

## Interlinking of Markets in Tribal Areas and their Implications on Livelihoods of the Tribal Population: A Case of Chattisgarh\*

### Introduction:

Inter-linkages among rural markets are widely observed phenomenon in developing countries and tribal areas of India are no exception to this. Of late tribal areas have witnessed rapid phase of urbanization and industrialization, thereby alienating many tribes from their traditional natural resource base and compelled them to look for other alternative livelihood options. As tribal communities are placed at the lower rung of the social and economic structure, the nature of exchange relationships involving these communities have always been unequal and thus exposed them to further exploitation by the mainstream economic agents. Moreover, the isolated nature of many village economies further exacerbated their low bargaining position.

While market inter-linkages has been advocated on the one hand as a mutually beneficial voluntary contract among self-interest-maximising individuals confronted with a range of market imperfections, it is considered, on the other hand, as an exploitative mechanism motivated by the unequal relations of power, embedded in the unequal access to productive resources, serving the interests of surplus- appropriating economic agents. However, the theoretical debate concerning this issue has remained by and large inconclusive so far. Moreover, a major part of the literature related to market interlink age highlights only the conceptual issues and most of them pertaining to pre-structural change in the rural economy. The role of inter-linkages in the context agricultural transformation and changing political economy of rural communities has not received due attention in the recent years. Though, caste is playing a major role in defining, restricting and differentiating access to different markets, not enough attention is paid in the literature to this social aspect. Further, not many studies are found in tribal areas specifically focusing on the nature, mode, extent of markets and their inter-linkage and its implication on the livelihoods of the tribal people

### Objectives:

On this backdrop, the present study intends to understand the changing nature, structure, forms of factors (land, labour and credit) and output markets and its implications on the livelihoods of tribal communities in the context of changing agrarian scenario.

### Specific Objectives Include:

- To examine the variation between different tribal regions with respect to the nature, form and extent of inter-linkages? In what way, the interlinked transactions in one region differ from that of the other regions?

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- To identify the types of households who have a greater probability of entering into such interlinked transactions;
- To explore the causes and consequences of inter-linkages on different strata of farm households

#### Methodology:

The study of the functioning of the agrarian markets was done by employing both quantitative (village and household level survey<sup>1</sup>) and qualitative (FGDs, key informant interviews) data collection methods. Along with the primary data, secondary data from various sources are also collected. Implications of the interlinking markets on the livelihoods of the tribal people are examined by evaluating the efficiencies of the interlinked households' *vis-à-vis* a comparable group of non- interlinked households. In order to examine the caste-specific nature of participation, comparisons between tribal *vis-à-vis* non-tribal households are also attempted.

#### Study Areas:

The present study is based on the evidence from Chhattisgarh. To capture the diversity in the production relations across different agro-climatic zones in Chhattisgarh, three districts (Sarguja, Kanker and Bastar) with higher proportion of tribal concentration (districts falling under 5<sup>th</sup> schedule areas) are selected. From these three districts, twelve sample villages (four villages covering four blocks from each district: three tribal dominated villages and one non-tribal village as control) stratified by level of agricultural development are selected.

#### Findings:

##### Structure of Credit Market:

- Participation of households in the credit market was found to be comparatively less in the more developed villages and also in case of the less developed tribal villages.
- The percentages of households availing institutional credit are higher in the more developed and non-tribal villages and lowest in case of underdeveloped villages.
- Percentage of households availing institutional credit increases with farm size, except in the more developed village. On the other hand, relative importance of participation in the informal credit market goes on falling when farm size increases.
- Moneylenders and landlords emerge as the most important source of informal credit in all the villages. The importance of moneylenders is much more pronounced in case of the less developed villages. While, moneylenders and shopkeepers are the two most important sources

<sup>1</sup> A total of 420 households were covered in household sample survey (about 35 households from each sample village). The sample was drawn by using proportionate probability sampling method to represent all the socioeconomic groups in the village. of informal borrowing for the landless labourers; for SMF households, moneylenders and traders are the most important sources; Traders are the most important source of informal credit for LMF households.

