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RESEARCH NOTES

The Status of Commission Agent System in Punjab Agriculture

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I

INTRODUCTION

Commission agents commonly referred to as *arhtiyas* are the key players between the farmers and buyers for facilitating the auction, arranging for the payment to the farmers (sellers) and other facilities like loading/unloading and cleaning of the produce and delivery of the produce to the buyers. They also arrange the required equipments, machines and labour for weighing, filling and stitching the grain bags for which the farmers and buyers pay as per the rates prescribed under the Punjab Agricultural Produce Market Act, 1961. The capital intensive nature of green revolution technology increased the financial needs of the farmers and the procurement needs of the state due to substantial increase in the agricultural production. As a result, two inter-linked markets; credit market and product market emerged, where commission agents played a dominant role. The institutional sources alone could not meet the credit requirements of the farmers and they had to go for non-institutional credit, especially from commission agents.

Historically, the non-institutional credit market made the things worse for the farmers prompting the governments of the day for enacting laws. In 1901 the British government enacted the Land Alienation Act for preventing the non-agricultural classes from acquiring land from the agriculturists. Similarly, the Co-operative Societies Act was passed in 1904 to address the problem of rural indebtedness through institutional credit facilities. But, these acts were inadequate to solve the debt problem and check the process of alienation of peasants from land. Moneylenders started purchasing land in fictitious names called '*benami*'. Other laws like the Usurious Loans Act 1918 and the Provincial Insolvency Act 1920 were also enacted to regulate money lending. Long before these laws, the Usury Laws Repeal Act was enacted in 1855. Some more legislations were enacted in 1930s; like The Punjab Regulation of Accounts Act 1930, The Punjab Relief of Indebtedness Act 1934, The Punjab Restitution of Mortgaged Lands Act 1938, The Punjab Alienation of Land (Amendment) Act 1938, and The Punjab Registration of Moneylenders Act 1938. These acts were enacted to systematise the functioning and legitimise the role of

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agriculturist-moneylenders in the agrarian economy. But these measures of the British government could not absolve the peasants from the clutches of moneylenders as the magnitude and intensity of farmers' debt continuously increased.

The debt burden on Punjab peasantry was Rs. 784 crores in 1991-92 which increased to Rs. 9886 crores in 2002-03 and further to Rs. 35000 crores in 2008-09, out of which more than one-third came from the commission agents (Singh, 2009). According to the census survey (PAU, 2009), 2890 farmers and agricultural labourers committed suicides in Bathinda and Sangrur districts during 2000-2008. Out of these, 66 per cent of the victims committed suicide due to heavy debt burden mainly from the commission agents.

This field study was conducted to examine the status of the commission agent system in agriculture sector. The study is mainly based on the primary data collected from the commission agents and farmers which relates to the agricultural year 2008-09. The primary data regarding commission agents were collected from 15 grain markets. A sample of 40 commission agents from sub-mountainous zone (zone I), 180 from central zone (zone II) and 80 from south-western zone (zone III) was selected, choosing 20 commission agents from each market. Thus, a total of 300 commission agents were selected for the study. Similarly, a sample of 400 farmers was taken from the adjoining villages of the selected markets.

II

SOCIO-ECONOMIC CHARACTERISTICS OF COMMISSION AGENTS

Various studies have shown a rough estimate of the number of commission agents in the state on the basis of number of licences issued. The number varies from 10000 to 40000 commission agents. The present study highlights the actual number of total families of commission agents as 20232 (Table 1). The families of commission agents engaged in the profession is far less than the number of licences due to the issuance of multiple number of licences and non-operative licences.

TABLE 1. CONCENTRATION OF COMMISSION AGENT FAMILIES IN GRAIN MARKETS OF PUNJAB

Zone	Total no. of families of commission agents*	Net area sown (000 ha)	No. of farmer households (000)	Concentration of commission agents		Average no. of licence per commission agent family
				Per 000, ha net area sown	Per '000 farm families	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
I	1064	376	148	2.83	7.19	1.20
II	13752	2720	615	5.06	22.36	1.46
III	5416	1088	234	4.98	23.15	2.33
Punjab	20232	4184	997	4.84	20.29	1.66

*Estimated on the basis of number of commission agent families in the sampled markets.

