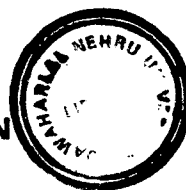


**STRUCTURAL CHANGES IN THE FLOW OF
INSTITUTIONAL CREDIT IN INDIAN AGRICULTURE :
AN INTERSTATE ANALYSIS (1961 — 81)**

Dissertation submitted to the Jawaharlal Nehru University
in partial fulfilment of the requirements for
the award of the Degree of
MASTER OF PHILOSOPHY

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1989**


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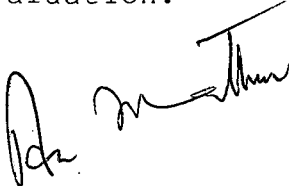
25 January 1989

CERTIFICATE

This is to certify that the dissertation entitled "Structural Changes in the Flow of Institutional Credit in Indian Agriculture: An Inter-state Analysis (1961-81)" submitted by Bhagaban Swain, is in partial fulfilment of the requirements for the Degree of Master of Philosophy of this University. This dissertation has not been submitted for any other degree of this University and is his own work.

We recommend that this dissertation can be placed before the examiners for evaluation.


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CHAPTER I

ROLE OF CREDIT IN THE DEVELOPMENT OF AGRICULTURE

CHAPTER I

ROLE OF CREDIT IN THE DEVELOPMENT OF AGRICULTURE

1.1 Introduction

It is a recognised fact that agriculture, like any other industry, needs credit for its sustenance, the amount and duration of it depending on the time involved in the process of production. The inability of the agriculturist to carry on his business without credit is a fact proved by history and evidenced by the poverty and indebtedness of the persons engaged in the business of agriculture. Credit temporarily transfers purchasing power from one individual or organisation to another. It ideally brings together substantial financial resources with farm management skills to benefit both the giver and the receiver. But unfortunately, it may be used in a way which is damaging to one or both parties, and credit institutions may be inadequate to meet the needs of agriculture.

The role of credit in augmenting agricultural production has been a subject of controversy for the

economists. The limited role of credit in the development of agriculture has been attributed to the extreme uncertainties associated with agricultural production and the marketing of its produce. However, the issue has been settled by making a distinction between traditional agriculture and modernised agriculture.

Fundamental structural differences are found in the nature of agriculture of the developed and developing countries. In advanced countries, agriculture has become fully commercialised and the farmer is becoming more and more an entrepreneur whose approach to production does not essentially differ from that of the industrialist. His production is to be marketed. What is intended for home consumption is now-a-days unimportant seen against the background of the many and various needs of the farmer's family and taking into consideration that only a small percentage of his income is spent on food.¹

But the nature of agriculture found in India at the time of independence and in most developing countries at the present time may be termed as traditional agriculture. Traditional agriculture is characterised by subsistence farming in which the extended agricultural family provides as much as possible for its own direct needs of food and in particular for food grains. Since

the entire energy of the farming community is diverted for the production of food grains, it is logical that farmers are less market oriented and are reluctant to raise cash crops. Therefore, it has been often said that agriculture is a way of life in developing countries.

Economists differ in their approach in analysing the causes of the traditional nature of agriculture in these economies. Some emphasise that the social and cultural factors along with the inherent value system prevalent in these countries encourage the traditional pattern of agricultural production. Others seek to find an economic interpretation of the nature of traditional agriculture.

The FAO Expert Group, emphasising the social factors is of the opinion that "agricultural production is the variable factor determined by family needs, which in their turn depend on tradition and the varying extent and composition of the family".² In the rural communities of the developing countries, the pattern of production is as rigid as the pattern of consumption, including religious and ceremonial purposes and such a community is not fertile soil for innovations. The Group maintains

that for the agricultural sector of these societies, the methods of production are not only traditional but that tradition also determines what kind of crops have to be grown and how much to be produced of each of them.³ Other economists also echo the same view, Prof. Hansen writes in the case of India, "Agricultural practices are controlled by custom and tradition".⁴ The force of custom, the rigidity of status and the distrust of new ideas combine to create an atmosphere inimical to experiment and innovation. Gordon Donald states in a forthright manner when he says that small farmers are assumed to be living in village societies in which various kinds of traditional or semi-traditional social organisation, and the corresponding attitudes and values, are the main determinant of their behaviour.⁵ Thus, it is almost fashionable on the part of these economists to presume that peasants in traditional agriculture lack the virtues of "Protestant ethics" that strongly encourage to release the productive forces for rapid development.

There is another group of economists which provides an economic conception of traditional agriculture. They reject the view that traditional agriculture is essentially a cultural characterisation of the way particular people live. To them, "the cultural attributes of a folk society

do not provide a rigorous basis for identifying traditional agriculture."⁶ To-day most of the works on agricultural development support the view propounded by T.W. Schultz that in traditional agriculture capital is not a significant constraint on the output of small farmers. This refers to the agricultural sector as a whole, individuals may have in-sufficient capital.

In the Schultzia model, farmers in traditional settings, overtime, are thought to have acquired amounts of capital that are consistent with their technology, their holding of land and capacity for labour. To Schutz, resource allocation in this type of agriculture is efficient with the existing state of art. According to this "efficient but poor" hypothesis, the community is poor because the factors on which the economy is dependent are not capable of producing more under existing circumstances. J.W. Mellor also holds the same view when he states, "with comparatively inactive levels of technology, physical conditions and resource costs, farmers have been able gradually to evolve efficient organisation".⁷ Thus, traditional agriculture is basically a technologically motionless phase in which attempted change usually produces small increases in production. In such a static society, the rate of return

simply does not warrant the additional investment. Therefore, in the absence of new techniques, any injection of new credit will be used primarily to finance non-productive expenditure.

Finally, a group of economists also approach the nature of the traditional agriculture in terms of the "relations of production". According to these economists, the continuation of semi-final production relations operates as a drag on land productivity. The basic features, of this mode of production as it operates in Eastern India countryside are most lucidly and cogently presented by A. Baduri.⁸ These are (i) an intensive non-legalised share cropping system, (ii) perpetual indebtedness of the small tenants, (iii) overwhelming presence of usury, (iv) limited access of the small tenants to the rural market that force them to involve in involuntary exchange. In such a system, the use of unfree labour is mostly found. It is essentially a pre-capitalist stage in the historical process of change.⁹

The system prevents capital investment in agriculture, for such investment would increase production and if the tenants share remained constant, the tenant might get out of his debts. The landowners could

lose economically if the loss of his interest income were not compensated by higher income from the greater output. Politically he could lose even more in so far as the tenant freed all the extra economic consequences of the debt bondage.¹⁰ That is why the land owning class approaches whole process of production and distribution mainly with a view to perpetuating this semi-feudal bondage rather than allowing rapid rate of investment and intensive use of available means of production in the rural areas. "Here, the user's capital plays a historically reactionary role which is not only responsible for low use of means of production and inimical to net investment in the agricultural sector, but is also responsible for wide-spread poverty, debt slavery and semi-feudal bondage."¹¹

1.2 Role of Credit in Traditional Agriculture

Having understood the nature and causes of the "traditional agriculture" in many of the developing countries in general and India in particular, it is now proposed to analyse the role that credit can play to transform it into a state of developed and modernised sector. Now it has been widely held that credit has a limited role to play in transforming traditional agriculture in the absence of the use of modern inputs. This

view has been supported by the three group of economists mentioned while analysing the causes of the nature of traditional agriculture.

Those who attribute underdevelopment in agriculture to socio-cultural factors are of the opinion that in a traditional society the expansion of agricultural credit does not always bring about an adequate increase in agricultural production. In the initial stages of agricultural development, credit to farmers will have a predominantly consumptive character. Many factors are responsible for this, they include the subsistence nature of the farming, poverty reflected in lack of the food reserves, improvidence, crop failures and other calamities, a rapid increase in population, the traditional customs of rural life which often involve heavy expenditure for religious and social ceremonies.¹² So long as the traditional social structure is prevailing in the rural areas, the subsistence basis of agricultural production and the attitudes of rural population will act as strong impediments to agricultural developments on modern lines.

In traditional agriculture, the dividing line between household and farm expenditure is very thin; and it is impossible to draw a clear border line between credit for consumptive and credit for productive purposes

Thus, the incentives and possibilities of using capital for stepping of agricultural production are very limited in the early stage of development. If credit programmes are to be successful in such a society, it will be necessary to explore the conditions in which farmers live, how they look at the world and what stimuli they could be expected to respond to.¹³

This statement brings one to the arguments of the second group of economists, i.e. Schultzian model of "efficient but poor" economy. It has been already stated earlier that resource allocation is efficient in traditional agriculture. Therefore, no appreciable increase in agricultural production can be had by reallocating the existing factors. In such a setting, in the absence of new techniques, there will be no motivation for new investment and credit will be used for non-productive purposes. Thus, traditional agriculture is niggardly in the meaningful sense that it is an expensive source of economic growth.¹⁴ Therefore, the proposal to bring outside capital in order to increase the rate of investment in existing factors are too expensive to be worthwhile, as it is well known that the rate of return does not warrant the additional investment. But an upward shift in production function is

possible only when new factors are introduced. These new factors are presently found in a large box labelled "technological change". It will be necessary to remove them from this box and find ways of making them available and acceptable to the farmers who are bound by traditional agriculture.¹⁵

Thus, to Schultz, economic growth from the agricultural sector of a poor country depends predominantly upon the availability and price of modern agricultural factors. When these factors are being produced and distributed cheaply, investment in agriculture becomes profitable. Then the farmers accept modern factors and learn how best to use them. All these things provide an inducement to increase savings and to develop institutions to provide credit for financing investment in such factors. Thus, a credit programme will be successful when there is a change in agricultural technology or the possibility of a new product.

Finally, one is in a position to find out the efficacy of a credit programme in augmenting agricultural production, when traditional agriculture is defined in terms of the "semi-feudal" or "pre-capitalist" mode of production. It has been widely held by these economists that the semi-feudal mode of production acts as a stumbling block

to the release of the productive forces and to the development of agriculture on capitalist lines. This argument has been advanced not only by the Marxist economists, but also by a brilliant academician, Daniel Thorner who certainly cannot be labelled in a particular group. In the mid fifties Thorner observed that in India, the Semi-feudal mode of production acts as a 'built-in depressor' that inhibits technical change and growth in agriculture.¹⁶

The same view is shared by Utsa Patnaik. In a labour surplus economy like India a section of the underemployed surplus population in the form of tenants bids up the rents of land to hunger rent levels, and the remainder comprising labourers is forced to accept bare subsistence wages and debt bondage. The familiar pre-independence "unholy trinity" of the landlord - money lender - trader acquire a stranglehold over the peasantry. There emerged a formidable barrier, from this, to productive investments along capitalist lines, constituted by the barrier of pre-capitalist absolute ground rent to capitalist investment.¹⁷

The rich land owner leases out a substantial portion of his land to the land hungry peasants who bear all the costs of cultivation; but he is in a position to

to extract a high rent (about 50 per cent of the gross product). Again he has the capital which he puts usually into trade and usury and collects a high rate of interest. It is more profitable for him to be engaged in losing out land and advancing usurious loans than to switch over to direct cultivation. It will be worthwhile for him to go for direct cultivation by making productive investment if the return from the direct cultivation is sufficiently large enough to give him surplus over and above the return from leasing out of land and usury. But this is ^a remote possibility at the prevalent technological set-up. To make productive investment on capitalist lines, the productivity raising new technologies should be introduced that should bring a quantum jump in the yield and surplus per unit of area and overcome the rent barrier.

Now the question arises in the absence of radical and reforms, can the external stimuli like the price support and state sponsored schemes of extending rural credit in the absence of new technology cause productive investment in agriculture? The answer is in the negative; for a price stimuli whose a formidable rent barrier is working. Thus, what is required is not a state sponsored extension of rural credit, but a land augmenting technical progress associated with fertiliser-fed hybrid seeds and controlled irrigation facilities to increase productivity

per unit of area. Once new technology has been introduced and new inputs are made available in the market, credit will play a significant role in increasing agricultural productivity.

