Moneylenders and farmers in Tikamgarh block: a cycle of vicious exploitation

A study of indebted farmer households in Tikamgarh block, Tikamgarh district, Madhya Pradesh, conducted under Bundelkhand Rural Poverty Alleviation Model (BRPAP) project implemented by Akhil Bhartiya Samaj Sewa Sansthan (ABSSS), Chitrakoot/Tikamgarh, with support from Sir Dorabji Tata Trust (SDTT), Mumbai

June 2015

ABSTRACT

A sample survey conducted in 10 villages of Tikamgarh block of Tikamgarh district of Madhya Pradesh found that farmer debt is in the form of a deep emotional and financial relationship between farmers and moneylenders. The latter provide quick finance when the former need it, and are thus viewed as saviours. But they also extract very high returns, which push farmers into a debt trap from which they are unlikely to secure release unless they take extreme measures.

Introduction

Farmer indebtedness is one of the major problems in rural India. Caused by multiple factors, it has spiraling impacts: indebtedness aggravates poverty; depresses living status; diminishes chances of making investments for improving returns from agricultural land and other assets; and encourages distress sale of assets and resort to migration. In extreme cases, it leads to farmers' suicide and loss of emotional and financial supports for families that are already under severe stress. The Expert Group on Rural Agricultural Indebtedness constituted by the Government of India noted in its 2007 report (also known as Radhakrishna Report)[1] that farmer indebtedness is "a central issue" in the agrarian crisis facing the country. The report also noted that farmer indebtedness in India is "as diverse and heterogeneous as are the agrarian conditions", and there are "wide regional, institutional, class and community differences in the nature and magnitude of farmers' indebtedness". Against this background, the present study was conducted to analyze farmer indebtedness in Tikamgarh block of Tikamgarh district of Madhya Pradesh (MP), in the Bundelkhand region of central India.

This study was conducted under a Bundelkhand Rural Poverty Alleviation Model (BRPAM) Project undertaken by Akhil Bhartiya Samaj Sewa Sansthan (ABSSS), a reputed NGO working in Bundelkhand. With support from Sir Dorabji Tata Trust (SDTT), Mumbai, the BPRAM Project was implemented from 2012 to 2015 in 40 villages of Tikamgarh block of Tikamgarh district, MP. Of the 40 villages, 20 were selected for intensive intervention.

Looking forward for your kind suggestions & feedback,

Bhagwat Prasad
Director

[1] R Radhakrishna, PV Shenoi, YSP Thorat, Kantha Kumar. 2007. Report of the expert group on agricultural indebtedness. Ministry of Finance, Government of India: New Delhi.

Objectives

The objectives of the study were:

- To understand extent of farmer indebtedness in the study area, particularly among SC/ST households (HHs)
- To ascertain the main driving forces that lead to and perpetuate farmer indebtedness.

The objectives were considerably modified during the course of the study when reliable information was obtained about loan terms imposed by moneylenders. A large part of this report is about this aspect, as it has not been adequately covered in previously published academic literature and media reports about farmer indebtedness. The information on moneylender terms throws up a story of vicious exploitation.

Methodology

Following desk research, the study was conducted through focused group discussions (FGDs), and intensive interviews with a sample of indebted farmers in the study area.

Initially, FGDs were conducted in several villages and hamlets to ascertain the extent of indebtedness and identify farmers carrying a loan burden. Subsequently, a detailed questionnaire was administered to 50 randomly selected indebted farmers who were willing to share information (unwillingness to share information about debt burden and loan terms was one of the main obstacles faced during the study, as discussed later). Thereafter, data emerging from the sample survey was collated and analyzed. Subsequently, the data was validated and more in-depth data was obtained through detailed interviews of some farmers who were highly knowledgeable about the subject of the study, and were considered as key informants.

This entire exercise was conducted from December 2014 to May 2015, when writing of this report was commenced.

Limits of study

Hamlet-level discussions conducted at the beginning of this study indicated that the extent of farmer indebtedness was very high in the study area. In fact one of the commonly voiced observations was that “all farmers are carrying a loan burden” and “there is no farmer who is not indebted”. However, it was also found that most farmers were unwilling to share information about their loan burden or terms of the loans they had taken. Key informants explained that the unwillingness was due to the following reasons:

- Disclosing details of loan burden amounts to disclosing details of one’s financial position, which in turn impinges on a family’s status and sense of esteem.

