

SIXTH SEMESTER (HONS)

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INDIAN TRIBES AND INDEBTEDNESS

Introduction:

In India, the tribal population in general is overwhelmed with numerous socio-economic problems such as unemployment, low incomes, illiteracy and high incidence of indebtedness. Amongst all these problems, indebtedness is a major cause of their exploitation. Indebtedness is defined as the amount of outstanding debt including principal as well as interest thereon. Indebtedness of tribals is one of the major factors for explaining their poverty. Most of the tribal families are “born in debt, live in debt and die in debt”. The subsistence type of agriculture mostly dependent on the uncertain rainfall, poor conditions of the soil, primitive methods make the tribal economy continuously a deficit one. Their extravagant customs of marriage, death and religious ceremonies, further make worse the deficit nature of their economy and compel them to borrow. The tribals rely entirely upon the moneylenders for borrowing and settlement of his dues. Their faith and trust in them is quite beyond belief. One reason is that the moneylender gives easy credit when it is needed most. The tribal does not seem to believe in the law of limitation, nor in distrusting the moneylender’s word. The moneylenders, traders and others who offer money readily to them at their difficult times, through at very high interest rates, help only to worsen the problem. Small amounts of money borrowed at very high rates of interest at different times increase into a sum beyond their capacity and that of their successors to repay, and this ultimately leads to the loss of lands, even livestock and small assets of tribals to moneylenders.

The average debt per indebted Scheduled Tribe household was Rs.4,737 during 2004-05 as against Rs.4,781 during 1999-2000 recording a marginal decline of about 0.1 per cent. In this class of households, the highest proportion of debt (Rs.1,622) is for household consumption which accounted for 34% of the total debt. Among States/UTs, Mizoram recorded the highest amount of average debt to the tune of Rs.13,032 and Arunachal Pradesh recorded the lowest debt of Rs. 449 for the household consumption. The second important component of the loan among the Scheduled Tribe households is for marriage & other ceremonial expenses. In this class of household, loan rose for marriage & other ceremonial expenses accounted for 27% of the total

debt. The third major component of the debt raised by the Scheduled Tribe household is for productive purposes which accounted for about 17% of the total debt. However, some of the states like Andhra Pradesh, Assam, Karnataka and West Bengal witnessed an increase in average amount of debt.

Types/ Nature of Debt:

Loan or debt has been classified into two broad category viz; i) Hereditary, and ii) Contracted. Hereditary loan is the one which is handed down from one generation to another. In other words, debt of this nature is not contracted by the present incumbents of the household, yet the liability to payoff such loans devolves on the present members of the household. The second type of loan or debt classified as 'contracted loan' is directly contracted by the present member(s) of the household. This type of loan can be raised in three ways viz; i) in cash, ii) in kind; and iii) partly in cash and partly in kind.

Form of Debt:

Generally, loans are raised by the poor tribal households to bridge the gap between income and expenditure. However, in lifetime they get into debt trap because of their low repaying capacity. The repayment of loan by a borrower depends largely upon the purpose for which the loan is raised. Loans taken and utilized for productive purposes usually generate an additional income thereby enhancing the repaying capacity of the borrower to a large extent. The loans taken for non-productive purposes, on the other hand, do not generate income and result in debt burden.

Causes of Debt:

Productive loans are utilized for productive purposes such as buying or improvement of land, purchase of improved seeds, fertilizers, agricultural implements, digging of wells, construction of minor canals for irrigation, fencing of land banking of fields or for setting up of small business like dairy farming, rearing of livestock, development of horticulture, poultry farming, bee-keeping, basket or rope making, etc. Non-productive loans are those which are raised generally to fulfill household consumption needs, performance of religious and social functions like marriages, births and deaths, meeting the obligations like litigation or settling the disputes, buying of jewellery, etc.

The purpose of debt has been classified broadly as below.

- i) Household consumption

- ii) Marriages & other ceremonial expenses;
- iii) Purchase of land and construction of building;
- iv) Productive purpose
- v) Repayment of debt and
- vi) Other purposes.

It is very important to analyze the causes for indebtedness of the tribal. Because borrowing for productive purposes would reduce their debt burden. But it was found that borrowings for unproductive purposes i.e., family consumption expenses, medical expenses and wards educational expenses, was high among the sample respondents. Also, more than six per cent of the tribes borrow new loan for repaying the existing loan.

Source of Debt:

The extent of exploitation of a borrower is largely determined by the source of debt from where he/ she has raised the loan together with the nature, extent and purpose of debt. Therefore, it becomes essential to study the various sources of debt together with nature and purposes of debt in order to have a clear picture of the pattern of rural indebtedness. The sources of debt may be classified into two broad categories.

i) Institutional Sources:

The debt raised from institutional sources such as banks and Government credit agencies are usually for productive purposes as these institutions discourage the borrowers from raising unproductive loans. Moreover, the rates of interest charged by these institutions are regulated by the Government and concessional rates are charged from the weaker section of the society with regard to their productive loan investment. The institutional loan is two types like-

(a) **Banking Institutions:** The loans raised from commercial banks, co-operative societies usually for productive purposes are included in this category;

(b) **Government Agencies:** The loans advanced by the Government under various rural development programmes or from LAMPS, PACBs etc.

ii) Non-Institutional or Private Sources:

Households with huge debt of hereditary nature raised for unproductive purposes from non-institutional sources represent a case of absolute misery. Non-institutional sources charge very excessive rates of interest which a poor borrower cannot afford to pay. Moreover, the unproductive loans fail to generate additional income by which the loans can be paid off. Such loans only multiply the problems of the poor borrowers and increase intensity of their

indebtedness. The loans raised from professional money lenders, shopkeepers, employers, friends and relatives, etc. both for productive and unproductive purposes are generally considered as private loans.

Scheduled Tribe Rural Labour Households Census (2004-2005) survey shows that about 81% of the debt of these households at all-India level was met by non-institutional sources. Whereas, money lender alone contributed about 48.6% of the total debt requirement.

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