1.3 Role of Credit in Modern Agriculture

In modern agriculture, the farmer assumes the role of an entrepreneur whose approach to production does not essentially differ from that of the Industrialist. Agriculture becomes fully commercialised and the farmer produces for the market being guided by profit motive. As has been emphasised earlier, it is the "new technology package" and availability of new inputs at a cheaper rate along with the knowledge of how to use them bring about a transformation of traditional agriculture into a modernised one. Once the farmers get the motivation and opportunities of making profit, they rise to the occasion and introduce 'new technology' to augment production.

This "new technology" may be divided into two categories; one depending on biological sources of energy and the other on mechanical sources of energy. Biochemical technology is 'land-augmenting' and 'labour absorbing' in nature. It continues to employ the traditional implements along with the human and animal labour but makes sufficient use of irrigation, fertiliser

and high yielding varieties of seeds. It is the appropriate technology for a labour surplus economy as it absorbs more human labour. Mechanical technology displaces human and animal labour and makes use of machines. Like tractors, threshers, harvest complainers etc. to carry out agricultural production. This type of technology is "labour displacing" in nature. In India, the rich farmers of Punjab, Haryana, and western Uttar Pradesh are increasingly resorting to both the techniques.

It is obvious that the "land-augmenting techniques" has no size bias where as mechanical technology has a size bias. However, recently it has been observed that in Punjab and Haryana, the small farmers are also going for mechanisation by hiring in the machinery from the rich farmers.¹⁸ It is important to observe that both the techniques do have a resource bias. In Modernised agriculture, there is more market orientation and communalisation of the economy. The farmers have to enter the market to purchase fertilisers, HYV seeds, pesticides, other new inputs and modern agricultural implements and tools. They need sufficient amount of cash to purchase these inputs produced and supplied by the non-farm sector. The resource base and saving potentiality of the farming community being very narrow, the supply of outside finance to them becomes absolutely essential.

In the event of such a situation, the credit institutions enter the field and play a dynamic role in modernising agriculture and increasing productivity. Agricultural credit demonstrates a clearly dynamic character when a major portion of it is utilised for financing the new "technological package". Agricultural development is a complex and inter-related problem. One should not overlook the fact that agricultural credit is only one of the many factors playing a part in the complicated process of stepping up agricultural production. The FAO study team rightly observed that far from being a panacea, credit was not even the harmless patent medicine which it was often thought to be.¹⁹ For a successful implementation of agricultural credit projects, a number of other preconditions should be mentioned. These include the provision of remunerative prices, proper marketing facilities, creation of infrastructure, availability of new inputs and extension services, and proper economic planning and administration. Finally, the existence of a proper system of land tenure is necessary for agricultural development. In a labour surplus economy like India, given the weak bargaining position of labour, the land-owners can change the share ratio of rent in their own favour when new production possibilities appear. Should the tenant disagree, the ultimate threat of eviction is there.²⁰ Credit programme would be a failure even under

new technology where farmers have no security of tenure or where leases granted to them are so short that they are not inclined to improve their land. Finally, land reforms are necessary not only for increasing productivity, but also for equity considerations. Enactment of progressive measures of land reforms and their efficient implementation call for hard political decisions and effective political support, direction and control. Radical land reform laws aim at restructuring the entire property relations in the countryside and requires a substantial amount of courage and determination for implementation. One feels sad to mention that most of the land reform measures have been reduced to a mere force because of the lack of requisite political will 'lukewarm' attitude of the bureaucracy and a passive legal system. In the absence of the requisite land reforms, a government supported credit programme will help in subsidising big land owners at the expense of the small farmers.

1.4 Agricultural Credit in India

Historically, agriculture has been the mainstay of the Indian economy. The entire British Empire in India was maintained and financed by the surpluses generated from agriculture. (Even to-day after nearly forty years of planned economic development, 67% of the total work force is engaged in agriculture and 37% of the Net Domestic product is generalised in the agricultural sector). Agriculture

contributes substantially in the form of food and raw materials to the rapid industrialisation of country. Some times its role in earning scarce foreign exchange reserves through the exports of primary goods is also sub-stantial. But unfortunately, upto the middle of the sixties, the nature of Indian agriculture was predominantly traditional with a colonial system of administration and exploitation, the institutional pattern in agriculture was not conducive for modernisation.

In a densely populated country like India, land being the most important asset in the absence of alternative avenues of employment, there was tremendous pressure on land. Further, the skewed distribution of land created a vast army of small and marginal farmers and landless labourers. In the presence of a feudal mode of production the big landlords were exploiting them through the supply of usurious capital. Even in the traditional set up, the Indian farmers were in need of credit. Emphasising the need of credit in a traditional agriculture, Mellor states that the problem of finance and credit arise largely from a seasonal production cycle which is super-imposed on a non-seasonal consumption pattern. Even production inputs are required either throughout the year or at concentrated periods other than harvest time.²¹ Farmers may use some amounts of medium term and long term credit to finance

cultivation tools, wells and irrigation devices, land improvements and working animals. Again, crop failure is a special credit requirement in traditional agriculture which assumes the characteristics of medium term or long term credit. The amount of interest involved adds to the debt burden and may lead to loss of land and other assets.

Thus, it will be a folly to underestimate the need for credit in traditional Indian agriculture. The farmers try their best to finance these investments out of their own resources. Due to acute poverty and cultural constraints their saving is very inadequate which makes it inevitable for them to depend on outside finance. In the absence of institutional provisions, they fall an easy prey to the trap of the moneylenders who provide them credit at an exorbitant rate of interest knowing fully well that farmers, in no circumstances, can pay back the amount. To quote the all-India rural credit survey, "If credit is sometimes fatal, it is often indispensable to the cultivators. The agricultural credit is usually the least institutional and most dispersed of all types of finance."²²

There is nothing wrong or peculiar in Indian cultivators borrowing, because finance is essential for all business undertakings and agriculture is no exception to this fact. But the overdependence of the farmers on landlords-

cum- moneylenders - cum- traders and diversion of credit for consumption purposes aggregates the poverty of the farmers and the state of Indian agriculture to a large extent.

The evils associated with the credit from these moneylenders prompted the government to introduce legislation to drive them out of business and free the agriculturists from their clutches. It was realised that these non-institutional agencies should be replaced by the institutional agencies to provide credit to the agricultural sector. The term 'institutional agencies' includes those institutions which are under the official control of the government in laying down the terms and conditions associated with the provision of agricultural credit. These institutions come under the direct control of the government to direct the flow of rural credit in a broad policy framework which is consistent with the process of national planning and development. Of course, before independence, the co-operative movement in India had been initiated in 1904 to carry on the business of the rural banking and replace the money lenders. But by the time of independence, the co-operative had not achieved any significant success. By observing the performance of the co-operative credit societies in India, the Rural Credit Survey Committee has said,

"the cooperative has failed in India, but co-operation must succeed."²³ It is clear from this statement, that the committee had no hesitation to recognise that co-operative structure occupies a pre-eminent position in the institutional framework of agricultural credit. Therefore, it recommended the strengthening of the co-operative movement with regard to structure, mobilisation of resources and operational efficiency.

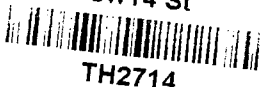
The need for agricultural credit has undergone a profound change after the introduction of the 'New Agricultural Strategy' popularly known as the 'Green Revolution' in the mid sixties. Indian agriculture has witnessed a major technological break-through and a progressive commercialisation in recent years. The Intensive Area Development Programme (IADP) started in 1960-61 envisaged a package of superior inputs in selected districts with assured supply of water. In 1964-65 a programme known as the Intensive Agricultural Areas Programme (IAAP) was taken up covering 117 districts to improve the cultivation of selected major food crops in these areas. The real break-through came with the large scale adoption of high-yielding varieties of seeds (HYV) programme in 1966.

With these technological changes the importance of capital in agricultural production in India has been rising remarkably especially where HYU and the intensive development programmes have been in progress. As a consequence the demand curves for purchased inputs, e.g. seeds fertilizers, pesticides, irrigational infrastructures, agricultural machinery and equipment, etc. have shifted upwards leading to increased outlays by farmers on various inputs. The marginal value productivity of capital in agriculture having increased, the farmers have come to depend more and more on borrowed capital or external finance. This has given new dimensions to the problems of agricultural credit.

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The modernisation of Indian agriculture, however, lopsided it may be, capital has come to play a significant role in augmenting production. Emphasising this point C.H. Hanumantha Rao writes, "Land and Labour has ceased to be the predominant factors of growth in Indian agriculture, Capital, together with scientific knowledge, has already become a major source of growth, and its significance is rapidly increasing. The disparities in income and in wealth, within the agricultural sector would, therefore, depend crucially on how capital is and will be distributed among the different holding size groups. Those committed to an egalitarian agrarian set-up have been focussing attention.

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almost exclusively on the need to have a more equal distribution of land, neglecting the equally important issue of equitable distribution of capital. Credit from institutional sources is becoming increasingly important as a means of capital formation in agriculture. A study by Tej Bahadur also showed the positive role of agricultural credit in increasing farmers output, income and investment.²⁵

From the above discussion, it is now clear that capital has come to play a significant role in augmenting agricultural productivity after the adoption of the new agricultural strategy. Therefore, institutional credit has to play an important role and the institutional agencies are called upon to discharge these responsibilities in a satisfactory manner. Taking into consideration, some peculiar Indian problems in agriculture, like the dominant presence of the small and marginal farmers and landless labourers, with socio-cultural constraints and the distribution of rural assets, the institutional credit agencies face more difficulty in fulfilling their obligations.

The institutional agencies are in a better position than the non-institutional agencies to appreciate these social needs and act accordingly. Among the institutional agencies, the co-operative credit societies keep a pride of place in providing agricultural credit after being re-organised

from time to time to suit to the requirements of the Indian agriculture. The All India Rural Credit Review Committee made the assessment of requirements of agricultural credit and the possibilities of the co-operatives fulfilling this requirement. Keeping in view the gap between the total resources of the co-operatives on the one hand and the growing demand for credit in the agricultural field on the other, the committee considered it necessary to bring agencies such as commercial Banks, including the State Bank of India and its subsidiaries, in the field of agriculture credit. Thus the 'multi-agency' approach to rural credit was initiated.

With the nationalisation of 14 major commercial banks in July 1969 and the six others later, the commercial banks have, no doubt, become more responsive to the needs of agriculture. After nationalisation, the banks opened a large number of branches in rural areas and have increased their advances to these areas considerably. However, the introduction of commercial banks into the rural sector could not fully meet the requirements of agricultural credit in a satisfactory manner. As a result a new agency, RRBS, (Regional Rural Bank) was created with the purpose to fill up the gaps in Rural Credit Structure.

Though this, 'multi-agency' approach was initiated with many hopes and aspirations, it has been, often, observed and alleged by many research students that institutional credit agencies have not fulfilled the aspirations of the agricultural sector. The distribution of agricultural credit among the States is still dangerously skewed and inside a state, the rich farmers are appropriating a larger share of credit at the expense of the Small farmers. This study is an attempt to find out the structural changes that have taken place in the flow of institutional credit to agriculture in the last two decades (1961-1981) and to see whether these changes are in line with the broad national objectives.

1.5 Objective of the Study:

With the introduction of new technology in the agricultural sector, the demand for credit has increased significantly in India. As a result, the agricultural credit institutions have undergone a qualitative and quantitative transformation in recent years.. In order to meet the rising demand for production credit under the impact of various technological changes, the institutional agencies like co-operative societies and commercial banks have substantially increased their scale of operations, thereby causing remarkable decline in the relative share of non-institutional agencies in the flow of agricultural credit. However, it is often said that the benefits of institutional credit facilities have been largely shared by the relatively prosperous regions

of the country and by the comparatively richer section of the rural population in each region. Besides, it is also believed that the objective of liberating rural poor from the clutches of the exploitative money-lenders and traders has remained unfulfilled in many regions. In view of these facts, an attempt has been made in this study to analyse the changes in the structure of agricultural credit both spatially and temporally and to find out some policy implications. The specific objectives of the study are :

- 1) To find out the temporal changes in the relative role of institutional and non-institutional sources of credit in various regions.
- 2) To analyse the regional disparities in the disbursement of institutional credit to agriculture.
- 3) An attempt is also being made to study the changes with respect to the structure of securities, interest rates, different purposes for which credit is granted and the position of overdues of the co-operative credit societies.
- 4) To analyse the distribution of credit according to the size of ownership holding of the borrowers.
- 5) To examine the changes in the credit-deposit ratio of the commercial banks in the rural areas.