It is the general perception of the people that the magnitude and intensity of commission agent families varies in the different agro-climatic zones of the state. The number of these families is the highest in zone II (13752), followed by zone III (5416) and zone I (1064). The average number of licences per commission agent family is 1.66 in the state, which is the highest in zone III (2.33), followed by zone II (1.46) and zone I (1.20). The number of commission agents per thousand hectares of net area sown is 4.84 in the state. This number is the highest in zone II (5.06), followed by zone III with 4.98 and zone I with 2.83 commission agents. Similarly, the average number of commission agents is 20.29 for one thousand farmer families in the state. This analysis reveals that the concentration of commission agents is the lowest in zone I of the state where farming is less concentrated, less irrigated and less commercial.

(i) *Education Level and Castes of Commission Agents*

Education level indicates that 37 per cent commission agents are graduates and only 7 per cent are below matric level of education (Table 2). It is very interesting to note that 1.67 per cent of commission agents do not have any formal education, though they know their traditional language '*lande*' (codified language). It is a general perception of the people that commission agents exploit the farmers through maintaining their accounts in their own language, which nobody can decode and understand. With such a complex accounting system, not only illiterate farmers but sometimes well educated people are also exploited easily. On the other hand, it is also observed that 2.33 per cent of commission agents are having post graduation qualification.

TABLE 2.EDUCATION LEVEL AND CASTES OF COMMISSION AGENTS IN PUNJAB

Education level (1)	Per cent (2)	Caste (3)	Per cent (4)
Illiterate	1.67	Bania	35.00
Primary	1.00	Jat	26.67
Middle	4.33	Khatri	25.00
Matric	34.33	Brahmin	7.67
10+2	19.33	Rajput	2.33
Graduate	37.00	Saini	1.00
Post-graduate	2.33	Others*	2.34

*Others include Kamboj, Sonar, Ramgharia and Labana.

Traditionally, two castes, namely, Banias and Khatris (Aroras) dominated in this business. Although the Bania is still the dominant caste in this business, some new castes have joined this business. It is a well known fact that the benefits of the green revolution were confined only to those farmers who had sufficient land and owned capital funds and ultimately, large volume of marketable surplus. Certainly, large farmers could reap more benefits of this highly capital intensive agriculture. These large farmers have benefited from commercial farming; the profit has been invested either in the farm sector as in land improvement, farming structure, mechanisation or in other sectors of the economy. Some of these large farmers have entered the commission agent business in the state. The entry of these non-traditional commission agents started in mid-1980s when the green revolution had been passing through the phase of increasing productivity and high profitability. Presently, in Punjab, 35 per cent commission agents belong to Banias, about 27 per cent belong to Jat caste and 25 per cent belong to Khatri caste. However, commission agents from some other castes like Brahmin, Rajput and Saini are also involved in this business. This analysis reveals that the capitalist development in agriculture has transformed the rigid caste-based *arhtiya* system to an economic or business profession.

(ii) *Commission Agents Farmers Ratio*

An average commission agent in Punjab state deals with 71 families and serves farmers from 11 villages. The change of *arhtiya* by the farmer was very rare practice upto the late 1970s. This phenomenon has started with the entry of non-traditional commission agents in this profession, particularly the Jat *arhtiyas*. It is interesting to know that about 44 per cent of the farmers are still dealing with the same commission agent for more than one generation. The indebted farmers are not in a position to repay the whole amount of debt in a single season; this among other factors is the reason why the farmers remain bonded with the same commission agent. Due to this the change of *arhtiya* among farmers is not a common phenomenon. Basically, this change is very difficult as the farmers have to take the informal clearance from the old commission agents by clearing their dues for joining the new commission agent.

