is that which essentially involves physical operations. However, jobs essentially involving physical labour but also requiring a certain level of general, professional, scientific or technical education are not to be termed as manual work (such as, works of engineers, midwives, doctors, etc.). On the other hand, job not involving much of manual labour but at the same time not requiring much educational back-ground either, are to be treated as manual work (such as, works of peons, chowkidars, watchmen, etc.)

*Indebted Household:* A household which has taken a loan during the preceding 365 days or prior to that from any source for any purpose is treated as an indebted household.

*Poverty Line:* Poverty line is drawn on the basis of a bare minimum desirable nutritional standard of calorie intake (per-capita daily calorie intake of 2400 for rural areas).<sup>4</sup> To maintain this minimum nutritional standard, per capita consumption expenditure of at least Rs. 107 per month was fixed during the seventh plan which was appropriately raised to Rs. 183 in the Eighth plan so as to offset the inflationary erosion of the rupee value. Assuming that household consists of five consumption units on an average, the per household per year cut off income level was fixed at Rs. 6400 during the Seventh Plan which was increased to Rs. 11000 in the draft paper of the Eighth plan. Since the reference period of our study (i.e., April 1991 to March 1992) covers the year immediately preceding the Eighth plan, we have considered Rs. 150 per capita per month consumption expenditure (and Rs. 10,000 annual income per family, since the size of the sample households is larger than five) as the cut-off line for poverty.

*Operational Holding:* It is defined as land own plus land leased-in minus land leased-out plus encroached land. In the computation of operational holdings, the area under homestead and land used for non-agricultural purpose are excluded.

*Crop Intensity:* The crop intensity is defined as gross cropped area divided by net sown area multiplied by 100.<sup>5</sup>

*Gross Cropped Area:* Total of all areas under different crops.

*Net Sown Area:* It reflects that portion of the total geographical area which is under cultivation. Net sown area is equal to gross cropped area minus area sown more than once.

*Consumption Expenditure:* Consumption expenditure comprises all expenditures incurred by the household, exclusively on domestic account, including consumption out

of home-grown produce (valued at the market price) of transfer receipts like gift, loan, etc. It also includes expenditure on items like foot-wear and clothing. Expenditures on household enterprises, transfer payments of all kinds (gifts, charities, monetary as well as in kind like grain loan etc.), purchase and construction of residential houses, etc. are excluded from this account.

*Short term/Medium term/ Long term Loan:* Short term loans are loans advanced for a period of 12 months (or less), medium term for a period ranging from 1 to 3 years, and long term for a period exceeding 3 years.<sup>6</sup>

*Average Level of Employment:* Average level of employment per worker per household is the number of days employed during the year divided by the number of workers in the household.<sup>7</sup>

*Average Daily Wage Rate:* The average wage rate per persons per day is the total wage income earned by the household divided by the total days of wage employment irrespective of the sex of the worker.<sup>8</sup>

*Average Daily Earnings:* The average earnings per person per day is the total earnings of the household (exclusive of remittances, if any) divided by the total days of employment (both wage-paid and self-employment) irrespective of the sex of the worker.<sup>9</sup>

### 1.5 Methodology

The survey area i.e., Tinsukia District had three sub-division (Tinsukia, Margherita and Sadiya) and four development blocks (Hapjan, Kakopathar, Margherita and Sadiya) at the time of the survey. To ensure full spatial coverage of the entire district, at least two villages from each development blocks were chosen purposively. The sample consisted of nine villages. In the selection of villages, their location had received due consideration so that both the distantly located villages from the development block office (or towns) and villages in the neighbourhood of the block office get proportionate

representation. This was done to ensure the inclusion of all types of rural labour households. While the remotely located villages are inhabited mostly by agricultural labourers, villages in the neighbourhood of block office (urban/semi-urban area) are dominated by industrial and commercial labourers. The name and location of the nine villages are given in Table 1.1.

TABLE 1.1  
Name and location of the sample villages

<i>Sub-divisions</i>	<i>Villages</i>	<i>Blocks</i>
1. Sadiya	(a) Na-Barmura	Sadiya (Saikohwa Block, at present) Sadiya
	(b) Na-Naokota	
2. Tinsukiya	(a) Challenguri No.1	Kakopathar
	(b) Challenguri No. 2	Kakopathar
	(c) Ashok Nagar	Hapjan
	(d) Tarun Nagar	Hapjan
3. Margherita	(a) Ketetong	Margherita
	(b) Alubari	Margherita
	(c) Mulang	Margherita

All the rural labour households in these nine villages were included in the sample. The sample included five remotely located (interior) villages with 150 households which constituted exactly half of the total sample households of 300. The rest 150 households were drawn from the four remaining villages (namely, Tarun Nagger, Ashok Nagar, Mulang and Alubari) located near development block offices/towns. Another 46 households representing small formers, medium farmers and petty businessmen from the same villages had also been surveyed with the objective of making cross-section studies.

The share of each sub-division in the district's total population as well as their respective share in the sample households is shown by Table 1.2.

In drawing the sample villages, care was taken to include villages inhabited by Tribals, Scheduled Caste and General population besides their location. The share of the ST population in the sample was 10 per cent (30 households) as against the district's share of 5.35 per cent. Again, the share of the SC population stood at 11.67 per cent (35 households) in our sample, the district's share of this populations group in total population being 2.61 per cent.

TABLE 1.2  
Sub-divisional population-wise percentage distribution of sample households

<i>Sub-division/ District</i>	<i>Total Population (1991)</i>	<i>Percentage of the District's total population</i>	<i>Number of households surveyed</i>	<i>Percentage of the total sample households</i>
Sadiya	77351	8.03	63	21.00
Tinsukiya (Sub-division)	610595	63.38	131	43.67
Margherita	275230	28.59	106	35.33
Tinsukiya (District)	963176	100.00	300	100.00

### 1.6 Data Collection

For collecting the necessary data, a schedule specifically prepared for the purpose (Appendix 1) was canvassed among the sample households directly and personally. The reference period for the investigation was April 1991 to March 1992. Data were collected, among others, on the following items.

- (i) Household particulars inclusive of work force.
- (ii) Asset position (inclusive of land, house structure, livestock, equipment and tools, durable household goods, financial investment).

- (iii) Indebtedness (inclusive of questions on: number of loans taken, amount (cash/kind), date of borrowing, source, interest rate, other terms if any, security, purpose, loan repaid and overdue, outstanding, etc.).
- (iv) Employment particulars and particulars of other sources of income (such as wages, income from own land, income from share cropping, income from animal husbandry/poultry, cottage industry, trade, forest produce, etc.).
- (v) Consumption expenditure of different goods and services (inclusive of the expenditure on ceremonies, marriage, education, health care, etc.).
- (vi) In addition, a number of questions were put to the head of the sample households to get their views on a number of related problems such as marketing difficulties, difficulties of acquiring institutional loans, etc. Their assessment of the working of the official programmes specifically designed for their uplift had also been recorded.

The study is analytical in nature. The field data were tabulated by using standard statistical methods for the purpose of analysis. Cross tabulation of the data was also made to relate them with different variables. The fields data were cross-checked with data from secondary sources.

The study attempts to analyse the problems of rural labour indebtedness in Tinsukia district in the context of the State and national economies. At many places inter-state comparisons based on secondary data were made.

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