

## Informal credit household agency and livelihood risk among women agricultural workers in Himachal Pradesh

Monika Sharma<sup>1</sup>, Dr. Anil Tiwari<sup>2</sup>

<sup>1</sup> Research Scholar, Department of Economics, Singhania University, Rajasthan, India

<sup>2</sup> Research Supervisor, Department of Economics, Singhania University, Rajasthan, India

DOI: <https://doi.org/10.66856/ijmc.2026.8.3.8083>

### Abstract

This paper explores the association between informal credit dependence, household decision making, and livelihood risks based on the survey data from 500 female agricultural labourers of Kangra and Una district in HP in the year 2022-23. It stems from the doctoral field survey and addresses the aspects of management not separated out in the broader thesis—rental regularity, indebtedness, financial institution choice, and household decision-making power and paid-unpaid work mix. The respondents were put into three categories, "landless workers" (335), "1-30 acres" (92) and "31-50 acres" (73). These methods were used: Frequencies, Percentages and Chi-square Test. The results indicate that 85.0 per cent earned in between Rs. 2,001 and Rs. The 64.0 per cent of those indebted had a debt up to Rs. 6,000 per month. 5,000. Most important of all, 79.0 per cent borrowed from moneylenders and/or private sources of finance – albeit the latter enjoyed digital banks as a secondary source of finance – versus just 20.8 per cent from a source of cooperative or nationalised banks. There was no marked difference by source of credit among the different land-access segments, suggesting that inability to access credit is not just a problem for the landless, but that it is a generally shared constraint. The same level of limitation was found in the case of household agency; 73.8 per cent of the respondents indicated that men or elders were in charge of important decision making, and 78.6 per cent reported doing household work without male help. Higher levels of reliance on borrowing due to low wages, delayed pay and extended seasonal joblessness. The researchers end by arguing that owning an account and having some access to the land is not an adequate measure of financial inclusion and empowerment. Rural-management policy needs to take lessons from the timely payment of wages, provision of affordable credit by institutional lenders, cash-flow-sensitive loan products, engaging in off-season work, and providing financial advising and support to women gaining more autonomy in financial decision-making within the household.

**Keywords:** Informal credit, livelihood risk, women agricultural workers, household agency, rural management, financial inclusion

### Introduction

The largely invisible contribution of women to agriculture has often been considered an indicator of economic inclusion. Participation, however, does not indicate whether or not it results in regular income, whether or not it enables workers to have access to credit at affordable rates, or whether or not they have control over the resources created by their labour. These questions are of particular interest to women agricultural workers, who often work seasonally and have unpaid domestic and care duties. Their condition is not only determined by the wage rate but also by the when, the continuity or discontinuity of the jobs, the formal institutions they can access and their power over decisions occurring in the household.

Labor markets in agriculture have significant cash flow gaps for poor households. Revenue varies between the crop cycle and meteorological and food and labour market demands, while expenditures on food, health, education, ceremonies, and debt repayments are continuum throughout the year. If wages are low or not paid, money is borrowed and the increased cost is viewed as a management solution. The lender choice will then decide on the cost and flexibility of that response. Formal banks, while possibly lower, are required to have documentation, collateral, travel, and process know-how. Monetary lender/moneylenders (private finances) are quick and readily available, but the price they

charge makes one vulnerable for a longer duration because of shortage.

Women are faced with extra restrictions as the resources of a household do not necessarily coincide with those controlled by the women of that household. Kabeer theorizes empowerment with the interrelated three dimensions of resources, agency and achievements. In this way, having access to income or a bank account will not guarantee the ability of women if they are unable to control the use of their money (Kabeer, 1999) <sup>[6]</sup> or they cannot translate their income into a better life. Land rights also impact on security and bargaining power and while legal/nominal access may mean effective control over production and finance, it is not always the case. (Agarwal, 1994) <sup>[1]</sup>

This study is based on the agricultural workers, particularly female agricultural workers in Kangra and Una districts, HP. Small and scattered Farm holdings with steep terrain and reliant on seasonal conditions and large dependence on family labour is distinctive of Hill agriculture. Owing to these features, there is a close link between harvesting activities and running household affairs. There are common moves from paid farm labour to farming to livestock, and to domestic work, among women. A financial analysis that fails to take into, account unpaid work and decision making

would not give a full picture of how they are faring on their livelihoods.