- Disclosing details of existing loan burden could negatively affect chances of raising further loans.

Farmers participating in the discussions were plainly wary of being identified as people who have given information about local moneylenders' practices. The latter appear to have a lot of clout, and farmers are in a position of financial as well as emotional dependence vis-à-vis the moneylenders: farmers commonly said that moneylenders help them out when they are in trouble and they "would not be able to live" without the "help" of moneylenders. Due to this widespread perception, many farmers were unwilling to give information. Even the farmers who agreed to give information did so only on the condition that their identities would not be disclosed.

The study therefore suffers from the limitations of small number of respondents and lack of case studies. Another limitation is that it was not possible to obtain information from local moneylenders, who are the main sources of loan finance, as most of them are operating without a license, and work under the cover of other businesses like trading. One attempt to establish contact with a moneylender led to a predictable response: the person claimed he did not do money-lending at all.

Social-group composition of the sample respondents was limited by the criteria used to choose study area, discussed below.

Study area

The study was conducted in the following villages/hamlets Tikamgarh block of Tikamgarh district: Sauryana, Nagara, Rajapur, Dari, Ramnagar, Badmadi, Antaura, Sapon, Ratanganj and Haidarpur. These settlements were selected under the following criteria:

- They were covered by the ABSSS-BPRAM project.
- They have a sizable number of SC/ST HHs (see Table 1), which constituted the target group of the ABSSS-BPRAM project.

Table 1: Approximate HH population in study villages by social group

Panchayat	Village	Total HHs	SC HHs	ST HHs
Laar	Sauryana	64	4	59
Dari	Nagara	400	90	0
	Dari	98	22	4
Darguan	Rajapur	161	85	0
Ramnagar	Ramnagar	305	60	0
Badmadi	Badmadi	500	70	8
Antaura	Antaura	150	35	18
Sapon	Sapon	50	0	40
	Ratanganj	60	0	30
Haidarpur	Haidarpur	30	0	30

Source: Baseline report of ABSSS-BPRAM Project, 2012.

The selected villages/hamlets are a distance of 20 to 40 km from Tikamgarh town, which is the headquarters of Tikamgarh district.

The district lies in the Bundelkhand plateau in the northern part of MP between Jamuni, a tributary of Betwa, and Dhasan rivers. The northern part of Tikamgarh district is at height of about 200m above the mean sea level (amsl), while the southern part is at a height of around 300amsl. Soil tests conducted under the ABSSS-BPRAM Project villages show that soil has normal pH and EC, low to medium organic-carbon content, low phosphorous content and low to medium potash content. The climate of the area is characterized by a hot summer and general dryness except during the southwest monsoon season. The normal maximum temperature, recorded during the month of May, is 41.8° C and minimum, recorded in January, is 7.0°C. The normal annual rainfall received is 1057.1 mm. However, in eight out of nine years from 2002 to 2010, rainfall was below normal, and in one year (2007), it was 50% below normal.

Tikamgarh is a predominantly rural district with urban population restricted to 30% of total population. Data on land use in Tikamgarh block reported in the 2006-07 District Statistical Handbook shows that nearly 60% of the land is cultivated, and of this, over 50% is under double cropping. Only 5% of the land is under different categories of forestland.

Around 2565 households (HHs) live in the 20 villages/hamlets covered intensively by the ABSSS-BPRAM Project. Of these, around 30% belong to SC groups, 14% belong to ST groups and 56% belong to OBC groups. The main SC groups are Ahirwar, Vanshkar, Chadar and Khangar. The main ST groups are Saur and Gond. The main OBC groups are Lodhi, Yadav, Kushwaha, Vishwakarma, Rai, Sahu, Raikwar, Napit and Patel. The general population (less than 1% of total) consists of a few Thakur, Jain and Brahmin families. The social ethos is generally characterized by high prevalence of a feudal culture, which can be traced to the fact that Tikamgarh was a princely state under British rule, and the rulers did little to encourage socio-economic development or emergence of democratic forces.

