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DISTRESS OF INDEBTEDNESS AMONG RURAL HOUSEHOLDS IN KERALA: A SOCIO-ECONOMIC STUDY

- N. Karunakaran*

- K.V. Ajina**

Abstract

Household debt can be defined in several ways based on what type of debt is included. The burden of debt can also be measured in terms of the amount of interest it generates relative to the income of the borrower. There are a number of reasons creating indebtedness in household sector including increase in food price, cost of cultivation, limited access to institutional credit, etc. Indebtedness of households in state emerged as a major issue and creates destruction among the social status of households. The study analysed the extent of indebtedness among rural households in Kerala by analysing the cash inflows, cash outflows, saving strategies and financial liabilities. Household financial debt has raised the indebtedness due to deficit family budgets, poor means of income and the burden of old debt. This generates multi-faceted problems like suicide cases day by day.

Keywords: Distress; indebtedness; Kerala; rural household; socio-economic status.

INTRODUCTION

The development experience of Kerala has been different from the rest of the country characterized by higher level of social development disproportionate to the level of economic growth. In terms of all indicators of physical quality of life, it is ahead of most other state in the country. The state has also been ranked on the top among the major state in percapita consumer expenditure (Sharma Chatterji, 2013) a situation which has been prevailing for long indebtedness of household. The National Sample Survey Organization report (59th) estimated the percentage of indebted households and observed that every fourth households in rural India was indebted. The rural scenario in Kerala reported was 39.4 percent, while that of urban 37.3 percent.

Household borrowing decisions are important for well-being and aggregate consumption, asset demand and financial stability. In recent years, households have experienced a rapid expansion of credit markets and may have been encouraged by the financial sector to take out mortgages and consumer loans. Problems start to arise when households borrow amounts that are disproportional to their means, unfavourable macro economic conditions, where unemployment rates rise and household assets depreciate in value, such a tendency may result in an inability to pay off loans.

There are a number of reasons creating indebtedness in households. Cost of cultivation, increasing food prices, high input prices, limited access to institutional credit, failure of crops especially due to uncertain

* Head of the Post Graduate Department of Economics, EKNM Government College, Elerithattu – 671314,
Nilishwar, Kasaragod, Kerala, India, E-mail: narankarun@gmail.com, Phone :- + 91 0497-2715335.

**Post Graduate Department of Economics, EKNM Government College, Elerithattu – 671314,

Nilishwar, Kasaragod, Kerala, India

monsoon, etc are some among them. Indebtedness is the ever green companion of the rural households. The prevalence of poverty among the agricultural labour households is underlined by the prevalence of the rural indebtedness. The burden of debt passes on from generation to generation. In this context the nature of cash inflows and outflows among rural households, the structure of financial assets and liabilities of households and the nature and extent of indebtedness according to the socio-economic status of households is attempted in this study.

METHODS AND MATERIALS

This study used both primary and secondary data. Primary data were collected from Kerala using structured questionnaire. Secondary data were collected from the publications of government departments of Kerala and India.

| S. No. | Occupation | Percentages |
|--------------|-----------------|-------------|
| 1 | Agriculture | 66 |
| 2 | Non-agriculture | 24 |
| 3 | Business | 6 |
| 4 | Private | 2 |
| 5 | Government job | 2 |
| Total | | 100 |

Source: primary data

RESULTS, ANALYSIS AND DISCUSSION

Rural indebtedness is an obstacle for development. The decline and uncertainty in earnings from agricultural operations along with increasing dependence on purchased inputs means a higher level of borrowings including borrowing from informal sources and consequent difficulties in meeting repayment obligations causing for distress of indebtedness.

| S. No. | Amount (in Rs.) | Percentage |
|--------------|-----------------|------------|
| 1 | No loan | 30 |
| 2 | Below 10000 | 14 |
| 3 | 10000-15000 | 54 |
| 4 | 15000-20000 | 2 |
| Total | | 100 |

Source: primary data

Table 1 shows that 66 percentages of rural households are engaged in agriculture related job and MNREGP works and 24 percentages in non-agricultural jobs. Cash inflows refers that, any money that came into the household, through varied sources such as income from occupation, returned hand loans, donations, proceeds from sale of assets, etc.