The article aims to bridge the existing divide between traditional and livelihood risk management measures of financial inclusion. It studies the association of monthly income with access to land and the association of the source of debt with the access to credit, and whether economic participation goes along with household agency. The main theme is that informal credit dependence is not a stand-alone financial decision. It results from the combination of irregular labour, delayed remuneration, low earnings, informal-credit demand and gendered time and resource management.

## Review of Literature

Within the context of agricultural research, one differentiates between 'knock on the door' and 'substantive' economic empowerment of women. Access to land, finance, extension services, technologies and decision-making institutions continue to limit women's participation in agrifood systems (FAO, 2023) <sup>[3]</sup>. The feminisation of agricultural labour has taken place in India, along with the migration of men, agrarian anxieties and women's shift to insecure and lower-paid activities. Vepa (2005) <sup>[10]</sup> suggests that change of ownership and control plus increased female participation is possible without women being marginalized in their influence on their economic assets.

The ownership of assets not only influences livelihood resilience but also intrahousehold bargaining. Agarwal (1994) <sup>[1]</sup> demonstrates that income, security, and having a better backstop can be realised through land, but that the income and security that can be derived benefit from recognised and effective rights. The fact that a household has a plot or land does not necessarily make wage employment redundant for farm labourers who do not own any land, or have only small plots. This results in a hybrid livelihood of having a level of livelihood support that would be considered complementary and does not nullify risk of the livelihood to local wage demands.

This dichotomy of access to accounts versus use plays out in the financial inclusion literature as well. In rural households, households may also have bank accounts for public transfers although they also borrow informally, due to the fact that formal loans are slow, far, inflexible and/or require collateral. For World Bank, FAO and IFAD (2009) <sup>[11]</sup>, finance is also seen as a major constraint for women in agriculture, and FAO (2011) highlights that women suffer from the one-sidedness of their access to productive resources and services. While the informal sector's rationale for borrowing may make perfect sense in the short term, because it saves time in transactions, it served to displace and further shorten transactions in the short run has the effect of reducing cash flow and dependence in the long term.

Household agency influences the impact of credit and income on wellbeing. Kabeer (1999) <sup>[6]</sup> warns against equating choice and control with resources – or seeing it as the former. Women can be liable for repayments for large spending items and ineligible to influence the initial funding decision on these items if it is made by men/elder. In a similar fashion, agricultural income can be used to cover

household consumption needs, while women not be involved in decision-making regarding saving or investment, or productive assets. This distinction is important when considering management, because allocation authority has an impact on how effective, fair and sustainable household financial strategies are.

Care work also has an adverse impact on the continuity of employment and credit risk, as it is for unpaid work. The disproportion of the burden of care on women and its impact on women's employment is described by International Labour Organization (2018) <sup>[5]</sup>. Cooking, cleaning, fetching water and child/elder care take away flexibility to attend banks and training programmes or to find other jobs or run enterprises. Unlike the choice between being employed or not, then, for women agricultural workers livelihood management is a double burden.

While the studies on female agriculture labour, credit and empowerment have been done individually, there are limited studies that link these to the micro level affecting wage dependent women of Himachal Pradesh. The present analysis adds to this by applying a concept of household income, debt, lender choice and the dynamics of household work and decision-making as a livelihood risk system.

## Objectives of the Study

1. To analyse income, debt and credit source of women agricultural labourers in Kangra and Una district.
2. To determine the differences among various groups of people in terms of access to land, based on financial indicators.
3. To study the role of women in household activities and decision in major decisions.
4. To determine factors in the job market that exacerbate borrowing and livelihood risks.
5. To suggest rural management measures to strengthen financial resilience and economic agency of women.

## Research Methodology

### 1. Study design and research area

The type of study was Cross Sectional, Descriptive and Comparative. Data was gathered by conducting personal interviews in 2022-23, guided by a structured interview schedule. The survey was carried out on 500 women farmers working in agricultural activities of Kangra and Una districts of HP. The districts were chosen as part of the doctoral study based upon the relevance of involvement of agriculture and the requirement to be shown district-level evidence on the socio-economic situation of women.