- 6) To find out the degree of association between the availability of institutional credit and some indicators of agricultural development.

Methodology and Data Base

A state has been taken as a unit of analysis in this study to examine the regional variations in the flow of agricultural credit. Seventeen major states have been chosen in the study. The remaining states are ignored for two reasons, firstly some of these states were non-existent before 1971-72 and secondly, there is no significant development in the organisation of the institutional agencies in these states. To make the temporal analysis, three time periods have been taken for the co-operative societies, Period I - 1961-62, Period II - 1971-72; and Period III - 1981-82. To study the temporal changes in the supply of credit from the commercial banks, two time periods have been taken 1971-72 and 1981-82. It is because, commercial banks entered the rural areas in a big way only after their nationalisation in 1969-70. The contributions of credit from the Regional Rural Banks have been considered only for 1982-83.

The supply of institutional credit has been presented in the form of percentage shares to study inter-state variations both temporally and spatially.

Availability of credit per hectare of gross cropped area has been estimated to find out the inter-state variations in the flow of institutional credit. To examine the extent of inequality in the supply of credit, various statistical measures like Gini-coefficient and co-efficients of variation have been used. To find out the degree of association between per hectare availability of credit and indicators of agricultural development, the method of rank correlation has been used.

Availability of credit per hectare of gross cropped area has been taken as an indicator of supply of credit in various states. So far as the position of overdues, credit-deposit ratio, distribution of credit among different size-classes of ownership holdings, rural branch expansion of the commercial banks and expansion of co-operative credit societies are concerned, the data have been presented in the form of percentage shares. To analyse the expansion of Regional rural banks, per branch rural population have been estimated. To examine the correlation between supply of institutional credit and agricultural development, some indicators of agricultural development have been chosen. These include the yield of foodgrains per hectare of gross cropped area, per hectare consumption of fertilizers, the use of pump sets and tractors per thousand hectare of gross cropped area and percentage of gross

cropped area irrigated in each states.

Data Base:

The entire study is based on secondary data collected from various sources.

(1) The data for the state-wise and agency-wise distribution of cash loans for 1961-62 and 1971-72 have been obtained from the All-India Rural Debt and Investment Survey of 1961-62 and the All-India Debt and Investment Survey of 1971-72 respectively. The data for the state-wise and source-wise distribution of cash loans outstanding in Rural areas in 1981-82 has been obtained from National Sample Survey, 37th Round, Report No. 322.

(2) All data for the co-operative credit agencies have been collected from the statistical statements relating to co-operative Movement in India, RBI, NABARD (Relevant years).

(3) Data for Commercial banks' finance have been collected from various sources. These are :

- i) Basic statistical Returns, Dec. 1982.
- ii) Statistical Tables Relating to Banks in India, 1973-74.
- iii) Report on Currency and Finance, 1983-84, Vol. II, RBI, Bombay.

4) Data for the percentage of area owned by size-class of ownership holding have been compiled from NSS, 26th Round and 37th Round.

5) Data for the indicators of agricultural development have been obtained from the Fertiliser Statistics, 1973-74 and 1983-84, FAI Publications. and Statistical Abstract, Govt. of India.

The study have been divided into six chapters. Chapter II deals with the growing importance of institutional credit in India in which the changes in percentage share of various agencies, both institutional and non-institutional, in total agricultural credit have been analysed. Chapter III deals with the changes in the flow and structure of co-operative credit to agriculture. In Chapter IV, some aspects of change in the flow of commercial banks' credit have been studied. These include the progress of rural branch expansion, changes in per hectare supply of direct and total finance, percentage shares of short-term and term loans, credit deposit ratio at the rural branches etc. In Chapter V, an attempt is being made to find out the degree of association between supply of institutional credit and indicators of agricultural development. Finally, Chapter VI deals with the summary and conclusions of the study.

CHAPTER II

GROWING IMPORTANCE OF INSTITUTIONAL CREDIT TO AGRICULTURE

CHAPTER IIGROWING IMPORTANCE OF INSTITUTIONAL CREDIT TO AGRICULTURE

2.1 The injurious and exploitative nature of credit supplied by the private agencies like the village moneylenders or sahkars was recognised by the Government of India in the pre-independence period and it took several steps to regulate the activities and operations of moneylenders through legislative enactments. The basic objectives of such enactments were to bring about an improvement in the terms on which private credit was available to agriculturists and to place legal restrictions on the unreasonable exactions of moneylenders. Under the Deccan Agricultural Act of 1879 (subsequent amendments in the Act were made in 1892, 1886, 1895, 1907, 1910 and 1912), the Courts were allowed to go into the contract of debt and modify it in favour of the borrower so as to reduce an oppressive rate of interest, to prevent sale of land, unless specially pledged and to restore the land to the cultivator even when there was a sale deed between the two parties. The Usurious Loans Act was passed in 1918 which tried to improve the legal position of the borrower. The Regulations of Accounts

Act was passed in 1930 in Punjab and later on enacted in various states with a view to protect the debtor from manipulated accounts by prescribing forms of accounts; and insisting on the debtor being supplied with these regularly. Further various acts on licensing and registration of moneylenders were passed by the different states from time to time. But the powerful moneylenders successfully evaded the provision of these laws and the poor cultivators were deprived of the benefits of these measures.

The British government was fully aware of the evils associated with the credit supplied by the non-institutional agencies. Therefore, it came forward to provide credit to the farmers directly under the Land Improvements Loans Act of 1883 and the Agriculturists Loans Act of 1914. The former Act deals with long-term loans and the latter with short term loans. The long term credit from the government to the agricultural sector is known as 'Taccavi Loans' in India. The advantages of 'Taccavi Loans' were that these loans were long term in nature and rate of interest was very low. These loans were also particularly suitable during the time of natural calamities like droughts, floods and cyclones. But the total amount lent under both the acts was insignificant and these loans^{played} a very small part in agricultural financing.

Therefore, at the beginning of the Century, it was realised by the authorities that institutional credit should emerge in a big way to free the poor agriculturists from the clutches of the moneylenders.

Institutional Credit System for the rural sector started with the organisation of co-operative Credit Societies at the beginning of the Century to emphasise thrift and actual help. But the co-operative societies were very weak both structurally and functionally even after independence. The situation was rightly assessed by the Rural Credit Survey Committee of 1951-52 in the following words; "Although legislation for the regulation of moneylending has been enacted and enforced in most of the states, in practically none of them has any adequate machinery been set up for the specific purpose of ensuring an effective implementation of various measures... Because of the inadequacy of supervising machinery, absence of an alternative source of credit and the compelling nature of the borrowers requirements, the moneylenders are able without much difficulty to evade almost all important provisions of these enactments".

2.2 The Multi-Agency Approach:

The co-operative credit system was reorganised in the mid-fifties in the wake of the recommendations

of the All India Rural Credit Survey Report. Following it, the Government of India, the RBI and the State governments made special efforts to foster the growth of the co-operative movement. However, cooperative credit did not develop uniformly in all states of the country. Again, Credit needs of the agricultural sector increased rapidly due to the introduction of infrastructural, biological and technological developments, commercial banks were therefore, inducted into the field of agricultural credit under the policy of "Social control" over banks in 1967. Subsequently, 14 major scheduled commercial banks were nationalised in 1969 to facilitate the flow of credit into the agricultural sector. As the Rural Credit Review Committee Report put it in 1969: "At the same time, effort in the sphere of rural credit should not be solely concentrated in the co-operative sector. Co-operatives should be strengthened, but they would be all the better - and the former better served if other institutions co-existed with them in healthy competition".²⁶

This approach has come to be known as the "multi-agency approach" in which commercial banks serve as an additional source of credit to the rural sector. Later on Regional Rural Banks (RRBs) were organised in selected

areas. With their emphasis exclusively on the small/marginal farmers, agricultural labourers and rural artisans. Keeping this "multi agency approach" in mind, it is proposed to make a brief analysis of the structure of various agencies engaged in the field of agricultural credit.

Co-operative Societies:

The Co-operative Credit structure in India consists of two parts, short and medium term and long term. The short and medium term credit is supplied through a three-tier structure. The primary agricultural credit societies functioning at the base of the co-operative credit system are the major outlet of short and medium term credit to the rural sector. The organisation of these societies dates back to 1904 when the first co-operative societies Act was passed. These societies were started with the objective of providing cheap credit to the agriculturists in order to free them from the clutches of the money-lenders. Thus, the agricultural primary credit society is the foundation stone on which the whole co-operative edifice is built. The primary agricultural credit societies are the institutions which have direct contact

with the agriculturists who are their members and for whom these are mainly organised.

At the district level, there are Central Co-operative Banks which act as an intermediary to link the village level primary societies with the money market. They provide funds to meet the credit requirements of primary member societies for production, marketing and supply operations. They also serve as the balancing centre for adjusting the surplus and deficiency of working capital of the primary societies. At the apex of the co-operative structure, there is a state co-operative Bank at the state level which works as a final link in the chain between the small and widely scattered primary societies on the one hand, and the money market on the other. It balances the seasonal excess and deficiency of funds and equals the demand for and supply of capital. It takes off the idle money in the slack season and supplies the affiliated societies and Central Co-operative Banks with resources during the busy season. The Chief objective of the Apex Bank is to coordinate the works of the Central Banks and to link co-operative Credit Societies with the general money market and the Reserve Bank of India.

The long-term Credit is usually provided by the primary co-operative Land Development Banks which serve an area of a taluka or district. In some states, there

is no primary Land Development Banks, therefore, the Central Land Development Banks which works at the apex level in the State advances loans directly to individuals operating through branches and agencies. It may be stated that Land Development Banks have a two-tier structure in most of the States with Central Land Development Banks at the apex level and Primary Land Development Banks at the block/tehsil/subdivision/district level.

Commercial Banks:

Historically, one of the purposes of establishing the Co-operative Credit system was to bring together people of small means for promoting thrift and mutual help for development. Commercial Banking, on the other hand, came up on the traditional lines and was not tuned to rural lending even within the framework of their adherence to security oriented lending. The leadership and ethos in commercial banks were urban. However, gradual change started following the recommendation of the All India Rural Credit Survey Committee in 1954.

The process of involving commercial banks in rural credit was initiated with the conversion of the Imperial Bank of India into the State Bank of India (SBI)

in accordance with the recommendations of the Rural Credit Survey Committee Report. The preamble to the Act setting up the SBI stipulated one of the main objectives of the bank as "the extension of the banking function on a large scale, more particularly in the rural and semi-urban areas". This was followed up by a provision in the State Bank of India Act, that not less than 400 branches should be opened within the first 5 years of the banks working. SBI exceeded the target and opened 416 branches between July 1955 and June 1960; Of these 247 i.e. about two third were opened in small towns with population below 25,000. Because of bank nationalisation of 1969 and governments policy of expansion of credit to rural areas, further branch expansion programmes were initiated by the SBI and its subsidiaries. By the end of June, 1980, out of the total number of 7740 branches of SBI group, 3,597 branches or 46 percent were in rural areas.

After 1969, commercial banks as a class began to enter the rural sector in a big way. The commercial banks tried to increase their direct participation in rural credit market in two important ways, firstly by rapid expansion of branches in the rural and semi-urban areas, and secondly through a number of operational innovations such as establishing specialised branches

exclusively or mainly oriented to farm lending, intensifying their efforts in specific areas under village adoption scheme, taking over primary Agricultural Credit Societies (PACs) and Organising Farmers Service Societies (FSS). The commercial banks have made serious efforts to move nearer to their customers in the rural sector and to serve them better. In their efforts, they have been assisted by the Lead Bank Scheme (LBS) and the setting up of Regional Rural Banks (RRBs) in selected areas.

Regional Rural Banks:

In 1975, the Government of India appointed a Working Group under the chairmanship of Sri M. Narasimhan to review the flow of institutional credit especially to the weaker sections of the rural community. The Group found certain deficiencies in the role of the two major agencies in the field, the co-operative credit institutions and the commercial banks. It also came to the conclusion that the regional and functional gaps in rural credit cannot be met within a reasonable period by reorganising or restructuring the two systems.²⁸ At the same time, it recognised certain commendable features in both the systems which would be combined in a new type of institution.

