

Political Economy of Rural Credit Market: The Case of Indian Punjab

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India's rural poor – small and marginal farmers, agricultural labourers and other marginalized sections of rural population - face exploitative conditions today. Since Indian independence policy initiatives have been taken to mitigate their sufferings through interventions in the rural credit market by the Indian state. In this paper we undertake an evaluation of these policies in altering the sources of rural debt primarily from non-institutional to institutional sources till the economic reforms in early 1991 and then followed by reversal in trends: return of money lenders and land lords in the rural credit market. A counter argument is provided to the generally advanced argument that the implementation failure of priority sector lending led to economic reforms. Our argument is a willful design was erected by rural elite in pursuit of helping industrial capital to prepare ground for international capital to persuade Indian state to join the globalization process. Besides other data, we bring in primary data on indebtedness of 255 HHs of small and marginal farmers and landless workers in 10 villages across five blocks of district Mansa and 532 NREGA beneficiaries in 47 villages of Hoshiarpur, Muktsar and Amritsar districts (Punjab) to show that with the withdrawal of the state, money lenders and landlords have returned to the rural credit market in regions/areas inhabited by low caste and land poor people.

Introduction

Rural indebtedness is not a new phenomenon in India as well as in Punjab. For the pre-independence period, the Punjab Peasantry in Prosperity and Debt (1925) written by M.L. Darling is the most cited study which documented that Punjab though one of the prosperous provinces was probably the most indebted province of British India with non-institutional sources, i.e., money lenders dominating the rural credit market. Today, the situation has deteriorated to the point of agrarian crisis whose gravity is reflected in farmers and agricultural labour suicides. In the post-independence period, the sources of rural credit have been broadly institutional and non-institutional. Historically, non-institutional sources were predominant at the time of independence (and even beyond) as was exhibited by the All-India Rural Credit Survey (1954) which found their share at

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