III

COMMISSION CHARGED AND LOAN ADVANCED BY COMMISSION AGENTS

Being a middleman in the agricultural marketing, commission agent charges commission (*arhat)* from the buyers. On the basis of The Punjab Agricultural Produce Markets Act, 1961, Punjab Mandi Board had fixed their commission for different crops, including fruits and vegetables. The rate of commission was fixed on May 26, 1961 at the rate of 1.50 per cent on ad valorem basis. But, commission agents being a strong political lobby, could manage to increase their commission from time-to-time. The rate of commission was raised to 2.00 per cent on April 11, 1990 and again raised to 2.50 per cent on 22 May 1998 on all agricultural commodities and 5 per cent on fruits and vegetables. The market charges for long have been the highest in Punjab. At present the total market charges are 13.5 per cent of the value of the produce; which constitute 4 per cent as purchase tax, 3 per cent as the infrastructure cess on wheat and paddy whereas it is 2 per cent in the case of cotton, 2 per cent as market fee, 2 per cent as the rural development fund and 2.5 per cent as the commission for the commission agents. Despite the fact that commission agents do not have any significant role in the procurement of those crops (wheat and paddy) in which assured marketing prevails, they are able to increase their commission from time to time. The amount of commission has continuously increased with minor fluctuations as the market arrival and prices of these crops have increased over a period of time and also due to the increase in the rate of commission. This could happen due to the continuous pressure of this lobby, otherwise there was no rationale to increase their commission, which was and remains fixed on ad valorem basis. The commission agents have earned a sum of Rs. 784 crores from all the crops during the year 2009-10.

The major clinching source of income of the commission agents, which is even more than the commission charged is the interest taken on the credit advanced by them. Out of a total debt of Rs. 35,000 crores on Punjab farmers during 2008-09, it is estimated that Rs. 13,300 crores (38 per cent) is advanced by the non-institutional credit agencies in which commission agent is the major source of finance. The total interest paid by the farmers on this amount, even if we consider that the loan is effective for 2/3rd of the year, and the lower rate of interest charged at the rate of 24 per cent per annum, comes to more than double the amount earned as commission. An average commission agent advances a loan of Rs. 65.74 lakh to the farmers. The interest accrued on this amount becomes Rs. 15.78 lakh per annum. On the average, a commission agent borrowed Rs. 4.03 lakhs on which an interest of Rs. 0.72 lakhs was paid.

The source from which commission agents borrow the money they advance to the farmers is still not documented in any record. In the present study, we tried to get this information but could get little response from majority of the commission agents. However, around nine commission agents disclosed that they also borrow money from large farmers, police officials, bureaucrats and from other servicemen. The rate of interest charged by these people is higher than that of the institutional sources. They disclosed that the big farmers who are politically well connected, police officers and bureaucrats feel that their money is always safe with the commission agents, which is kept secret as black money and is available back on demand.

The Punjab Registration of Moneylenders Act 1938 states that the suits for the recovery of loan could be filed by registered moneylenders with a valid licence. This law laid an obligation on the moneylender to regularly maintain an account for each debtor separately, of all transactions relating to any loan advanced to that debtor. The government prescribed the manner in which accounts had to be kept. Moreover, the creditor had to furnish each debtor every six months, with a legible statement of accounts signed by the creditor or his agent of any balance or amount that may be outstanding on 30th June or 31st December. However, during our field survey we experienced that among the respondent commission agents not even a single commission agent was registered for the business of moneylending. In fact they do not feel that their loan is not secure and by not registering they can call more shots. The law needs a re-examination.

IV

CHANGING SCENARIO OF COMMISSION AGENT SYSTEM

The scenario of the commission agent system has considerably changed after green revolution, in terms of occupational and functional changes, which are discussed below:

(A) *Occupational Changes*

Earlier the commission agent business used to be in the hands of particular families from a few castes for generations. But with the passage of time some people from new castes and other professions have joined this business. As a result the occupational scene of this business has changed.