The Working Group, therefore, recommended to set up Regional Rural Banks (RRBs). It was intended by the Group that these banks should be state sponsored, regionally based and rural oriented. They were meant to combine the "local feel and familiarity with several problems which the co-operatives possess and the degree of business organisation, ability to mobilise deposits, access to Central Money Markets and a modernised outlook which the commercial banks have", on the basis of this recommendation, the government of India promulgated the RRBs Ordinance on 26 September 1975 and the first five RRBs were established on 2nd October, 1975. The ordinance was later replaced by the RRBs Act 1976. The RRBs, thus, came to form the third component of multiagency credit system for agricultural and rural development.

The RRBs are sponsored by scheduled commercial banks, usually a public sector commercial bank. They are visualised as the rural arms of the commercial banks. Therefore, a special responsibility lies on the sponsor bank. A few non-public sector commercial banks have also sponsored the RRBs. The major objective of the RRBs is to develop the rural economy by providing credit and other facilities for agriculture, trade, industry and other productive activities in the rural areas, particularly to the small and marginal farmers, agricultural

labourers, artisans and small entrepreneurs. Keeping this objective in view, the government of India has decided that RRBs should confine their lendings only to the weaker sections. This coverage of the weaker sections by the RRBs makes them as the small man's bank and could be considered as their most distinguished feature.

Overall Set-up of the Multi-Agency Approach:

Under the multi-agency approach to rural credit, both the commercial banks and co-operative credit societies receive active financial and non-financial support from the central and state governments and national level institutions such as the Reserve Bank of India, the Agricultural Refinance and Development Corporation, the National Co-operative Development Corporation etc. The most important development in the field of rural credit in recent years is the setting up of the National Bank for Agriculture and Rural Development (NABARD) in July 1982. It took over from Reserve Bank of India all the functions the latter performed in the field of rural Credit - Designed specifically as an "organisational device for providing undivided attention, forceful and direction and pointed focus" to the credit problems

of the rural sector, NABARD is now the apex bank for rural credit. The Agricultural Refinance and Development Corporation which was set up in 1963 to meet the long-term credit needs of the rural areas, has also been merged with the NABARD. However, the RBI can exercise control over the NABARD since the Deputy Governor of the former is the ex-officio chairman of the latter.

The field level institutions which provide credit to individual borrowers consist of i) Primary agricultural Co-operative Credit Societies providing both short-term and medium -term credit to their members. (ii) Primary Land Development Banks or branches of Central Co-operative Land Development Banks dispensing long term credit to their members, (iii) branches of commercial banks and (iv) branches of Regional rural banks. While the institutions at (iii) ^{give} multipurpose and multi-term credit to all categories of persons engaged in agriculture and other rural economic activities, those at (iv) serve, at present, a restricted clientele, as a deliberate policy.

2.3 Agency-wise Distribution of Agricultural Credit:

A brief sketch of the various agencies, both at the national and field level, providing credit to the

agricultural sector has been made and it is being observed that co-operative Credit Societies, Commercial Banks and Regional Rural Banks are the main suppliers of credit to the rural sector. Therefore, it is proposed to study the contributions of all the three agencies to agricultural credit and the changes that had taken place in their contributions over a period of 20 years (1961-81). Moreover, it is a well known fact that the non-institutional credit agencies like moneylenders, Landlords and traders were dominating the rural money market even after independence. However, with the emergence of the institutional agencies, their control over the rural credit market started declining. Therefore, it is intended to study the contributions of non-institutional agencies to the rural credit market and the changes taking place in their contributions over the two decades. The purpose of the study is to see whether the share of the non-institutional credit has declined or not. An attempt will also be made to analyse the relative importance of various institutional credit agencies in the flow of total institutional credit to agriculture.

The agency-wise distribution of cash-loan borrowing for 1961-62 and 1971-72 has been provided by the All-India Rural Debt and Investment Survey of 1961-62 and the

All India Debt and Investment Survey of 1971-72 respectively. The data for the State-wise and source-wise distribution of cash loans outstanding in Rural areas in 1981-82 has been obtained from National Sample Survey, 37th Round, Report No. 322. The share of the various institutional agencies, namely, cooperatives, commercial banks and RRBs in total institutional agricultural credit for 1981-82 has been estimated from the data provided by the statistical statements relating to co-operative movements in India and Report on Currency and Finance, RBI. It should be noted that while trying to study the share of the various institutional agencies in total institutional credit to agriculture, the role of the government as a separate agency has not been considered since its contribution in direct financing is meagre.

1961-62: Table 2.1 shows the agency-wise distribution of the total cash loan borrowing in 1961-62 both at the all-India and State level. At the all-India level, the share of the non-institutional credit agencies in the total cash loan borrowing was 81.30 per cent out of which agriculturist money lenders contributed the highest percentage (36.00%). The professional money lenders contributed 13.20 percent followed by traders 8.80 percent and relatives and friends 8.80 percent. Loans from other sources stood at 13.90 percent. The contributions of the landlords were

Table 2.1
Percentage Distribution of Cash Loan Borrowing During 1961-62
(Agency-wise)

Sl.No.	States	Govt.	Co-op. erati- ves.	Com. Banks	Land Lords	Agri. Money Lende- rs	Prof. Money Lende- rs	Tra- ders	Rela- tives & Frie- nds	Others	Total Inst. Agen- cies	Total Non- Inst. Agencie
1.	Andhra Pradesh	0.50	12.70	1.50	0.40	59.30	9.60	10.20	1.60	4.20	14.70	85.30
2.	Assam	4.50	1.70	-	-	38.10	10.80	11.00	21.20	12.70	6.20	93.80
3.	Bihar	1.00	2.60	-	0.10	62.70	14.80	6.30	7.50	4.90	3.60	96.40
4.	Gujarat	1.10	25.70	-	-	5.80	6.30	11.60	21.20	28.20	26.80	73.20
5.	Haryana	x	x	x	x	x	x	x	x	x	x	x
6.	Himachal Pradesh	x	x	x	x	x	x	x	x	x	x	x
7.	Jammu & Kashmir	-	11.40	0.20	0.30	7.00	-	18.80	15.20	42.60	11.60	88.40
8.	Karnataka	6.10	20.60	0.60	1.80	43.10	4.60	9.20	6.50	11.20	27.30	72.70
9.	Kerala	1.10	11.90	4.00	1.20	7.20	0.90	8.30	11.30	51.60	17.00	83.00
10.	Madhya Pradesh	1.20	17.40	0.30	0.10	34.00	3.30	11.40	3.40	4.20	18.90	81.10
11.	Maharashtra	8.30	38.30	0.10	0.30	16.20	28.10	3.60	15.50	9.40	46.70	53.30
12.	Orissa	4.20	16.60	-	0.20	15.10	28.80	9.20	6.50	11.20	20.80	79.20
13.	Punjab	2.10	10.50	-	3.80	30.90	16.50	3.60	13.90	18.70	25.90 ²⁰	74.80
14.	Rajasthan	0.80	3.80	0.10	-	26.30	23.80	18.30	6.20	20.60	4.70	95.30
15.	Tamil Nadu	2.70	16.50	1.20	0.20	59.80	6.80	2.30	3.60	6.90	20.40	79.60
16.	Uttar Pradesh	2.60	16.60	0.40	0.20	35.90	20.00	6.90	9.20	8.20	18.90	81.10
17.	West Bengal	2.10	5.90	1.10	1.70	28.10	4.00	9.70	16.40	32.10	8.10	91.90
	All India	2.60	15.50	0.60	0.60	36.00	13.20	8.80	8.80	13.90	18.70	81.30
	C.V.	80.46	65.25	117.90	-	-	-	-	-	-	59.44	-

Source: All-India Rural Debt and Investment Survey - 1961-62, RBI, Bombay.

very small at 0.60 per cent. It is observed that the non-institutional agencies were completely dominating the rural credit market in 1961-62.

Among the non-institutional agencies, the agriculturist money-lenders were the most powerful ones. The top 5 States where they dominated were Bihar, Tamil Nadu, Andhra Pradesh, Karnataka, and Assam. The bottom 5 States were Gujarat, Jammu and Kashmir, Kerala, Orissa and Maharashtra. The position of the professional money lenders stood next to the agriculturist money-lenders. The top 5 states where they dominated were Orissa, Maharashtra Rajasthan, Uttar Pradesh and Punjab. The bottom 5 states were Kerala, Madhya Pradesh, West Bengal, Karnataka and Gujarat. Traders were contributing more than percent of the total cash loans in Jammu and Kashmir, Rajasthan, Gujarat, and Punjab. Relatives and friends were supplying more than 15 percent of credit in Jammu and Kashmir, Assam, West Bengal, Himachal Pradesh and Punjab. Credit "from other sources" was substantial in Maharashtra. It should be noted that in Kerala and Jammu and Kashmir, the share of the agriculturist money lenders and professional money lenders in total cash loan borrowing was very small.

At the all-India level, in 1961-62, the share of the institutional agencies was a mere 18.70 percent in total

cash loan borrowing. Out of this, co-operatives were providing 15.50 percent, commercial banks a mere 0.60 percent and the government was supplying 2.60 percent.

The states in which institutional agencies were contributing a higher percentage than the all-India average were Maharashtra, Karnataka, Gujarat, Punjab, Orissa, Tamil Nadu. The state in which the Institutional agencies were providing a lower percentage of credit than the all-India average were Kerala, Andhra Pradesh, Jammu and Kashmir, West Bengal, Assam, Rajasthan and Bihar. The inter-state variations in the distribution of institutional credit was high as the value of the co-efficient of variation stood at 59.44.

Table 2.2 follows...

Table 2.2Regions According to Share of Different Institutional Agencies (1961-62)

Regions	Institutional Credit Agencies	Co-operatives	Commercial Banks	Government
States with more than The All-India Average	Maharashtra, Karnataka, Gujarat, Punjab Orissa, Tamil Nadu, Madhya Pradesh and Uttar Pradesh	Maharashtra, Gujarat Karnataka Madhya Pradesh Orissa Uttar Pradesh and Tamil Nadu.	Kerala, Andhra Pradesh Tamil Nadu and West Bengal	Maharashtra Karnataka Assam Orissa and Tamil Nadu.
With less than the All-India Average	Kerala, Andhra Pradesh, Jammu and Kashmir, West Bengal, Assam, Rajasthan and Bihar.	Andhra Pradesh, Kerala, Jammu & Kashmir, Punjab, West Bengal, Rajasthan, Bihar and Assam.	Uttar Pradesh Madhya Pradesh Jammu and Kashmir, Maharashtra, and Rajasthan	Madhya Pradesh Punjab, West Bengal Gujarat, Bihar, Rajasthan & Andhra Pradesh.

From Table 2.2 it is clear that in 1961-62, there were seven states in which the share of the co-operative agencies was greater than that of the all-India average. The highest percentage of co-operative credit was available in Maharashtra (38.30%) and the lowest percentage was given in Assam (1.70%). The interstate variations in the distribution of co-operative was high as is clear by the value of the co-efficient of variation (65.25).

The contributions of the government as an institutional agency in the rural credit market were next to the co-operatives. At the all India level, the government provided 2.60 percent of the total agricultural credit in 1961-62. There were five states in which the share of the government was higher than the all-India average. The highest percentage of credit from the government was available in Maharashtra (8.30%) and the lowest percentage was given in Andhra Pradesh (0.50%). The degree of inequality in the distribution of credit from the government was also very high as the value of the co-efficient of variation stood at 80.46.

Commercial banks were contributing a very small percentage of credit in all the states. In Kerala, they were supplying 4 per cent of the total credit. In all other states, their contribution was less 2 percent of total credit. The lowest percentage of credit was given

in Maharashtra and Rajasthan (0.10%).

1971-72:

The agency-wise distribution of total cash loan borrowing in 1971-72 at the all-India and State level has been shown in Table 2.3. In 1971-72, the share of the non-institutional agencies in the total cash loan borrowing stood at 78.30 percent. The agriculturist money lenders were contributing 19.06 percent, followed by professional money lenders (15.64%), traders (14.47%) relatives and friends (10.72%) and landlords (5.83%). Agencies included in others were contributing a substantial share to the rural people that stood at 12.56 percent.