Baseline information obtained under the BPRAM Project showed that barring 6% of the total HHs in the 20 villages, all HHs owned some agricultural land. However, 44% of the HHs owned less than 2.5 acres (1 ha) and another 38% owned between 2.5 to 5 acres (1 to 2 ha). Thus 80% of the population comprised marginal and small farmers. An in-depth survey of 100 HHs[2] conducted under the ABSSS-BPRAM Project showed a clear relation between social category and land owned, as average land owned by OBC HHs was 3.9 acres, while it was 2.8 acres for SC and ST HHs. However, ST HHs had on average encroached on 2.7 acres of forestland, which was being regularized.

Groundwater tapped through dug wells is the main source of irrigation in Tikamgarh district, and the situation was the same in the 20 Project villages selected for intensive intervention. Around 60% of cultivable land in the villages was irrigated, and of this,

[2] Focused on the Project's target group HHs, the in-depth study covered 42 SC HHs, 24 ST HHs, 29 OBC HHs and 5 general category HHs with small or marginal land holdings.

around 67% was irrigated by privately-owned dug wells. Around 15% of the irrigated land was irrigated by tubewells, and 13% was irrigated by lifting water from nallas or rivers.

The in-depth study of 100 HHs revealed that wheat, soyabean and urad were the main crops (in that order), with wheat providing the maximum gross income[3] (average around Rs. 18,000 per HH), followed by soyabean (Rs. 10,600 per HH). Though nearly half the HHs grew gram, usually with mustard, it was not a major source of income. A few HHs who had access to water in summer earned an average of Rs. 7500 gross from cultivation of vegetables. Otherwise, income from vegetables was marginal, till the Project encouraged around 100 target group HHs to do vegetable cultivation as their main livelihood activity.

The previously mentioned in-depth study of 100 HHs revealed that almost all HHs were engaged in agriculture but it clearly did not meet their needs, as over 80% of HHs also did wage labour. Around half the HHs were engaged in collection and sale of forest produce or fruits (primarily ber, which is found in the wild in large volumes in the Project area). Comparatively, only a fourth of HHs were engaged in livestock rearing as a livelihood activity, though the majority of HHs owned some livestock. Average gross income of the 100 surveyed HHs was Rs 56,000 per annum, which meant that excluding costs incurred on agriculture, average net income was less than Rs 40,000. This was reflected in living-standard indicators: While most HHs lived in semi-pukka houses made of mud and stones, only 17% HHs owned motorcycles, only 13% owned TV sets, and only 14% used a kerosene or gas stove for cooking.

Through a baseline study conducted in 2012, data on the number of migrating HHs could be obtained from 18 villages. It was found that 42% of the total HHs had at least one member who had done seasonal migration in recent years. Incidence of migration varied from a minimum of 10% HHs to a maximum of 81% HHs in a village. A fairly strong co-relation was found between percentage of irrigated land in a village and incidence of migration[4]. Another determinant of migration was found partially: the three villages with highest percentage of migrating HHs also had highest percentage of ST HHs (80% or above). It was also seen that incidence of migration among large HHs was more than in small HHs. The reasons are obvious: large HHs have more mouths to feed and more members to "spare" for migration than small HHs.

The Project villages are well-connected by road. Electricity is available in almost all villages, but supply is erratic. Weekly markets near villages are the main outlets for sale and purchase of produce.

[3] Income from agriculture was estimated as net value of produce, as estimated by HHs, excluding paid-out expenditure towards inputs, hire of equipment, labour, etc. Amounts not paid out, such as rental value of land and depreciation on agriculture equipment were not considered. Likewise, no cash value was attached to use of HH labour.

[4] See http://www.absss.org.in/reports/127-study-of-sc-st-households-doing-regular-seasonal-migration-tikamgarh-march-2013

Incidence of indebtedness

As noted in the Radhakrishna Committee Report, the decennial All-India Debt and Investment Survey (AIDIS) and the Situation Assessment Survey of Farmers (SAS) 2003 conducted by the National Sample Survey Organization (NSSO) in its 59th National Sample Survey (NSS) Round indicated that of the 89.33 million farmer HHs estimated to be living in the country in 2003, 43.42 million HHs or 48.6% of total farmer HHs were indebted from institutional or non-institutional sources. The average outstanding debt per farmer HH was Rs.12,585. In MP, 50.8% farmer HHs were indebted and average debt per HH was Rs 14,218. Incidence of indebtedness was higher in states which had input-intensive or diversified agriculture, and was highest in Andhra Pradesh (82% farmer HHs) followed by Tamil Nadu (74.5%), Punjab (65.4%), Kerala (64.4%), Karnataka (61.6%), Maharashtra (54.8%) and Haryana (53.1%).