(i) *Traditional and Non-Traditional Commission Agents*

Commission agents are categorised as traditional and non-traditional commission agents on the basis of the period of starting this business. Those engaged in the business before the initiation of green revolution (mid-1960s) are considered as traditional commission agents. Our field survey reveals that 7.67 per cent commission agents were in this category. Accordingly their proportionate share in the business has been declining. Thus, the number of non-traditional commission agents has been increasing in the agricultural marketing of the state.

(ii) *Earlier Occupation of Non-Traditional Commission Agents*

Our field survey revealed that majority (92.33 per cent) of the commission agents are the new incumbents, and about 45 per cent of them came from the farming population, particularly large farmers (Table 3). With the increase in surplus from the large sized farms, the capital is being invested in the lucrative business to earn more profit through high interest rate. About 24 per cent of the commission agents came from grocery business (*karyana shops*) whereas another 31 per cent commission agents belonged to various types of activities/professions in the economy, such as service, accountants (*muneems*), traders, financers and fertiliser/pesticide shop.

(iii) *Allied Occupation of Commission Agents*

Majority of the commission agents have allied business activities. About 42 per cent of the commission agents are dependent only on commission agent business. About 47 per cent commission agents have one additional business and about 10 per cent have two additional business activities. A few had even three additional business activities.

TABLE 3. EARLIER OCCUPATION OF THE NON-TRADITIONAL COMMISSION AGENTS

Occupation (1)	No. of commission agents (2)	Percentage (3)
Farming	126	45.49
Grocer	66	23.83
Service	24	8.66
Accountant /*Muneem*	21	7.58
Cloth/Sweet shop owner	21	7.58
Fertiliser/Pesticide shop owner	7	2.53
Factory owner	2	0.72
Cotton trader, financer and jeweller	9	3.25
Settled abroad	1	0.36
Sub-total	277	100.00

A majority of the commission agents are practicing farming (48 per cent) followed by grocery shops (22.29 per cent), pesticide/fertiliser shops (17.71 per cent), rice sheller (16.0 per cent) and other activities (17.14 per cent), such as property dealing, transport, brick kiln (Table 4). All these allied occupations are surviving on the demand created by the peasantry. The grocery, cloth, pesticide, fertiliser, seed and animal feed shops are directly related with the rural economy. These are *arhtiyas*' own business; however, some other *arhtiyas* have some associated or linked shops.

TABLE 4. ALLIED OCCUPATIONS OF COMMISSION AGENTS IN PUNJAB

N=175 (Multiple response)

Occupation (1)	No. of occupations (2)	Per cent (3)
Farming	84	48.00
Shop keeper (Grocery+ other shops*)	39	22.29
Pest/fertiliser/seed shop	31	17.71
Rice sheller	28	16.00
Cold store	2	1.14
Other activities**	30	17.14

Notes: *Other shops include cloth merchant, animal feed, bakery, electrician, hardware shop, etc.
**Other activities include cotton mill, property dealer, transport, petrol pump, service, dairy, brick kiln, etc.

(B) *Functional Changes*

The change in configuration of the commission agent system with the entry of new professionals and state intervention has influenced the functioning of this profession over time.

(i) *Change in the Rate of Interest*

The rate of interest charged by the non-institutional sources, particularly commission agents, has been declining since mid-1960s. During the 1970s the rate of interest on non-institutional credit prevailed between the range of 30-40 per cent per annum. The interest rate declined to 24-30 per cent during 1980s due to the expansion of institutional credit in the agricultural sector. But in the post-green revolution period, the rate of interest on non-institutional credit further declined to 18-24 per cent per annum during 1990s. This field survey revealed that the commission agents charge differential rate of interest for different sections of the peasantry. By and large, the rate of interest charged by them declines as the farm size increases. Majority of the small farmers have to pay 24-30 per cent rate of interest whereas the big section of large farmers pay 15-18 per cent of interest on their credit from commission agents. However the, commission agents opined that the rate of interest charged depends upon the farmers' credibility and dealings, irrespective of the size of land holding. Some farmers are honest and fair in their dealings, a lower rate of interest is always charged from such type of persons as there is no risk of recovery of credit.