The agriculturist money-lenders were the most powerful ones in 1971-72 also. At the all-India level, they were contributing 19.06 percent of the total credit. The top 5 states with high percentage share of credit from this source were Bihar, Andhra Pradesh, Karnataka, Tamil Nadu and Orissa. The bottom 5 states were Jammu and Kashmir Gujarat, Punjab, Kerala and Himachal Pradesh. The position of professional money lenders stood next the agriculturist money lenders. The top 5 states where they dominated were Madhya Pradesh, Uttar Pradesh, Rajasthan Haryana and Assam. The bottom 5 states with credit from this agency were Jammu and Kashmir, Punjab, Gujarat,

Table 2.3
Percentage Distribution of Cash Loan Borrowing During 1971-72
(Agency-wise)

Sl.No.	States	Govt.	Co-op erati- ves	Com. Banks	Land Lords	Agri- cultu- rist M.L*	Prof. Money Lenders	Tra- ders	Rela- tives &Frie- nds	Others	Total Inst- Agen- cies	Total Non- Inst. Agen- cies
1.	Andhra Pradesh	0.86	7.30	1.93	12.20	35.84	9.99	18.31	4.39	9.20	10.09	89.91
2.	Assam	3.14	8.80	0.47	2.40	9.83	14.19	15.56	29.42	16.18	12.41	87.59
3.	Bihar	6.12	4.04	-	10.23	40.38	13.10	2.91	8.63	14.52	10.12	89.79
4.	Gujarat	3.05	36.25	3.02	0.92	2.61	5.00	26.99	12.37	9.78	42.33	57.67
5.	Haryana	1.24	15.08	2.25	10.43	18.22	14.55	19.27	5.50	13.46	18.57	81.43
6.	Himachal Pradesh	11.89	14.43	-	5.42	8.21	11.55	12.80	22.54	13.15	26.32	73.68
7.	Jammu & Kashmir	0.45	5.84	0.19	0.22	0.28	3.07	47.57	38.58	3.74	6.53	93.47
8.	Karnataka	1.45	14.34	2.71	13.37	32.15	12.71	5.24	10.43	7.58	18.50	81.50
9.	Kerala	1.86	29.94	7.07	1.46	7.23	11.07	9.00	14.41	18.00	38.82	61.18
10.	Madhya Pradesh	2.00	18.52	1.07	2.38	16.82	29.14	19.51	5.62	4.99	21.59	78.41
11.	Maharashtra	3.31	31.15	2.07	3.25	8.48	5.16	10.48	12.58	23.52	36.53	63.41
12.	Orissa	3.99	16.38	3.41	9.46	25.71	12.44	1.46	13.19	13.96	23.78	76.22
13.	Punjab	1.71	29.34	3.96	5.94	6.83	4.48	22.52	19.71	5.51	35.01	64.99
14.	Rajasthan	0.64	3.00	0.96	1.13	19.38	23.95	31.07	4.23	15.65	4.60	95.40
15.	Tamil Nadu	2.71	19.77	1.55	11.28	25.80	13.41	4.23	4.40	16.85	24.03	75.97
16.	Uttar Pradesh	5.37	10.80	1.16	3.73	20.56	26.42	7.70	12.68	11.54	17.33	82.67
17.	West Bengal	10.38	6.23	0.56	3.05	11.36	13.13	8.32	23.51	17.41	17.17	82.83
	All India	3.14	16.66	1.90	5.83	19.06	15.64	14.47	10.72	12.56	21.70	78.30
	C.V.	89.65	62.75	78.72	-	-	-	-	-	-	51.73	-

Source: All-India Debt and Investment Survey 1971-72, RBI, Bombay.

* Money-Lenders.

Maharashtra and Andhra Pradesh. Traders were supplying 14.47 percent of the total credit at the all India level. They were contributing more than 20 percent of total credit in Jammu and Kashmir, Rajasthan, Gujarat and Punjab. Relatives and friends were providing more than 20 percent of credit in Jammu and Kashmir, Assam, West Bengal and Himachal Pradesh. Credit from 'other sources' was substantial in Maharashtra, Kerala, West Bengal, Tamil Nadu, Assam and Rajasthan. In Kerala and Jammu and Kashmir, the share of the moneylenders was small. In Kerala it was because of the presence of a strong institutional credit base whereas in Jammu and Kashmir, the highest percentage was provided by the traders, relatives and friends. In Maharashtra, Punjab and Gujarat, the position of the money lenders was weak due principally to the presence of the strong co-operative organisations.

At the all-India level, in 1971-72, the share of the institutional agencies was 21.70 percent of the total cash loan borrowing out of which the cooperatives were providing 16.66 percent, the government 3.14 percent and the commercial banks were supplying 3.14 percent. The states in which institutional agencies were contributing a higher percentage than the share of the all-India level were Gujarat, Kerala, Maharashtra, Punjab, Himachal Pradesh, Tamil Nadu and Orissa. The states in which the

institutional agencies were providing a lower percentage of credit than the all-India average were Madhya Pradesh, Haryana, Karnataka, Uttar Pradesh, West Bengal, Assam, Bihar, Andhra Pradesh, Jammu and Kashmir and Rajasthan. The highest percentage of institutional credit was given in Gujarat (42.33%) and the lowest percentage was given in Rajasthan (4.60%) The inter-state variations in the distribution of institutional credit was not high as the value of the co-efficient of variation was 51.73.

The contributions of the different institutional agencies at the state level has been presented in Table 2.4

Table 2.4 follows....

Table 2.4Regions According to Share of Different Institutional Agencies (1971-72)

Regions	Institutional Credit Agencies	Co-operatives	Commercial Banks	Government
States with more than the All-India Average	Gujarat, Kerala, Maharashtra, Punjab, Himachal Pradesh, Tamil Nadu and Orissa.	Gujarat, Maharashtra, Kerala, Punjab, Tamil Nadu and Madhya Pradesh.	Kerala, Punjab, Karnataka, Maharashtra, Gujarat, Haryana, Maharashtra and Andhra Pradesh.	Himachal Pradesh, West Bengal, Bihar, Uttar Pradesh, Orissa, and Maharashtra.
States with less than the All-India Average	Madhya Pradesh, Haryana, Karnataka, Uttar Pradesh, West Bengal, Assam, Bihar, Andhra Pradesh, Jammu & Kashmir, and Rajasthan.	Orissa, Haryana, Himachal Pradesh, Karnataka, Uttar Pradesh, Assam, Andhra Pradesh, West Bengal, Jammu & Kashmir, Bihar and Rajasthan.	Tamil Nadu, Uttar Pradesh, Madhya Pradesh, Jammu & Kashmir, West Bengal and Assam.	Gujarat, Tamil Nadu, Madhya Pradesh, Kerala, Punjab, Karnataka, Haryana, Andhra Pradesh, Rajasthan and Jammu & Kashmir.

From Table 2.4, it is found that there were 6 states in which the share of the co-operative agencies was greater than that of the all-India average. The highest percentage of credit was given in Gujarat (36.25%) and the lowest percentage was given in Rajasthan (3.00%). The interstate variations in the distribution of co-operative credit was high as was clear by the value of the co-efficient of variations (62.75). The contribution of the government as an institutional agency in the rural credit market was next to the co-operatives. At the all-India level, the government provided 3.14 percent of the total credit in 1971-72. The six states in which the share of the government was higher than the all-India average were Himachal Pradesh, West Bengal, Bihar, Uttar Pradesh, Orissa and Maharashtra. In Assam, the share of the government was same as that of the all-India average (3.14%). The government was contributing the highest percentage of credit in Himachal Pradesh (11.89%) and the lowest percentage in Jammu and Kashmir. The degree of inequality in the distribution of credit from this source was also high as the co-efficient of variation stood at 89.65.

The commercial banks were contributing a very small percentage of credit in all the states. In Kerala, they were supplying 7.07 percent. In the remaining states, their contribution was less than 4 percent of the total

credit. The lowest percentage of credit was given in Jammu and Kashmir (0.19%).

1981-82:

In 1981-82 at the all-India level, the share of the non-institutional agencies in the total cash loans borrowing stood at 34.1 percent. The agriculturist money lenders were contributing 8.6 percent followed by professional money lenders (8.2%) landlords (4.0%) and traders (3.4%). The relatives friends and others contributed 14.6 percent of the total loans at the all-India level in 1981-82.

Table 2.5 further reveals that the agriculturist money lenders contributed significantly (greater than the national average share of 8.6%) to total supply of credit in the states of Bihar, Tamil Nadu, Uttar Pradesh, Andhra Pradesh and Rajasthan. Thus it indicated how the relatively better off farmers in these regions tended to invest their surplus resources in usurious money-lending rather than in modern technical inputs. Similarly in the states of Madhya Pradesh, Rajasthan, Tamil Nadu and Uttar Pradesh, about 12 to 16 percent of the total credit requirements were met from professional money lenders. Traders were contributing significantly in Jammu and Kashmir and Landlords in Bihar (11.5%) and Andhra (10.9%).

Table 2.5

Statewise and Agency-wise Distribution of Cash Loans Outstanding
in Rural Areas (1981 - 82)

Sl.No.	States	Co-opera- tives	Com, Banks	Govt.	Land Lords	Agricu- lturist Money Lenders	Profe- ssion- al Money lenders	Traders	Other sourc- es incl. rela- tives & trends	Insti- tuti- onal Agen- cies	Non- Insti- tutiona Agencie
1.	Andhra Pradesh	20.2	18.3	2.4	10.9	14.4	9.8	4.8	19.2	40.9	59.1
2.	Assam	6.9	16.8	6.8	0.5	1.1	3.8	1.5	62.6	30.5	69.5
3.	Bihar	8.2	29.6	9.4	11.5	18.8	5.1	1.3	16.1	47.2	52.8
4.	Gujarat	53.6	14.3	2.0	2.7	1.1	1.6	6.6	17.9	70.1	29.9
5.	Haryana	22.6	46.6	6.5	2.2	5.1	9.0	0.6	7.3	75.7	24.3
6.	Himachal Pradesh	41.7	25.9	6.9	0.4	4.2	4.2	1.3	15.4	74.5	25.5
7.	Jammu & Kashmir	7.4	31.1	5.0	0.1	1.2	0.6	27.4	27.2	43.5	56.5
8.	Karnataka	26.5	48.9	2.8	2.3	6.0	3.4	0.9	9.2	78.2	21.8
9.	Kerala	34.0	37.1	7.5	0.1	0.1	3.5	1.4	16.3	78.5	21.5
10.	Madhya Pradesh	32.6	31.5	2.2	2.4	6.2	15.4	4.5	5.3	66.3	33.7
11.	Maharashtra	54.8	26.7	4.9	0.8	1.3	1.3	0.8	9.4	86.4	13.6
12.	Orissa	46.7	27.4	7.8	1.0	1.2	5.8	3.5	6.6	81.9	18.1
13.	Punjab	21.4	43.8	8.9	2.7	4.7	4.4	5.0	9.1	74.1	25.9
14.	Rajasthan	16.4	23.6	0.9	4.9	9.6	16.3	4.3	24.0	40.9	59.1
15.	Tamil Nadu	27.8	12.8	3.6	4.7	15.1	12.9	4.3	18.8	44.2	55.8
16.	Uttar Pradesh	21.1	29.8	5.0	2.6	14.4	12.1	2.6	13.2	55.1	44.9
17.	West Bengal	24.0	32.4	9.5	1.2	4.7	5.1	5.3	17.8	65.9	34.1
	All India	28.7	28.0	4.5	4.0	8.6	8.2	3.4	14.6	61.2	38.6
	C.V.	52.84	35.29	49.50						27.45	

Source: National Sample Survey, 37 15 Round, Report No. 322 Pp. 154-178.

Relatives, friends and others were providing more than 20 percent of credit in the states of Assam, Jammu and Kashmir and Rajasthan.