Apart from the fact that the above figures are dated, the following factors need to be considered:

- For reasons mentioned earlier under the section "Limits of study", the incidence and quantum of debt might have been under-reported.
- As noted by the Radhakrishna Committee and previously mentioned, farmer indebtedness in India is diverse; there are "wide regional, institutional, class and community differences in the nature and magnitude of farmers' indebtedness".

Given the above, it is not surprising that farmers in the study area reported that all of them are indebted, to some extent or the other. However, as previously mentioned, it was not possible to verify this claim. Moreover, it must be noted that many farmers move in and out of debt cycles. Hence, while a particular farmer may not be indebted at a particular moment of time, debt is very much within his horizon.

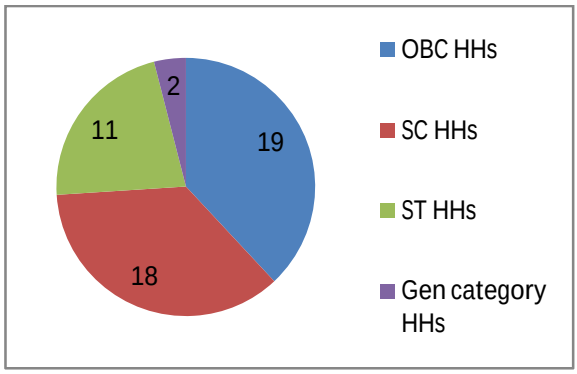
That said, it was the observation of ABSSS staff involved in the BPRAM Project that indebtedness in the study area was much higher than in Chitrakoot area of UP Bundelkhand, where ABSSS has its head office. The number of local moneylenders or "seths" was also much higher: it was the cause as well as effect of high demand for non-institutional loan finance.

Composition of study sample

The study sample comprised 50 randomly selected indebted farmer HHs who were willing to share details of their debt status. Of these, 18 HHs (36%) were from SC groups, 11 (22%) were from ST groups, 19 (38%) from OBC groups and 2 (4%) from general category groups. While no co-relation between social group and incidence of debt can be drawn from this random-sample composition, the breakup of the sample by social group did match an observation made by key informants: incidence of debt is highest among OBC and SC HHs, and it is lowest among general category HHs, for different reasons: among OBC HHs, the main reason for taking a loan was said to be purchase of agriculture inputs, whereas among SC and ST HHs it was said to be meeting marriage or medical expenses. Among general category HHs incidence of loan was said to be lowest

as they are likely to have one or more persons with salaried employment, and they are thus likely to have a regular source of income and sizable savings. (Higher incidence of indebtedness among OBC and SC groups in relation to other groups was also reported by the Radhakrishna Committee).

Chart 1: Composition of indebted HHs by social group



All the sample HHs owned agricultural land and average size of land holding was 6.15 acres. Average landholding was lowest among ST groups (4.7 acres) and highest among OBC groups (6.7 acres). Only 15 HHs or 30% of the total had small or marginal holdings. This indicates that indebtedness is higher among farmers with medium or large holdings than among small and marginal farmers. The co-relation was also reported in SAS 2003, which observed that incidence of indebtedness increases with size of holding, from less than 50% HHs among HHs with less than one hectare land, to over 58% among HHs with over two hectares. The reasons are self-evident: to raise a sizable loan one needs to have a sizable asset; and farmers with large holdings require more inputs and capital than those with small holdings.

Debt by sources

Reserve Bank of India (RBI) data quoted in the Radhakrishna Committee Report show that credit from institutional sources like cooperative societies and banks accounted for less than 10% of debt of farmer HHs in 1951, but in the 1970s the share rose to above 50% and stood at 61% in 2001. Correspondingly, share of credit from moneylenders declined from nearly 70% in 1951 to 27% in 2001. SAS 2003 reported that in MP moneylenders, traders and other non-institutional sources of credit accounted for 43% of farmer HH debt. However, our sample survey showed that these sources accounted for nearly 90% of HH debt. The variance could be due to the following reasons:

- Under-reporting of credit from non-institutional sources in SAS 2003, particularly because the credit is often advanced in an informal manner, without proper legal documentation.