### 2. Group classification and variables

The survey participants were identified by land transportation access. There was a total of 335 landless women agricultural workers in Group 1. The number of respondents in Group II was 92, having 1-30 units and Group III 73, having 31-50 units. The land recorded in the field schedule is in ordinal units and the analysis has not attempted to convert these to hectares. The financial variables considered were days to earn money for a day, monthly income, amount of debt and source of credit and the saving bank. The responsibilities for household work and the decision-making power over major household

choices were included as agency variables. The employment risk indicators studied were the hours worked, the delay in receiving wages, the presence of seasonal employment, distance to the workplace, and job hazards.

### 3. Analytical method

The sample described in this work was presented in the forms of frequencies and percentages. Pearson chi-square tests were used to test association between land-access group and categorical outcomes at the 5 per cent significance level. It is an associative analysis, but not by any means a causal one. The original survey is cross sectional and the financial amounts are reported as ranges, not continuous figures. Results must be considered a pattern of those surveyed, then,

## Results and Discussion

### 1. Income structure and cash-flow pressure

The distribution of daily wages was very skewed. There are 500 respondents, of whom 321 (64.2 per cent) are women who are only working for Rs. 101-200 per day, 123 (24.6 per cent) earned up to Rs. 100, and only 56 (11.2 per cent) earned Rs. 201-300. There was no significant difference among groups of land access in daily wages (chi-square = 8.98;  $p = 0.062$ ). Within the context of this, women who had some right to land were put into roughly the same low paying jobs as landless women.

There was a very narrow range for monthly income. There was a total of 270 respondents (54.0 per cent) who reported Rs. 4,001-6,000 per month, 155 (31.0 per cent) reported Rs. 2,001-4,000, 56 (11.2 per cent) earned below Rs. 2,000, and only 19 (3.8 per cent) exceeded Rs. 6,000. However, monthly income was significantly different in the various land-access groups (chi-square = 19.62,  $p = 0.003$ ). The ratio of A to B is The ratio of A and B is Among the landless workers, 47.8 per cent of which were in the 4,001-6,000 category; 64.1 per cent of the Group II and 69.9 per cent of the Group III belonged to the same category.

It is relevant to note the difference between daily wage and monthly salary. Land access did not affect the wages earned for a day of agricultural labor, but it could have increased monthly socio-economic resources via cultivation, potential length of engagement or decreased average non-labor time. However, the number of people who crossed Rs. In a small increase to its score for relative position, the reversion to modest access to land also did not bring sufficient financial security. In a relatively weak way of tackling relative position, modest access to land did not bring sufficient financial security.

**Table 1:** Monthly income by land-access group

| Monthly income  | Group I n (%) | Group II n (%) | Group III n (%) | Total n (%) |
|-----------------|---------------|----------------|-----------------|-------------|
| Below Rs. 2,000 | 39 (11.6)     | 8 (8.7)        | 9 (12.3)        | 56 (11.2)   |
| Rs. 2,001-4,000 | 127 (37.8)    | 17 (18.5)      | 11 (15.0)       | 155 (31.0)  |
| Rs. 4,001-6,000 | 160 (47.8)    | 59 (64.1)      | 51 (69.9)       | 270 (54.0)  |
| Above Rs. 6,000 | 9 (2.7)       | 8 (8.7)        | 2 (2.7)         | 19 (3.8)    |

Source: Field survey, 2022-23.

### 2. Debt and dependence on informal finance

Debt was common, although very minor. 320 respondents (64.0 per cent) had a debt of Rs. 5,000; 93 (18.6 per cent) owed Rs. 5,001-10,000; 42 (8.4 per cent) owed Rs. 10,001-15,000; 30 (6.0 per cent) owed Rs. 15,001-20,000; and 15 (3.0 per cent) owed more than Rs. 20,000. The amount of debt was not significantly related to land-access group (chi-square = 12.37,  $p = 0.135$ ). The pattern indicates that covering the shortcomings of the household occurred regularly by taking out small loans all over the sample.

The source of credit is more important if it comes to, the understanding of financial risk. 259 respondents (51.8 per cent) were served by moneylenders while 136 (27.2 per cent) were served by private financiers. A small number of women (13.0 per cent) borrowed from the cooperative banks while 39 women (7.8 per cent) borrowed from the nationalised banks. As such, 79.0 per cent used informal or private funding, with institutional lending making up only 20.8 per cent of finance used. There was no significant difference between groups with regards to the average credit score (chi-square = 4.44,  $p = 0.617$ ). Even members of the less poor population (women with access to land) had similar restrictions to borrowing formally.