At the all-India level, in 1981-82, the share of the institutional agencies was high at 61.2 percent of total loans. The cooperatives were supplying 28.7 percent, followed closely by commercial banks (including RRBs) 28.0 percent and Government 4.5 percent. The states in which the institutional agencies were supplying a greater percentage share than the all-India average were Maharashtra, Orissa, Kerala, Karnataka, Haryana, Himachal Pradesh, Punjab, Gujarat, Madhya Pradesh and West Bengal. The highest percentage of institutional credit was given in Maharashtra (86.4%) and the lowest percentage was given in Assam (30.5%). The inequality in the distribution of institutional credit among the states was less as shown by the value of the co-efficient of variation.

The contributions of the different institutional agencies in total credit at the state level has been presented in Table 2.6

Table 2.6 follows....

Table 2.6Regions According to Share of Different Institutional Agencies (1981-82)

Regions	Institutional Credit Agencies	Co-operatives	Commercial Banks	Government
States with more than the All-India Average	Maharashtra, Orissa, Kerala, Karnataka, Haryana, Himachal Pradesh, Punjab, Gujarat, Madhya Pradesh, and West Bengal	Maharashtra, Gujarat, Orissa, Himachal Pradesh, Kerala and Madhya Pradesh	Karnataka, Haryana, Punjab, Kerala, West Bengal, Madhya Pradesh, Jammu & Kashmir, Bihar, Uttar Pradesh	West Bengal, Bihar, Punjab, Orissa, Kerala, Himachal Pradesh, Assam, Haryana, Uttar Pradesh, Jammu & Kashmir and Maharashtra.
States with less than All-India Average	Uttar Pradesh, Bihar, Tamil Nadu, Jammu & Kashmir, Rajasthan, Andhra Pradesh and Assam.	Tamil Nadu, Gujarat, Karnataka, West Bengal, Haryana, Punjab, Uttar Pradesh, Andhra Pradesh, Rajasthan, Bihar, Jammu & Kashmir and Assam.	Orissa, Maharashtra, Himachal Pradesh, Rajasthan, Andhra Pradesh, Assam, Gujarat and Tamil Nadu	Tamil Nadu, Karnataka, Andhra Pradesh, Madhya Pradesh, Gujarat and Rajasthan

From Table 2.6, it is observed that in 6 states the share of the co-operatives was greater than that of the all-India average. In the states of Assam, Bihar, Jammu and Kashmir, the percentage shares ^{of} / co-operative credit were found to be comparatively very low, i.e. less than 10 percent of total credit. The commercial banks including the RRBs, were found to be the major suppliers of rural credit in Haryana (46.6%), Punjab (43.8%), Kerala (37.1%), West Bengal (32.4%), Jammu and Kashmir (31.1%), Bihar (29.6%) and Uttar Pradesh (29%). The inter-state variations in the distribution of commercial banks credit was also very less as the value of the co-efficient of variation was 35.29. Government was supplying the highest percentage of credit in West Bengal (9.5%) and the lowest percentage in Rajasthan (0.9%)

Temporal Changes:

In 1961-62, at the All India level the non-institutional agencies gave 81.30 percent of total credit. The percentage share had gone down slightly and reached 78.30 percent during 1971-72. The states in which the share of the non-institutional agencies declined were Assam, Bihar, Gujarat, Kerala, M.P., Orissa, Punjab, Tamil Nadu and West Bengal. The states in which the share

of the non-institutional agencies declined were Assam, Bihar, Gujarat, Kerala, M.P., Orissa, Punjab, Tamil Nadu and West Bengal. The states in which the share of the non institutional agencies increased were Andhra Pradesh, Jammu and Kashmir, Karnataka, Maharashtra, Rajasthan and Uttar Pradesh. The share of the non-institutional agencies declined in those states due to the increasing share of the co-operatives in total credit except in Orissa where the share of the co-operatives declined but share of the commercial banks increased. In 1981-82 the share of the non-institutional agencies declined from 78.30 percent (1971-72) to a mere 38.8 percent at the All India level. It was also declined significantly in all the states.

At the all-India level, the share of the Institutional agencies in total credit increased from 18.70 percent in 1961-62 to 21.70 percent in 1971-72. However, this increase was very small. It showed that the institutional agencies failed to make a dent in the rural credit market during the 1st decade. But during the second decade, the institutional agencies made significant progress. In 1981-82 these agencies were contributing 61.2 percent of credit as against 21.70 percent in 1971-72. The shares of the institutional agencies increased in all the states and the inter-state variations in their distribution declined.

The co-operatives recorded a slight improvement, in their share in the first decade (from 15.50% to 16.66%). The states in which the share of the co-operatives increased were Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Punjab, Tamil Nadu and West Bengal. In the second decade, the share of the co-operatives increased significantly not only at the all-India level but also in all the states except Punjab where it declined from 29.34 percent to 21.4 percent. The inequality in the distribution of co-operative credit also declined in 1981-82.

During the first decade, the share of the commercial banks improved marginally from 0.60 percent to 1.90 percent at the all-India level. But in the second decade, the percentage share of commercial banks including RRBs in total credit was very high i.e. 28.0 percent, which was very almost equal to the share of the co-operatives. The commercial banks also improved their share in agricultural credit of all the states. Thus, the nationalisation of the commercial banks and setting up of the RRBs in rural areas was a big success and the vast majority of the rural population received a significant percentage of their total credit from these institutions.

2.4 Share of the Co-operatives in Total Institutional Credit to Agriculture:

It is now proposed to study the share of the institutional agencies in total 'institutional credit' to

to agriculture and the changes that had taken place in their contributions during the last 20 years, i.e. from 1961-62 to 1981-82. The role of the RRBs has been considered only for 1981-82.

Table 2.7 shows the percentage share of the co-operative societies in total institutional Credit during the three time periods.

TABLE 2.7

Share of the Co-operatives in Total Institutional Credit

Sl.	States	Co-operative Credit As a Percentage of Total Institutional Credit.		
		1961-62	1971-72	1981-82
1.	Andhra Pradesh	86.39	72.35	51.61
2.	Assam	27.42	70.91	42.49
3.	Bihar	72.22	40.06	42.18
4.	Gujarat	95.89	85.66	72.27
5.	Haryana	x	81.21	62.05
6.	Himachal Pradesh	x	54.82	60.11
7.	Jammu & Kashmir	98.28	90.20	49.70
8.	Karnataka	75.46	77.51	55.00
9.	Kerala	70.00	77.12	66.71
10.	Madhya Pradesh	92.06	85.78	62.35
11.	Maharashtra	82.01	85.27	74.10
12.	Orissa	79.81	68.88	62.56
13.	Punjab	41.67	83.80	49.51
14.	Rajasthan	40.85	65.22	61.00
15.	Tamil Nadu	80.88	82.27	52.95
16.	Uttar Pradesh	87.83	62.32	56.41
17.	West Bengal	72.84	36.28	52.26
18.	All India	82.89	76.77	59.05
	C.V.	27.68	21.40	15.51

Table 2.7 cont'd

Source:

- 1) All-India Rural Debt and Investment Survey 1961-62, RBI, Bombay.
- 2) All India Debt and Investment Survey, 1971-72, RBI, Bombay.
- 3) Statistical Statements relating to co-operative movement in India.
- 4) Report on Currency and Finance, 1984-85, Vol. II, Statistical Statements.

Note: Outstanding credit of the PACs, total outstanding loans of the Primary and Central Land Development Banks to individuals and outstanding credit of the Central Co-operatives Banks to Individuals have been added.

From Table 2.7, it is observed that in 1961-62, co-operatives were providing 82.89 percent of the total institutional credit at the all-India level. The share of the co-operatives declined to 76.77 percent in 1971-72 and to 59.05 percent during 1981-82 at the all India level. The decline in the share of the co-operative societies is due to the entry of the commercial banks into the rural areas after the nationalisation of the 14 major banks and the emergence of the Regional Rural Banks in the countryside.

Noticeable changes are also found in the contributions of the Co-operatives in different states during these three time periods. The position of the states according to the percentage share of co-operatives to total institutional credit has been shown in Table 2.8.

TABLE 2.8

Regions According to Percentage of Co-operative Credit to Total Institutional Credit to Agriculture

Percentage Group	S T A T E S		
	1961-62	1971-72	1981-82
Below 50% (Low)	Assam, Punjab and Rajasthan	Bihar and West Bengal	Assam, Bihar, Jammu & Kashmir and Punjab.
50% to 75% (Medium)	Bihar, Kerala and West Bengal	Andhra Pradesh, Assam, Himachal Pradesh, Orissa, Rajasthan & Uttar Pradesh	Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, M.P., Maharashtra, Orissa, Rajasthan, Tamil Nadu, U.P., West Bengal.
Above 75% (High)	Andhra Pradesh, Gujarat, J & K, Karnataka, M.P., Maharashtra, Orissa, Tamil Nadu and U.P.	Gujarat, Haryana, J&K, Karnataka, Kerala, M.P., Maharashtra, Punjab and Tamil Nadu	NIL

In 1961-62, there were 9 states in the high percentage region where the co-operatives were contributing more than 75 percent of total institutional credit. These states were Andhra Pradesh, Gujarat, Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu and Uttar Pradesh. Three states, namely Bihar, Kerala and West Bengal were placed in the medium percentage region where the shares of the co-operatives were between 50 percent to 75 percent. Assam, Punjab and Rajasthan belonged to low percentage Region, since the contributions of the co-operatives were below 50 per cent in these states.

In 1971-72, there were 9 states in the high percentage group. These states were Gujarat, Haryana, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab and Tamil Nadu. Andhra Pradesh, Assam, Himachal Pradesh, Orissa, Rajasthan and Uttar Pradesh belonged to the medium percentage group. Two states, namely Bihar and West Bengal were placed in the low percentage group in 1971-72. The highest percentage of co-operative credit was given in Jammu and Kashmir (90.20%) and the lowest percentage was available in West Bengal (36.28%). The degree of inequality in the distribution of co-operative credit was less as the value of the co-efficient of variation was 21.40.

In 1981-82, there was no state in the high percentage group. By the end of 1982, the commercial banks and RRBs had entered the rural money market in a big way and reduced the share of the co-operatives in total institutional credit to agriculture. During this time 13 states were placed in the medium percentage group. Assam, Bihar Jammu and Kashmir and Punjab belonged to the low percentage group. The inequality in the distribution of co-operative credit among the states had gone down significantly as the co-efficient of variation was reduced to 15.51. The highest percentage of co-operative credit was available in Maharashtra (74.10%) and the lowest percentage was given in Bihar (42.18%).

Temporal Changes:

The changes in the percentage of the co-operative credit to total institutional credit during these three time periods can be shown by summary table 2.9

Table 2.9 follows....

Summary Table 2.9Percentage of Co-operative Credit to Total Institutional
Credit to Agriculture

	1961-62	1971-72	1981-82
1) All India Average	82.89	76.77	59.05
2) Range between which different states fall	27.42	36.28	42.18
to	98.28	90.20	74.10
3) Inter-state Differences (c.v.)	27.68	21.40	15.51
4) Number of States in different Regions			
a) Low	3	2	4
b) Medium	3	6	13
c) High	9	9	0

During 1961-62 and 1971-72, the share of the co-operatives increased in 7 states. These states were Assam, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan and Tamil Nadu. In the subsequent decade, the share of the co-operatives in total institutional credit declined in all the states except two states, namely,

Himachal Pradesh and West Bengal.

In 1961-62 and 1971-72, Jammu and Kashmir was getting the highest percentage of co-operative credit, but it was placed in the low percentage region in 1981-82, Assam was getting the lowest percentage of co-operative credit in 1961-62 and its position improved in 1971-72. But again it was placed in the low-percentage group in 1981-82. During the 20 years, the inequality in the distribution of co-operative credit as a percentage to total institutional credit among the States had declined as shown by the values of the co-efficient of the variations.

It is noted that during the first decade, the share of the co-operative credit increased in those states which got a low percentage in 1961-62 and vice versa. Assam, Punjab and Rajasthan were getting a low percentage of co-operative credit in 1961-62, but the shares increased significantly in these states in 1971-72. On the other hand, Jammu and Kashmir, Gujarat and U.P. were getting a high percentage share of co-operative credit in 1961-62 that declined in 1971-72. This trend is also observed between 1971-72 and 1981-82. Two factors may be responsible for this trend. Firstly, the states with weak co-operative societies might have re-organised and strengthened the co-operative structure which accounted for a higher percentage of credit in these states. Secondly, states with a developed co-operative

structure might have reached a plateau and the share of the co-operatives had declined because of the entry of the commercial banks and RRBs into the rural credit structure.