- Our sample-survey questionnaire was geared towards assessment of debt borne for a considerable period of time, and respondents did not disclose much information about short-term debt through Kisan Credit Cards, which they are bound to clear every year.
- HHs do not enjoy easy access to institutional credit in the Project area. While physical presence of banks is not an issue, farmers reported that taking a loan from a bank involved a lot of hassles. On the other hand, moneylenders provide loans quickly, and when HHs need it the most.

The share of moneylenders' finance in farmers' debt can also be understood by the purpose for which loans were taken: while banks provide loans for productive purposes, a large part of the money borrowed by HHs was for other purposes, as discussed below.

Purpose of debt

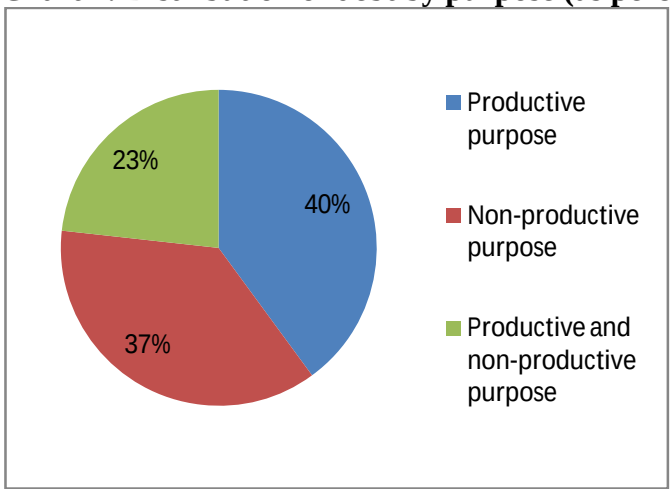
Quoting SAS 2003 data, the Radhakrishna Committee Report observed that a substantial proportion of farmer HHs' debt was for productive purposes, such as investment in agriculture or other livelihood opportunities. In MP, the Committee reported, nearly 70% of debt was for productive purposes.

However, we found that it is difficult to ascertain this share exactly as many loans were taken for both productive purposes—investment in agriculture, irrigation facilities, or purchase of land or cattle—as well as non-productive purposes like meeting marriage and medical expenses.

Grossly assuming that such "mixed purpose" debt is used equally for both purposes, we can surmise from data shown in Chart 2 that around 50% of debt was for productive purposes. **Among ST HHs only 20% of debt was for productive purposes.**

The high percentage of debt for non-productive purposes indicates high vulnerability of HHs. This vulnerability is horribly exploited by moneylenders as we shall see later.

Chart 2: Distribution of debt by purpose (as percentage of total debt)



Quantum and period of debt

The quantum of loan taken by sample farmer HHs ranged from Rs 10,000 to Rs 200,000 and average quantum of loan was Rs 64,660. There was much variation in average quantum of loan by social group (Table 2). It was highest among SC groups (Rs 73,353) and lowest among ST groups (Rs 39,182).

Period of outstanding debt ranged from one month to six years, but the average period was around two years. Among ST HHs, the period was lower. Most likely this was because these HHs had also taken smaller loans and could repay earlier.

Table 2: Details of debt of major social groups

Social group	Avg loan taken per HH (Rs)	Avg period of outstanding debt (months)	Avg outstanding debt (Rs)
ST	39,182	15	87,793
SC	73,353	23	126,521
OBC	50,527	25.5	106,530

Total loan amount of the 50 HHs was Rs 3,233,000 and total dues were Rs 5,811,653. These figures and the figures in Table 2 indicate that when HHs take loans from moneylenders, the outstanding debt doubles in around two years unless the debtor makes repayments. (In case of ST HHs the doubling happens in a shorter period of time. The reasons for the same are discussed later). This happens due to extraordinary debt-terms imposed by the moneylenders.