**Table 2:** Sources of credit by land-access group

| Credit source      | Group I | Group II | Group III | Total (%)  |
|--------------------|---------|----------|-----------|------------|
| Moneylenders       | 169     | 51       | 39        | 259 (51.8) |
| Private finance    | 98      | 19       | 19        | 136 (27.2) |
| Cooperative banks  | 44      | 13       | 8         | 65 (13.0)  |
| Nationalised banks | 24      | 9        | 6         | 39 (7.8)   |

Source: Field survey, 2022-23.

This absence of a significant group difference suggests that informal credit dependence is not related to only complete landlessness. Small or marginal holdings might not be acceptable as collateral, and ownership could be unclear or the production is insufficient for generating a marketable surplus of the holding. Household land may also be an area where women do not have documentary control. Then other formal institutions which only look at the assets owned by the borrower may miss the reality of women borrowers' capacity and power.

Wide use was also noted of the nationalised banks, post offices and private banks for saving and/or benefitting transactions. This perceived access to banks went hand-in-hand with reliance on informal lenders. The difference between the account and the credit that can be used is essential. Accounts can have transfers made into them, be subsidised or given employment payments, while, even with the existence of liquidity transfers from banks, any emergency borrowing is made through the moneylenders, as it parades the classic attributes of speed, familiarity and flexibility in the conditions on which the borrowing is based. Therefore, financial-inclusion programmes should assess product use, rather than just account ownership. thus, financial-inclusion programmes should focus not only on account ownership but also on the use of products and borrowing cost and control over funds.

### 3. Household agency and the management of unpaid work

Women's domestic role was very broad. Of those who responded, 393 (78.6 per cent) reported women doing

domestic work without support from men, while 107 (21.4 per cent) reported that men assisted women in their domestic work. The association between land-access group was not statistically significant (chi-square = 5.00,  $p = 0.082$ ). Domestic responsibility remained accordingly a general fact for all economic groups.

Likewise, its authority in making big decisions was limited. In 73.8 per cent (369 households) amongst the households, it was recorded that men or elders made decisions, while amongst women, it was noted that only 26.2 per cent (131 households) made decisions. There was no significant association with this distribution by land-access group (chi-square = 2.71,  $p = 0.258$ ). Any claims that paid work or access to pieces of private property automatically leads to empowerment are limited by this finding.

**Table 3:** Household work and decision-making

| Indicator       | Response                   | Number | Percent |
|-----------------|----------------------------|--------|---------|
| Household work  | Women without male support | 393    | 78.6    |
| Household work  | Male support available     | 107    | 21.4    |
| Major decisions | Men or elders              | 369    | 73.8    |
| Major decisions | Women                      | 131    | 26.2    |

**Source:** Field survey, 2022-23.

The unequal division of unpaid work means there is also a time risk and a financial risk as far as household management is concerned. Women with multiple or specific domestic duties, who have to work the whole day in agriculture have less time available for banking, training, market search, self-employment and organization in groups. Restrictions on decision making also reduce the capacity to select lending, negotiate the use of a loan and/or focus on investment. As a result, women can play a key role in repayments in their roles as labour, but be largely excluded from financial decision-making.

#### 4. Employment insecurity as a cause of borrowing

The employment issues reported are the reasons for the relatively small amount of debt and why it persisted. Low wages and high household expenditure and financial difficulties were identified by all 500 respondents. Almost all women (486/488, 97.2 per cent) were affected by delays in their wages. Nearly all women (472/476, 94.4 per cent) experienced periods of unemployment, which were usually lengthy. 409 (81.8 per cent) reported distance to workplace, 410 (82.0 per cent) reported ill-treatment by landowners, 382 (76.4 per cent) reported pesticide-related health hazards and 368 (73.6 per cent) reported physical weakness. The problem question had more than one correct answer.

Wages that are not paid on time make up the receipt of wages the immediate financing need, as consumption is non-deferrable. This gap is larger if there is seasonal unemployment and more if people spend money on travel and health. The informal lenders become altered into the livelihood system as they lend the liquidity at the right time, which is whenever labour income is disrupted. This means such interventions that do not tackle questions of payments and employment may unnecessarily further increase vulnerability.