2.5 Share of Commercial Banks' Credit to Total Institutional Credit:

Table 2.10 shows the percentage share of commercial banks' credit to total institutional credit for the three time periods.

Table 2.10 follows.....

Table 2.10Share of Commercial Banks' Credit to Total Institutional Credit to Agriculture

Sl. No.	States	1961-62	1971-72	1981-82
1.	Andhra Pradesh	10.20	19.13	40.74
2.	Assam	-	3.79	32.66
3.	Bihar	-	-	38.04
4.	Gujarat	-	7.13	27.30
5.	Haryana	-	12.12	34.33
6.	Himachal Pradesh	-	-	28.10
7.	Jammu & Kashmir	1.72	2.91	31.04
8.	Karnataka	2.10	14.65	35.49
9.	Kerala	23.53	18.08	25.29
10.	Madhya Pradesh	1.59	4.96	31.65
11.	Maharashtra	0.21	5.67	24.72
12.	Orissa	-	11.31	17.46
13.	Punjab	-	14.34	50.49
14.	Rajasthan	2.13	20.87	29.24
15.	Tamil Nadu	5.88	6.45	44.10
16.	Uttar Pradesh	2.12	6.69	33.84
17.	West Bengal	1.23	3.26	38.53
18.	All India	3.21	8.76	34.06
	C.V.	133.10	58.55	23.14

Sources: Same as in Table 2.5

1. Scheduled Commercial banks direct finance to Farmers (Short term and term loans), outstanding as on the last Friday of March 1982.

From Table 2.9 it is found that at the all-India level, in 1961-62, the commercial banks advancing only 3.21 percent of total institutional credit to agriculture which increased to 8.76 percent in 1971-72 and to 34.06 percent in 1981-82. It shows that after the nationalisation of commercial banks, their share in the total institutional credit to agriculture has significantly increased.

The state level position for the three time periods can be observed from Table 2.11.

Table 2.11

Regions According to Percentage of Commercial Banks
Credit to Total Institutional Credit to Agriculture

Percentage Group	1961-62	1971-72	1981-82
Below 10% (LOW)	Jammu & Kashmir Karnataka, M.P. Maharashtra, Rajasthan Tamil Nadu, U.P. and W.Bengal	Assam, Gujarat J&K, M.P. Maharashtra, Tamil Nadu U.P. and W. Bengal	Nil
10% to 20% (MEDIUM)	Andhra Pradesh	Andhra Pradesh Haryana, Karnataka Kerala, Orissa and Punjab.	Orissa
Above 20% (HIGH)	Kerala	Rajasthan	The remaining 16 states

In 1961-62, Kerala was the only State in which commercial banks were advancing more than 20 percent of the total institutional credit. In Andhra Pradesh the percentage share was 10.20 and the remaining 8 states were placed in the low percentage groups. The lowest percentage share of commercial banks' credit was available in Maharashtra (0.21%). The inter-state variations in the distribution of commercial banks credit was very high since the co-efficient variation stood at 133.20.

In 1971-72, the highest share of commercial banks' credit was available in Rajasthan (20.87%). Six states, namely Andhra Pradesh, Haryana, Karnataka, Kerala, Orissa and Punjab were placed in the medium percentage group. Assam, Gujarat, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal belonged to the low percentage group during this period. The lowest percentage share of commercial banks' credit was available in the state of Jammu and Kashmir. The inter-state variations had declined to a great extent and the value of the co-efficient of variation stood at 58.55.

In 1981-82, the share of the commercial banks to total institutional credit has increased significantly in all the states. There was no state in the low percentage group and Orissa was the only state which belonged to the medium

percentage groups (17.48%). The remaining 16 states belonged to the high percentage group during this time. The highest percentage as commercial banks' credit was given in Tamil Nadu (44.10%) The inequality in the distribution of shares of the commercial banks credit to total institutional credit among various states was very less and the co-efficient of variation had gone down to 23.14.

Temporal Changes:

The changes in the share of the commercial banks credit to total institutional credit to agriculture during these three time periods can be observed from the summary Table. 2.12.

Table 2.12 follows....

Summary Table 2.12Percentage of Commercial Banks' Credit to Total
Institutional Credit to Agriculture

	1961-62	1971-72	1981-82
1. All India Average	3.21	8.76	34.06
2. Range between which different States fall	0.21 to 23.53	2.91 to 20.87	17.48 to 44.10
3. Inter-state Differences (c.v.)	133.10	58.55	23.14
4. Number of States in Different Regions.			
(a) Low	8	8	Nil
(b) Medium	1	6	1
(c) High	1	1	16

During 1961-62 and 1971-72, the share of the commercial banks' credit increased in all the states except Kerala where it went down from 23.53 percent to 18.08 percent. In 1961-62 Rajasthan had a very low share of commercial banks'

credit (2.13%) but in period II, its position was at the top with 20.87 percent share. During the second decade the share of the commercial banks credit had increased in all the states. There was significant increase in the states of Assam, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, UP and West Bengal. However, the increase was small for Rajasthan and Orissa.

2.6 Share of the RRBs ⁱⁿ to Total Institutional Credit to Agriculture.

The RRBs were inducted into the rural areas to function as the "rural arms" of the commercial banks and serve the specific target group comprising small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. Since then, they have made commendable progress in their field of operation. Table - 2.13 shows the state-wise distribution of the percentage share of the RRBs, in total institutional credit outstanding in 1981-82.

Table 2.13 follows...

Table 2.13

Share of RRBs to Total Institutional Credit to
Agriculture (1981-82)

Sl. No.	States	Percentage Share of RRBs 1981-82
1.	Andhra Pradesh	3.94
2.	Assam	10.55
3.	Bihar	19.78
4.	Gujarat	0.43
5.	Haryana	3.62
6.	Himachal Pradesh	11.79
7.	Jammu & Kashmir	19.26
8.	Karnataka	9.51
9.	Kerala	8.00
10.	M.P.	6.00
11.	Maharashtra	1.18
12.	Orissa	19.96
13.	Punjab	x
14.	Rajasthan	9.76
15.	Tamil Nadu	2.95
16.	U.P.	9.75
17.	West Bengal	9.21
	All India	6.88
	C.V.	66.22

Source: Report on Currency and Finance, 1983-84

From Table 2.13, it is observed that at the all-India level during 1981-82, the RRBs were contributing 6.88 percent of the total institutional credit.

The top 5 states which received a higher percentage of credit from the RRBs, were Orissa, Bihar, Jammu and Kashmir, Himachal Pradesh and Assam and the bottom 5 States were Andhra Pradesh, Haryana, Tamil Nadu, Maharashtra and Gujarat. The states which were getting a higher percentage of credit from the RRBs were weak in co-operative and commercial banks' credit. Similarly the states which received a low percentage of credit from the RRBs were relatively developed in co-operative and commercial banks credit. Therefore, it can be concluded that RRBs were performing their assigned role successfully. Orissa was getting the largest share of credit (19.96%) from the RRBs and Gujarat the smallest share (0.43%). The inter-state variations in the distribution of percentage share of Credit from RRBs to total institutional credit was high as the value of the co-efficient of variation stood at 66.22. The extent of inequality was high due to the fact that states like Kerala, Gujarat, Haryana, Tamil Nadu and Andhra Pradesh (developed in terms of cooperative and commercial banks credit) were getting a low percentage share from the RRBs.

2.7 Summary of the Findings:

From the above analysis, it is clear that the "multi-agency approach" to rural credit has been progressing slowly but steadily in India. The efforts of the government to drive the exploitative private agencies like the money lenders out of the rural money market have met with moderate success. Between 1961-62 and 1971-72, their share in total agricultural credit declined marginally. During the second decade, the share of these non-institutional agencies in total credit declined significantly. However, it is observed that these agencies were dominating in Assam, Bihar, Jammu and Kashmir, Rajasthan and Andhra Pradesh. Specific efforts should be made to strengthen the institutional agencies in these states.

It has been found that the share of co-operative credit in total institutional credit has been declining since 1961-62. It may be due to two factors, firstly, entry of the commercial banks into the rural areas and secondly, due to a comparatively low growth rate of co-operative credit in relation to that of commercial banks' credit. It is also noted that during the first decade the share of co-operative credit increased in those states which got a low percentage in 1961-62 and vice versa. This trend is

also observed though to a lesser extent in the second decade. The strengthening of the co-operative societies in the weaker states and the relative stagnation of the societies in developed states because of the entry of alternative agencies might have accounted for it.

During the first decade, the share of the commercial banks' credit in total institutional credit increased in all states except Kerala. During the second decade, the share of bank credit increased in all states. The inter-state variations in the distribution of bank credit also declined significantly during the 20 years. The study revealed that the share of the RRBs in total institutional credit was high in the relatively less developed states like Bihar, Orissa, Jammu and Kashmir, Himachal Pradesh and Assam. However, the inter-state variations in the distribution of institutional credit cannot be analysed properly in terms of the shares of the various agencies in total institutional credit of a state. To get a clear picture of it, supply of credit per hectare of gross cropped area should be considered which has been taken up in the subsequent chapters.

CHAPTER III

CO-OPERATIVE CREDIT TO AGRICULTURE

CHAPTER III

CO-OPERATIVE CREDIT TO AGRICULTURE

In this chapter an attempt is being made to study the structural changes in the flow of credit provided by the co-operative societies to the agricultural sector areas a period of 20 years, i.e. from 1961-62 to 1981-82. To study the pattern of change, 1961-62 has been taken as the base year, 1971-72 as the middle year and 1981-82 as the current year. It has been established in the last chapter that co-operative credit has assumed importance in the field of agricultural credit and the co-operative societies are acting as the nucleus of the rural credit structure. It is therefore, necessary to study the various changes that had taken place in different aspect of the co-operative credit.

Here, it is proposed to analyse the following important aspects of co-operative credit.

(1) The expansion of the co-operative societies in relation to villages covered population served and proportion of membership to total population of the state etc.

(2) The availability of co-operative credit to various states which has been analysed by taking into consideration the total co-operative credit per hectare of gross cropped area of the respective states.

3) The percentage share of different states in total gross cropped area and in total co-operative credit to agriculture to find out the degree of inequality in the distribution of credit.

4) The supply of credit depends upon the patterns of securities demanded by the various credit agencies while providing it. Therefore, the security structure has been analysed in relation to co-operative loans.

5) The demand for credit has been studied by analysing the purpose-wise distribution of credit coming from the various co-operative societies.

6) The position of the various states in relation to overdues has been studied to reflect the proper use of credit for the productive purposes and the repayment capacity of the farmers which in turn, determines the further flow of credit ^{to} farmers in the states.

7) Finally, an attempt has been made to study the distribution of co-operative credit among the five broad ownership holding classes and to relate it with the percentage distribution of area owned among the same holding classes.

3.2 Coverage of the Co-operative Credit:

So far as the coverage of the co-operative credit is concerned, only the Primary Agricultural Credit Societies

and their expansion in the rural areas in relation to the villages covered, population served and their membership as a percentage to population served are considered. Other co-operative credit agencies like the Central Co-operative Banks and state Co-operative Banks have been avoided deliberately. Out of these three co-operative agencies, the PACS operate effectively in the rural areas. The state co-operative banks and central co-operative banks act mainly as refinancing agencies and channelise their funds via the PACs. The coverage of the PACs, will, thus, clearly reflect the coverage of the co-operative agencies in the rural sector.

Village covered:

It has been observed that at the All-India level, 75.41 percent of the villages were served in 1961-62, 95.43 percent in 1971-72 and 99.70 in 1981-82. It is clear from this table that by 1981 almost all the villages in India have been covered by the co-operative credit agencies.

Table 3.1 shows the coverage of the PACs with respect to the percentage of villages served to total villages, the percentage of population served to total population and the percentage of members to total population served.