Debt terms

Money-lending in the Project area works through two practices unknown in the realm of institutional finance:

Dharta

A portion of the loan amount, known as Dharta, is held back by the moneylender at the time of giving the loan. It is calculated as a percentage of the loan the moneylender agrees to provide. Key informants reported that when a debtor has good credit-history, Dharta is imposed at 7% of loan amount; in other cases it is imposed at 10%. Dharta does not affect calculation of interest payable. That is, if a farmer takes a loan of Rs 10,000 and 10% Dharta is imposed, he will get Rs 9000 from the moneylender but would have to pay interest for Rs 10,000. Significantly, Dharta is imposed in all cases, irrespective of the credit-worthiness of the debtor or the quantum of loan. While the justification given for Dharta—by respondents themselves—is that it acts as a “security deposit”, it increases the effective rate of interest.

High interest rate with low loan-period

It is generally accepted that non-institutional lenders bear more risk than institutional lenders, and hence have to charge a higher rate of interest. Data provided in the NSSO's "Household Indebtedness in India, All India Debt and Investment Survey (January-December 2003)" report (NSS 59th Round, 2005) shows that whereas 85% of farmer HHs borrowing from institutional sources paid interest at the rate of 12% to 20% per annum, over 70% of farmer HHs borrowing from non-institutional sources paid interest at the rate of over 20% per annum, and nearly 40% HHs paid over 30% per annum. Women's self help groups also often charge interest at these rates, which are calculated on a monthly basis (2%-3% per month).

Table 3: Progression of dues for loan of Rs 10,000 with 3% interest per month and loan period of 6 months.

Year	Number of loan periods	Interest amount (Rs)	Total due (Rs)
1	1	1800	11800
	2	2124	13924
2	3	2506	16430
	4	2957	19388
3	5	3490	22878
	6	4118	26996
4	7	4859	31855
	8	5734	37589
5	9	6766	44355
	10	7984	52338
6	11	9421	61759
	12	11117	72876
7	13	13118	85994
	14	15479	101472

Note on calculation: In the first row, interest of Rs 1800 (@ 3% x 6 months, or 18% of Rs 10,000) is added to principal of Rs 10,000 to arrive at dues of Rs 11,800, which constitute the principal for the next period of 6 months. At the end of this period interest due is Rs 2124 (18% of Rs 11,800). When added to the principal of Rs 11,800, it gives total dues and a new principal of Rs 13,924 in the second row. The same calculations are repeated every six months, every year, with figures rounded off.

In the study area, high interest rates are compounded by low loan-period. In the overwhelming number of cases reported by respondents, the loan period was only 6 months. That is, if the loan is not repaid with interest within 6 months, the dues are added to the principal amount, to arrive at a new principal amount on which interest is charged at the agreed rate. By these severe terms, amount payable for a loan taken at interest of 3% per month—the norm in the study area—doubles in two years, as shown in Table 3. The table also shows that in 7 years a loan of just Rs 10,000—which would be a loan of Rs 9000 with 10% Dharta—can lead to dues of over Rs 100,000!

As if this criminal exploitation is not enough, the moneylenders impose some additional terms, depending on the credit-worthiness of the borrower and the quantum of loan. The additional terms are framed by two broad categories of loan:

Loans without mortgage

Such loans are provided only for amounts below Rs 10,000. If the debtor has good credit-history, generally Dharta would be 7% and interest would be 2% per month, with a loan period of 6 months. However if the debtor is not known to the moneylender, or has poor credit-status, the monthly interest would be 3%-5%. In some cases, it could be higher. In one case, of an Adivasi HH, the interest rate was 10% per month! This was part of a trend: generally, ST HHs enjoy low credit-status and are levied higher rates of interest. Hence, compared to other social groups, although their loan amounts are low, they suffer higher progression of dues.

Loans with mortgage

Such loans are provided for amounts above Rs 10,000, which fall in broadly two categories: loans below and above Rs 50,000. The limit of Rs 50,000 is not arbitrary: it is the average value of one acre of land. Hence, for every unit of Rs 50,000 that a farmer borrows, one acre of owned land is to be mortgaged by him. Land-mortgage is executed in two ways:

Virtual possession: In this case, the moneylender imposes relatively soft terms, such as 2% interest per month with loan period of one year, or even waives interest. However, in return, he enforces cultivation-rights over the mortgaged land, as well as the right to use the debtor HH as free labour. That is, the debtor has to till his own land as an unpaid servant, and provide all the produce to the moneylender free of cost, till such time that the moneylender says that the value of produce harvested has equaled the amount due, after deducting cultivation expenses.