The average amount borrowed per borrower household increases with the farm-size. While the average amount borrowed by landed households show increasing trends as we move from less developed villages to more developed villages, a reverse trend is observed in case of land less households.

□ Households in more developed tribal villages and in non-tribal villages are mainly borrowing for production purposes, whereas, consumption is the major purpose of credit in less developed tribal villages. The share of production oriented loans increases with increase in the farm-size.

#### Extent of Inter-Linkages:

- Interlinked transactions are relatively more widely prevalent in the under developed tribal villages and less in more developed tribal villages.
- Higher proportion of households belonging to SMF and landless categories and also from scheduled tribe categories are found to be involved in interlinked transactions. Participation of the LMF households is restricted to less developed tribal villages only.
- Higher the level of caste, education, and farm size, lower is the level of linkages. Moreover households who do not have access to any Government programmes appear to be more vulnerable to the interlinked transactions. Further, households having access to non-farm income and those who have membership in groups like SHGs and other community groups also observed to be participating less in interlinked transactions.

#### Types of Interlinked Transactions:

- Labour-credit inter linkage is the most important form of inter linkage followed by output- credit and input-output-credit inter linkages.
- While landless households are found to be involved only in labour-credit inter linkage, LMFcategories of households participate only in output-credit inter linkages. But, SMF categories of households are found to be involved in all types of inter linkages.

#### Implications of Inter-linkage:

- Non-institutional sources charge a higher rate of interest (about five times more) than the institutional sources. However, the gaps between institutional and non-

institutional interest rates are highest in case of the underdeveloped tribal village and lowest in more developed tribal villages.

- Scheduled tribe and scheduled caste households are paying comparatively more interest rates for their non-institutional credit when compared to the other social groups.
  
- At the aggregate level, the mean rates of interest corresponding to interlinked transactions are found to be higher than that of the non-linked transactions. However, exceptions in this regard observed, in case of more developed tribal villages (because of labour shortage due to easy access to non-farm employment compelled employer to offer cheap credit ) and also in non-tribal villages (as a result of the competition among traders in the output market to advance credit to relatively larger farmers).
  
- The difference between rates of interest corresponding to non-linked and linked transaction is the highest in the less developed tribal villages.
  
- Within linked transactions, the SMF households have paid the highest average rate of interest, whereas, LMF households have paid lower interest rates.
  
- Farmers involved in output-credit or output input- credit inter linkages have compelled to sold their crop at a lower than market price, more prominently observed in the non-tribal villages. Even within the linked borrowers, the SMF households have received, on an average, a lower price than the LMF households.
  
- Linked labour households, irrespective of their social category, receive lower wages when compared to non-linked households, indicates their lower bargaining power in the labour market.

#### Conclusions:

Of late, the credit need of the agricultural sector has increased tremendously. However, rural households are compelled to rely on informal sources as a result of non-availability or inadequate availability of institutional credit. This provides enough grounds for the emergence of interlinked transactions and also their sustainability over a period of time. But, credits from informal sources in general and interlinked transactions in particular, as the present study clearly indicates are not only costlier but also found to be exploitative in nature in many instances. Therefore, a stable, reliable and reasonable credit delivery system with simplified procedure is required to prevent such exploitation of the rural households. In this context, the recently launched *Jan Dhan Yojana* is expected to improve financial inclusion in the rural areas and such efforts need to be consolidated.

The effect of education has underscored the need for capacity building of borrowing households. Increasing access to education is expected to widen the scope for more alternative sources of earnings and employment opportunities and thus, will reduce households' reliance on interlinked transactions. Hence, the formal financial institutions are required to be more proactive in spreading financial literacy. Adoption of income diversification strategies can reduce the probability of a household's involvement in interlinked transactions. Promotion of self-employment opportunities and effective implementation of employment generation programmes like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) are expected to go a long way in this direction.

Moreover, Panchayat (Extension to the Scheduled Areas) Act, 1996 (PESA) has also many provisions which may have direct bearing on market inter linkages. Thus, if implemented properly, PESA has the potentiality to minimise exploitation of tribal population, especially those who are compelled to be involved in interlinked transactions. .