(ii) *Change in the Deduction of Commission*

The commission agent is the mediator between the sellers and buyers for the marketing of agricultural produce. For performing the function of middleman, the procurement agencies (buyers) pay commission to them. Presently, this commission is 2.5 per cent of the value of foodgrains marketed in Punjab.

During the early phase of green revolution (from mid-1960s to mid-1970s), the practice of dual *arhat* was prevalent in agricultural marketing in which the commission was also deducted from the farmers, which was illegal. The Market Act envisaged commission from the buyer only. However the commission agents continued to charge the commission from some farmers, to whom they had advanced some loans, which generally included the small farmers who were not aware of the legality of it. As the awareness among the farmers increased, the commission agents stopped charging the commission from them, particularly since 1990s. On the other hand, the field survey also reveals that some large farmers, albeit a few, negotiate to get 1 per cent to 1.25 per cent of the commission which is paid by the procurement agencies to commission agents. This shows that the large farmers who are educated and have surplus capital are in a position to negotiate everywhere, including the commission agents. This is the same class that invests money in many allied activities or commission agent business.

(iii) *Change in the Social Relations*

An age old myth about 'nail and flesh relationship' (*Nauh mass da rishta*) among farmers and commission agents is widely publicised in the popular media, on the basis of its prevalence since generations. The commission agents argued that they have a well-knit relationship with the farmers as both the parties have blind faith in each other. Nowadays, significant changes have been noticed in this relationship. Although the traditional commission agents were professionally very smart, they were sober and polite in dealing. This picture has changed to rudeness and arrogance to some extent due to the entry of Jats into this profession. During the green revolution period, majority of the commission agents participated in the social-religious functions of the farmers. Some of the farmers opined that the commission agents definitely attend their functions when they invite them, and the farmers feel high in their social status. The farmers also participate in the religious functions of the commission agents, at times of sorrow in particular. Large farmers are generally invited by the commission agents to their social functions, particularly for marriage of their children. The non-traditional commission agents, particularly Jats, invite all their client farmers irrespective of their holding size.

During the initial phase of the green revolution, food and shelter was provided to the farmers by the commission agents during the marketing of their crops as sometimes, farmers had to spend 4-5 days in the market for selling their produce. These days, a large number of villages have the facility of a grain market yard in the village and generally the farmers are able to sell their produce within one or two days. Therefore, the provision of food and shelter is not needed due to the existence of a comparative efficient marketing system in the state.

(iv) *Purchase of Farmers' Land*

Punjab is an agriculturally developed but land scarce economy. The ownership of land is an economic asset and carries a social prestige in the society. The small farmers find it difficult to keep their land intact. The number of operational holdings in the state was 11.17 lakh in 1990-91, which declined to 9.97 lakh in 2000-01. The picture of small farmers (< 5 acres of land) was very precarious as their number has declined from 5 lakh to about 3 lakh during this period. This shows that about 2 lakh small farmers have either leased out or sold their entire land or part of it. A report on the status of farmers who left farming in Punjab states that out of 2 lakh families who left farming, about 36 per cent families have sold their entire land whereas another 11.4 per cent families have sold part of their land (Singh *et al.*, 2009).

The field survey of the study reveals that about 10 per cent farmers sold their means of production including land, tractor, farm implements and other assets like livestock, gold ornaments, and trees to repay the loan. Some of these farmers sold their assets even at distress prices due to the continuous pressure of the commission agents. Another recent field survey on 'land market in rural Punjab' reveals that in land sold to commission agents by the farmers, the buyers were largely non-traditional commission agents (Singh, 2010). This is a new trend of purchasing land of the farmers by the commission agents. The traditional commission agents are least interested in purchasing the land of the farmers; if they purchase, they try to recover their disbursed amount by diverting it through the large farmers under some specific mechanism. Sometimes, they extend the financial support to the medium and large farmers for purchasing the land of indebted farmers. In this way, they recover their loan 'on paper' merely by diverting these loans from the distressed peasantry towards medium and large farmers.