Formal mortgage: In this case, a legal mortgage deed is executed, and the moneylender has the right to take over the farmer's land if the latter does not clear his dues within a mutually agreed period. Laws and supporting court judgements restricting transfer of lands of persons from SC/ST groups to persons from other groups are reportedly bypassed by using benami executors in mortgage deeds—SC/ST persons sign as dummies for moneylenders. However, as we shall see later, land transfer on the basis of mortgage agreements is not done frequently.

Apart from or in addition to land, jewelry is mortgaged. If only jewelry is mortgaged, its value has to be two to three times the loan amount. Correspondingly, Dharta and interest terms are soft. However, the moneylender imposes the right to take full possession of mortgaged jewelry if dues are not cleared within two to three years.

Application of debt terms

While moneylenders' debt terms are often put down on signed stamp papers, the entire business clearly runs on the basis of informal but powerful social sanction. Though all respondents were aware of terms of loan imposed on them, few had made any calculations to check whether their ballooning dues had been correctly calculated by their moneylenders. The farmers simply trusted the moneylenders.

The high degree of trust is framed by farmers' perception that moneylenders are saviours who help them in times of dire need—and indeed they do so. Some respondents spoke about their favourite moneylenders in language they use for elder relatives.

The moneylenders enjoy high social status and prestige, and therefore enjoy a certain kind of emotional dominance over debtors. This is seen particularly in their way of dealing with chronic defaulters.

Key informants disclosed that unlike banks, who use the impersonal apparatus of law to recover dues, moneylenders call for village or community meetings, and use the presence of others to shame and pressurize defaulters. The effectiveness of this informal method is ensured by the fact that moneylenders are seen as very important members of the local community. Some respondents reported that moneylenders are important guests at their social functions, such as marriages.

For these reasons, moneylenders do not—and do not need to—frequently take over debtors' lands on non-payment of dues. Key informants reported that only two such cases had taken place in one decade. In the rest of the cases, farmers try their best to partially or fully clear their dues. As the average dues (Table 2) are much higher than what farmers can hope to earn from agriculture in a year, they have little chance of building savings to get out of the burden of debt: one cycle of debt leads to another, profiting no one but the moneylenders. Even the government does not benefit, as money-lending is mostly a "number two business" with unaccounted cash transactions.

Notably, though farmers are locked in a crippling emotional and financial bond with moneylenders, the two groups are otherwise divided by a wide social chasm, discussed below.

Profile of moneylenders

Key informants reported that in each of the two bazaar villages in the Project area, Badagaon and Laar, there are around 20 moneylenders; the total number of moneylenders roughly equals the number of villages that access the two markets. Only 2 of the 40 moneylenders were said to have license and legal permission to do money-lending. All of

them are basically traders in commodities and goods like food grains and provisions, and run the money-lending business out of their shops or homes. Most of them have been doing so for decades. Only a few new moneylenders, mostly from OBC and low-ranked Brahmin groups, have emerged in the past decade and they do not seem to enjoy a good image. About one such person—who incidentally imposed the 10% per month interest rate on an Adivasi HH—it was said that he would go out of business soon.

Around half of the moneylenders were reported to be Jains. The rest were, in roughly equal proportion, from Brahmin and rising OBC groups. We heard of only person from an SC group doing money-lending as a business; there was no such person from ST groups. The caste composition of moneylenders thus broadly matches the class composition of exploiters in orthodox Marxist terms: high-ranked castes/classes generate their wealth by exploiting low-ranked castes/classes.

Summing up

This study highlights the "regional, institutional, class and community differences in the nature and magnitude of farmers' indebtedness" in India observed by the Radhakrishna Committee. While national surveys of indebtedness such as the NSS 59th Round report are useful, there is a need for micro studies, particularly in backward regions. As the present study shows, such studies could throw up a picture of exploitation that is far more severe than what national surveys indicate.

The present study shows that in an under-developed area with high prevalence of feudal culture, such as Tikamgarh block of Tikamgarh district, farmers are locked in a crippling relationship with moneylenders. While the latter provide quick and easy finance, they also extract very high returns, which condemn farmers to a life of emotional and financial bondage, from which they are unlikely to ever secure release, unless they migrate completely, or take more extreme measures like suicide or violence.

ENDS