| S. No. | Amount (in Rs.) | Percentage |
|--------------|-----------------|------------|
| 1 | No loan | 24 |
| 2 | Below 25000 | 16 |
| 3 | 25000 - 50000 | 42 |
| 4 | 50000 - 100000 | 6 |
| 5 | Above 100000 | 12 |
| Total | | 100 |

Source: primary data

Majority of households taking loan from self help groups and 30 percentages are not taking any loan from it (Table 2). Among cooperative banks, majority of households (42 percent) taking loan between the amount of Rs. 25000-50000 (Table 3). 16 percentages of households depends their friends and relatives for getting loan.

| S. No | Daily expenses (in Rs.) | Percentage | |
|--------------|-------------------------|----------------|------------|
| | | Transportation | Food Items |
| 1 | Below 50 | 18 | 2 |
| 2 | 50-100 | 42 | 20 |
| 3 | 100-150 | 30 | 58 |
| 4 | Above 150 | 10 | 20 |
| Total | | 100 | 100 |

Source: primary data

The total outflows of the households include the expenditure on domestic consumption (food and non-food), expenses towards building assets, savings, repayment of loans, payment to chitty funds, donations, gifts, etc.

| S. No. | Amount (in Rs) | Percentage |
|--------|----------------|------------|
| 1 | No expenditure | 2 |
| 2 | Below 250 | 6 |
| 3 | 250-500 | 46 |

| | | |
|-----------------------------|----------|------------|
| 4 | 500-750 | 36 |
| 5 | 750-1000 | 10 |
| Total | | 100 |
| Source: primary data | | |

82 percent of households spend an amount of Rs. 250-750 monthly for medical purpose. Majority of rural households are using Government hospitals for medical treatment and consultations of private hospitals are very rare (Table 5).

| S. No | Amount (in Rs) | Percentage |
|-----------------------------|----------------|------------|
| 1 | Below 250 | 6 |
| 2 | 250 - 500 | 54 |
| 3 | Above 500 | 40 |
| Total | | 100 |
| Source: primary data | | |

The average monthly expenditure on electricity by household reveals that majority are paying between Rs. 250-500; 40 percentages are paying more than Rs.500 (Table 6).

| S. No | Saving (in Rs) | Kudumbasree | LIC | Kurri/Chitty | In hand |
|-----------------------------|----------------|-------------|------------|--------------|------------|
| 1 | No saving | 12 | 44 | 34 | - |
| 2 | Below 15000 | 68 | 2 | 20 | 100 |
| 3 | 15000 - 25000 | 20 | 2 | 20 | - |
| 4 | 25000 - 50000 | - | 34 | 22 | - |
| 5 | 50000 - 100000 | - | 16 | 4 | - |
| 6 | Above 100000 | - | 2 | - | - |
| Total | | 100 | 100 | 100 | 100 |
| Source: primary data | | | | | |

Table 7 shows that majority of the households depends on Kudumbasree, LIC, Chitty, etc for saving the part of their income. All households keeping money in hand are below Rs. 15000. The financial liabilities of majority of households (Table 8) are in self help groups, co-operative banks, chitty and friends.

| S. No | Amount (in Rs.) | SHGs | Co-operative banks | Friends | Chitty/Kurri |
|-----------------------------|-----------------|------------|--------------------|------------|--------------|
| 1 | No loan | 32 | 24 | 84 | 10 |
| 2 | Below 5000 | 6 | - | 16 | 14 |
| 3 | 5000 - 10000 | 6 | - | - | 24 |
| 4 | 10000 - 20000 | 56 | - | - | 50 |
| 5 | Above 20000 | - | 76 | - | 2 |
| Total | | 100 | 100 | 100 | 100 |
| Source: primary data | | | | | |

CONCLUSION

Kerala is the top most consumer state in India and its consumption pattern is different from other states. Recently it shifted from food to non-food items. This higher consumption nature creates saving very small and leads to debt. The challenges faced by the rural households are the in-sufficient income and also the irregular and unpredictable income outflows. Major inflows are in the form of loans. The biggest source of loans however is self help groups and co-operative banks. Majority of households depend on self help groups under Kudumbasree. Major outflows are food and non-food items; which is a much bigger component.

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