V

MALPRACTICES OF THE COMMISSION AGENTS

The commission agents use various modes and strategies for enhancing profitability of the business. They also indulge in various unprofessional activities and malpractices.

(i) *Non-Issuance of J-Form*

It is mandatory for the commission agents to issue J-Form to the farmers (sellers) for the sale of farm produce. In the J-Form the name of seller, buyer and commission agent; the name and volume of produce sold, rate, the incidental charges and net amount paid to the farmers are included. In the case of vegetables and fruits, the name of buyer is not necessary in this form. Our field survey reveals that only about 76 per cent of the selected farmers got this form from the commission agents. Even though the issuance of J-Form is mandatory, about 10 per cent of the farmers are deprived of this right till date. About 14 per cent of the farmers opined that they did not receive this form regularly.

The non-issuance of J-Form is a means for the tax evasion, market fee evasion and for indulging in some other malpractices. Due to non availability of J-Form, the farmers also bear losses as they are not able to get 'bonus price' generally announced late or any other compensation given by the government. The temptation of this malpractice can be well imagined. A one per cent produce excluded means commission agent appropriating about 11 per cent of the value of this produce, which are the taxes and development funds levied and charged from the buyers who in any case pay these charges. However, this happens only for the private buyers.

(ii) *Acquiring Multiple Licences*

It is a matter of great concern that there is no formality to get this licence. If any person has the residential address, he is eligible to get the licence for commission agent business. Generally, a commission agent would need only one licence. As they resort to the malpractices, the licences can be cancelled. Even this hardly affects the commission agent as he has another license in the name of another family member/relative. The survey reveals that 66 per cent of the commission agent families in the state have more than one licence. The reasons for commission agents possessing multiple licences are to divide their expenses and income to reduce the income and the sale tax, and in practice remaining in business as usual even if one is cancelled as punishment for malpractices as per the Act.

(iii) *Deduction of Minimum Commission (Damami*)

In case of low market arrival either due to low productivity or crop failure, the commission agent charges commission from the farmers which is generally equivalent to the previous year's commission, and is called *damami*. Though the practice of *damami* is an old one, it was not much prevalent during the green revolution period. There was a rising trend of productivity for all the principal crops between mid-1960s to late 1980s. This practice came to the light in 1990s when the production of cotton crop reached at floor level in 1997 due to severe attack of American bollworm. That is why this practice was mainly prevalent in the cotton belt (zone III) of the state. In our field survey about 9 per cent farmers complained of this deduction. And it is a matter of pity that the poor farmer who gets a bad crop is further made poorer by the *damami* of the commission agent.

(iv) *Slip Mechanism*

Farmers always demand the cash money from the commission agents. But the commission agent prefers to sell them the articles rather than paying cash. For this purpose, the 'slip mechanism' is being used by the commission agent who issues the 'slip' to the farmers for getting the required items from connected or tie-up shops of commission agents, where the price charged is always higher than the prevailing market price, and the quality is poor. The business of commission agents is safe as they deduct the credit amount from their produce at the time of procurement in the market. This way the farmer not only remains a bonded seller but a bonded buyer also. About 63 per cent of the farmers were found under this practice during the field survey. This mechanism becomes the source of exploitation of the farmers as well as an efficient business tool for the success of business activities in the market. This increases the vulnerability of farmers and increases their dependency on commission agents in meeting daily household expenses too. Even if the commission agent provides the quality goods at competitive price, the farmer is bound to lose 'consumers' sovereignty'.