### Managerial and Policy Implications

#### 1. Timely and transparent wage management

The first task is to get better at administering pay. Employers and labour intermediaries should keep up to date work records and discuss and/or provide proof of wages

before the work begins. Local grievance processes with employers should provide women with the right to file a complaint on behalf of the worker for delayed or underpaid wages without suffering consequences for their future. Digital payments, if feasible, should be made to accounts of workers; there have to be assistance for errors in digital systems, as well as for failed transactions.

#### 2. Credit products designed around agricultural cash flow

The banks and cooperatives should make small and fast loans with repayment period not in the form of monthly repayments but in agreement with the agricultural seasons. When collateral is not titled, eligibility should apply with reference to work history, their participation in self-help-groups and regular flow of benefits. Minimize transaction barriers through doorstep service and through simplified and transparent forms and disclosure of interest. Short-term credit for consumption should not be allowed to have any interference with the financing of enterprises through productive credit.

#### 3. Linking financial inclusion with agency

Financial knowledge means very little in the absence of action taken by women to act on that information. Programmes therefore need to incorporate elements of budgeting, interest calculation, account control (joint and/or independent) and involvement in the processes of borrowing, alongside the use of appropriate grievance processes. Women producer group or self-help groups can be more effective than negotiating but with group liability systems being in place there must be a watchful eye for peer pressure to not take the place of the exploitative informal borrowing system.

#### 4. Action to close the income gap between agricultural seasons

It is imperative that there is off-season employment to diminish the borrowing for normal consumption. Additional revenue opportunities in rural public works, horticulture, food processing, livestock services, storage and grading are available to diversify income. Local demand assessment should be used to choose training and it must be connected to markets, equipment and working capital. Cost of childcare, availability of water and safer transport is economic infrastructure as it has an impact on women's labor force participation and their management of financial institutions.

#### 5. Occupational health as financial-risk management

Self-reported health issues (back and joint pain, pesticide exposure) can impact workdays and borrowing for treatment. Using protective equipment, learning and teaching people how to use it safely, providing shaded rest, drinking water and periodic health examination should not be seen as optional welfare measures to an employee's livelihood, those things should be seen as employing precautions. Women's specific labour-saving instruments can reduce physical burden and help maintain the earning potential of women.

### Conclusion

The study highlights the vulnerability to financial risks among the female agricultural labourers brought forth by various components of low earning, irregular employment,

delayed payment, avancement and limited agency of the household. Majority of the respondents achieved marks between Rs. 2,001 and Rs. Nearly 19,000 of them borrowed six lakh per month, and almost four-fifths borrowed from moneylenders and private finance. Small holdings were not effective credit access vehicles, with no significant difference in the amount of debt or choice of lender between groups of landholders with and without access to land.

There was also no significant association between economic participation and the same level of control of household resources. Domestic duties were largely the responsibility of the feminine gender, and men/elders were in control of decision making in nearly three-fourths of households. There was no difference between the land-access groups when it came to these patterns. The results therefore validate a multidimensional conception of empowerment by holding that empowerment needs to be bolstered by resources as well as agency and effects.

In the case of rural managers and policy makers, the lessons are obvious. Financial inclusion is not a matter of account ownership but of the policy on credit, that cannot be dissociated from the one on labour management. These interventions have strong positive synergy between each other and many of them are time sensitive in nature, such as timely wages, stable off-season jobs, access to institutional credit, cash flow sensitivity, protection of jobs and increased controls on income. A solution will have no impact on the process of shortfall and informal borrowing if it only solves one of the components.

There are limitations inherent in the cross-sectional design as the only mode of the study; the use of categorical financial measurements; and the lack of continuous data for interest rate, length of repayment period, and number of working days per year. Land was recorded in ordinal units, and cannot be converted to area from the available data set. There needs to be more research done that records data at district level, interest costs by lender, loan intent, loan repayment, and by indicators of women's autonomous control over their earning. The additions would allow a multi-variate modelling of processes from labour insecurity to debt dependence.

### Author Declaration

The manuscript is original, has not been published previously and is not under consideration elsewhere. The author reports no conflict of interest and no external funding for this article.

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