(v) *Mode of Indirect Payment*

In the existing marketing system, the payment to the farmers for selling their produce is made through the commission agents. Basically, this indirect mode of payment is the fundamental tool by which the present commission agent system has been surviving. The academicians and farmer organisations are invariably in favour of direct payment to the farmers. Some of the expert committees (Government of

Punjab, 1998; PSFC, 2009) have also suggested making direct payment to the farmers through account payee cheques.

In our field survey, about 93 per cent respondent farmers view that direct payment system as beneficial for them. Further, the direct payment system is highly supported by the large farmers followed by medium, semi-medium, small and marginal farmers. All the educated farmers, and majority of the illiterate farmers support the direct payment of their produce through cheques. This way, the farmers would get the full payment of the produce sold, redemption from the clutches of commission agents, withdrawal of money as per their requirement and more transparency in accounts. Another reason in support of direct payment system is the option to buy the quality inputs from reputed/choice outlets and repayment of the loans as per repaying capacity of the farmers.

VI

PROBLEMS FACED BY THE FARMERS

A large number of problems are being faced by the farmers in dealing with the commission agents in the state as shown in Table 5.

TABLE 5. PROBLEMS FACED BY THE FARMERS IN DEALING WITH THE COMMISSION AGENTS IN PUNJAB

(Multiple response)

Problem	Farmers	
	Number	Per cent
(1)	(2)	(3)
Recovery of old loan before any payment	213	53.25
Exorbitant rate of interest	185	46.25
Supply of spurious inputs (seed, pesticides etc.)	158	39.50
Malpractices in weighing	106	26.50
High prices for domestic articles	99	24.75
Malpractices in prices	92	23.00
Delay in payment	76	19.00
Practice of *damami*	35	8.75
Others problems*	51	12.75

*Non-issuance of J-Form, signature on blank promissory notes, rude behaviour, kind payment etc.

Recovery of loan before any payment is the main problem faced by the 53.25 per cent of the respondent farmers. This issue should be seen from both the angles, namely, creditors and debtors. It is a general phenomenon that the creditor deducts his loan amount from the debtor, as and when possible. Basically, the logic of the farmer (debtor) guides the situation as there is dire necessity of money for sowing the next crop or fulfilling the domestic needs and social obligations.

The commission agents charge exorbitant rate of interest on credit which varies from 24 to 36 per cent, this issue was raised by about 46 per cent of the farmers. About 40 per cent farmers complained that the commission agents supply poor quality seeds and inputs to the farmers. There are many cases in which the farmers faced great loss due to supply of spurious inputs. High prices of domestic articles, malpractices in weighing and prices of the produce are the other major problems pointed out by about 25 per cent of the farmers. Another problem faced by about 19 per cent farmers is the delay in making the payment for their produce. Similarly, about 13 per cent of the farmers opined about the rude behaviour of the commission agents particularly of non-traditional commission agents.

VII

CONCLUSIONS AND RECOMMENDATIONS

The study highlighted that the commission agent system for agriculture in its present module remains an exploitative mechanism. Though some legal framework has been enacted and modified from time to time, the modus operandi of commission agent finds many ways of exploitation. This continues even when the market is by and large monopsonistic (single buyer and large number of sellers) one as the public agencies are the major buyers. Therefore, alternative marketing systems like Direct State Procurement System and Co-operative Marketing System need to be developed. Simultaneously, the government machinery should be re-enforced to curb the malpractices of the commission agents.

The banking system should be made farmer-friendly and the flow of institutional credit should be increased. The loans should also be made available for the consumption purposes, which include health, education, social festivities and day-to-day needs. The cumbersome and costly credit delivery system should be improved so that the farmers can get adequate and timely loans with low transaction costs. The easy repayment facilities, along with rebates on interest rates for timely payment should be encouraged so that the farmer can get the required amount of money from institutional sources rather than going to the private moneylenders.

The existing payment system, in which the payment of the farmers' produce is made through the commission agents, should be brought to an end. The procurement agencies should make the payment directly to the farmers through cheques which will create transparency in the accounts.

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