Coming to the inter-state analysis, with respect to the villages covered, in 1961-62, only in five states, namely Assam, Bihar, Orissa, Rajasthan and West Bengal - the percentage of villages served to total number of villages in the States were below 70 percent . In three states - Andhra Pradesh, Jammu and Kashmir and Madhya Pradesh, the PACs had covered 70 to 90 percent of the villages. In the remaining 7 states - Gujarat, Himachal Pradesh, Kerala, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh, the PACs had covered more than 90 percent of the villages. In 1971-72, the number of States with PACs covering below 70 percent of the villages was nil. Only 3 states - Assam, Jammu and Kashmir and West Bengal, recorded 70 to 90 percent coverage of the villages by the PACs - and all other states recorded above 90 percent coverage.

In 1981-82, the coverage of the PACs had increased to above 90 percent of the villages in all the states and no state was within the range of below 70 percent and 70 to 90 percent coverage. The whole analysis has been presented in the Table 3.2.

Table 3.2 follows....

Table 3.2Percentage of Villages Served to Total Villages

Percentage of Villages Served	S T A T E S		
	1961-62	1971-72	1981-82
Below 70%	Assam, Bihar Rajasthan, Orissa, and West Bengal	Nil	Nil
70% to 90%	Andhra Pradesh, Jammu & Kashmir, Madhya Pradesh	Assam, Jammu & Kashmir West Bengal	Nil
Above 90%	Gujarat, Himachal Pradesh, Kerala, Maharashtra, Punjab Tamil Nadu & Uttar Pradesh	All other states	All the States

Population Served:

The percentage of the population served by the PACs to total village population of the States has been taken to show the extent of service provided by the co-operative societies in various states. At the all India level, in 1961-62, 68.14 percent of the total village population was served by the co-operative credit agencies which increased to 91.51 percent in 1971-72 and 97.31 percent in 1981-82. It reveals that by the beginning of the eighties, more than

97 percent of the total village population in India was served by the co-operative credit agencies.

In 1961-62, the percentage of population served to total village population of the states was below 50 percent only in Four States, namely Andhra Pradesh, Bihar, Rajasthan and Punjab. Assam, Orissa, Tamil Nadu and the West Bengal recorded 50 to 80 percent coverage of population and the remaining states Gujarat, Himachal Pradesh, Jammu and Kashmir, Kerala, Madhya Pradesh, Maharashtra and Uttar Pradesh recorded above 80 percent coverage. Kerala recorded the highest (98.24%) and Andhra Pradesh the lowest (25.92%) population coverage.

In 1971-72, the situation had changed significantly. Six states - Himachal Pradesh, Kerala, Madhya Pradesh, Punjab, Tamil Nadu and Uttar Pradesh recorded 100 percent coverage of village population. There was no state below 50 percent coverage. Assam, Jammu and Kashmir and Maharashtra were placed within the range of 50 to 80 percent coverage of total village population. Assam showed the lowest percentage coverage at 64.73 percent.

In 1981-82, the progress of the PACs in relation to population served was spectacular. There was no state below 50 percent coverage. Only two states - Jammu and Kashmir and West Bengal shared 50 percent to 80 percent

coverage. All the other states were placed in the bracket of above 80 percent coverage. As many as 11 states showed that 100 percent of their village population was served by the PACs.

Table 3.3 shows the position of the states with respect to the percentage of population served to total village population.

Table 3.3

Percentage of Population Served to Total
Village Population

Percentage of Population	S T A T E S		
	1961-62	1971-72	1981-82
Below 50%	Andhra Pradesh Bihar, Punjab and Rajasthan	Nil	Nil
50% to 80%	Assam, Orissa Tamil Nadu West Bengal	Assam, Jammu & Kashmir Maharashtra	Jammu and Kashmir West Bengal
Above 80%	Gujarat, Himach- al Pradesh, Jammu & Kashmir Kerala, Madhya Pradesh, Maha- rashtra, Uttar Pradesh	All the remaining States	All the remaining States.

Coverage of Members:

Over the period, the membership coverage of the PACs has increased significantly. In order to study this, the members as a percentage of total population served in the various states have been considered. In 1961-62, at the all-India level, this percentage was 7.77 which had increased to 8.26 in 1971-72 and to 12.03 in 1981-82. It reveals that the PACs were attracting more and more members over the period of time and trying to reach the rural masses. So far as the inequality in the distribution of members among the various states was concerned, the co-efficient of variation was as high as 65.96 in 1961-62. But in the last two decades, it has gone down. It has been reduced to 33.01 in 1971-72 and 28.20 in 1981-82. In 1961-62 the percentage of members to total population served was below 5 percent in five states - Assam, Bihar, Madhya Pradesh, Orissa and West Bengal. Seven states stayed within the range of 5 percent to 10 percent. These states were Gujarat, Himachal Pradesh, Jammu and Kashmir, Kerala, Maharashtra, Rajasthan and Uttar Pradesh. Only in three states - Andhra Pradesh, Punjab and Tamil Nadu, the percentage of members to total population served was above 10 percent.

In 1971-72, the number of states, below 5 percent group was only one, i.e. Assam. As many as 12 states were in the group of 5 percent to 10 percent. In the above 10 percent

group there were four states - Himachal Pradesh, Maharashtra Punjab and Tamil Nadu. The percentage of members to total served was the highest in Punjab (14.38) and lowest in Assam (4.50).

In 1981-82, there was not a single state in the below 5 percent category. Six states, Bihar, Gujarat, Jammu and Kashmir, Madhya Pradesh, Uttar Pradesh and West Bengal were in the 5 percent to 10 percent category. In remaining 11 states, the percentage of members to total population served was more than 10 percent. The membership percentage was the highest in Andhra Pradesh (19.50) and lowest in West Bengal (6.40). The position of the States with respect to coverage of members has been shown in Table 3.4.

Table 3.4

Members as a percentage to Total Population Served

Percentage Group	S T A T E S		
	1961-62	1971-72	1981-82
Below 5%	Assam, Bihar, M.P., Orissa, West Bengal.	Assam	Nil
5% to 10%	Gujarat, Himachal Pradesh, Jammu & Kashmir, Kerala, Maharashtra, Rajasthan, Uttar Pradesh	Andhra Pradesh, Bihar, Gujarat, Haryana, Jammu & Kashmir, Karnataka, Kerala, M.P., Orissa, Rajasthan, Uttar Pradesh, & West Bengal	Bihar, Gujarat, Jammu & Kashmir, M.P., Uttar Pradesh, West Bengal
Above 10%	Andhra Pradesh, Punjab, Tamil Nadu	Himachal Pradesh, Maharashtra, Punjab, Tamil Nadu	The remaining 11 states.

It is observed from the study that the coverage of members as a percentage of total population was not as bright as it was made out with respect to the coverage of the villages and population. Therefore, special efforts should be made to increase the membership of the effective societies.

3.3 Total Co-operative Credit to Agriculture:

One now proceeds to study the pattern of flow in total amount of credit coming from the co-operative agencies and the changes taking place in this pattern over the past twenty years (1961-1981). To find out the total amount of credit, the amount of loans and advances made by the two important co-operative agencies like the primary agricultural co-operative societies and primary Land Development Banks are taken into consideration. The Central Co-operative Banks and State Co-operative Banks have been completely ignored to avoid any duplication in estimating the total amount of credit. Of course, they do extend some credit to the individuals directly, but the amount turns out to be meagre. The statistical statements relating to co-operative movement in India published by the NABARD now and previously by the RBI do not provide any information as to how much of these total credit advanced by these two institutions goes to the Primary Societies and how much to the individuals. Thus, in the absence of separate and accurate data, the addition of the loans advanced by these two institutions with

with those provided by the primary societies at the village level to the farmers directly will lead to overestimation. Long-term credit to farmers comes from Central Land Development Banks and Primary Land Development Banks (previously Land Mortgage Banks). On the same ground, the loans provided by the Central Land Development Banks are not considered. Thus, to find out the level of total co-operative credit two primary level organisations like the PACs and PLDBs are considered. To facilitate inter-state comparisons in the level of credit, credit per hectare of gross cropped area has been considered. Table 3.5 shows the distribution of per hectare availability of co-operative credit among the different states.

At the all-India level, in 1961-62, the per hectare (of Gross Cropped Area) credit availability was only at Rs. 16.00. It has increased to Rs. 48.00 in 1971-72 and to Rs. 149.00 in 1981-82. It is, thus, clear that per hectare credit at the all-India level had increased by around ten times between 1961 and 1981. During both the decades, it had increased by around 3 times.

Short Term Credit constituted a major portion of the total per hectare credit. In 1961-62, at the all India level, the per hectare short term credit stood at Rs. 13.00 which was 81 percent of the total credit. The per hectare medium and long term credit stood at Rs. 3.00 in 1961-62,

In 1971-72 the per hectare short term credit stood at Rs. 34.00 which was 71 percent of the total per hectare credit in that year. Thus the percentage of medium and long term credit had gone up in total per hectare credit by the end of the first decade (1961-71). The per hectare medium and long term credit stood at the Rs. 14.00 in 1971-72.

In 1981-82, the per hectare short term credit stood at Rs. 110 which constitutes 7.4 percent of the total per hectare credit in that year. It showed that the share of the short-term credit has increased though slightly the next decade (1971-81). The per hectare medium and long term loans stood at Rs. 39.00 in 1981-82. This analysis reveals the fact that short term credit predominated in the pattern of credit. It may be due to the backward nature of agriculture in a large number of states. With modernisation of agriculture, large scale mechanisation takes place which calls for a substantial amount of long term loans. But this trend is not visible in India now.

An attempt is being made here to find out states with low, medium and high level of per hectare credit. First the class intervals have been selected on the basis of an objective criterion which is applicable to the three time periods to make the classification of regions with low, medium and high level of co-operative credit.²⁹ On the basis of this classification, the actual class intervals for different time periods have been calculated and presented in the

following Table.

Frequency Distribution for the Classification

Cate- gory	Amount		
	1961-62	1971-72	1981-82
Low	Rs. 2.00 - Rs.16.00	Rs. 5.00 - Rs.43.00	Rs.5.00 - Rs. 292.00
Medium	Rs. 16.00 - Rs.32.00	Rs.43.00 - Rs.86.00	Rs.292.00 - Rs.584.00
High	Above Rs. 32.00	Above Rs.86.00	Above Rs. 584.00

From this frequency distribution table, various states can be classified as states with small, medium and high level of co-operative credit. Table 3.6 shows this classification.

From the Table 3.6 it is found that in 1961-62 8 states were placed in the category of small level of credit availability and 7 states were placed in the category of medium level credit. Thus, Andhra Pradesh, Gujarat, Jammu and Kashmir, Kerala, Maharashtra, Punjab and Uttar Pradesh belonged to the medium category in 1961. Only Tamil Nadu belongs to the category of high level of credit. The remaining states belonged to the small category in 1961-62.

Table 3.6

Classification of Regions According to Per Hectare - Availability of
Co-operative Credit

Per Hectare Credit	S T A T E S		
	1961-62	1971-72	1981-82
Small	Assam, Bihar, Himachal Pradesh, Karnataka, Madhya Pradesh, Orissa, Rajasthan and West Bengal	Andhra Pradesh Assam, Bihar Jammu and Kashmir Madhya Pradesh Orissa, Rajasthan Uttar Pradesh West Bengal	Andhra Pradesh Assam, Bihar Gujarat, Himachal Pradesh, Jammu and Kashmir, Karnataka Madhya Pradesh, Maharashtra, Orissa, Rajasthan Tamil Nadu, West Bengal, Uttar Pradesh.
Medium	Andhra Pradesh, Gujarat Jammu and Kashmir, Kerala, Maharashtra, Punjab, Uttar Pradesh	Haryana, Himachal Pradesh, Karnataka Maharashtra	Haryana Punjab.
High	Tamil Nadu	Gujarat, Kerala Punjab, Tamil Nadu	Kerala.

In 1971-72, there were some significant changes. Nine states, namely Andhra Pradesh, Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal were placed in the small category. On the medium level category, 4 states were placed - Haryana, Himachal Pradesh, Karnataka and Maharashtra. Thus states like Uttar Pradesh, Andhra Pradesh and Jammu and Kashmir which belonged to medium level category in 1961-62, went down to the small category in 1971-72. But states like Himachal Pradesh and Karnataka which were in the small category in 1961-62 improved their position to the medium level category in 1971-72. One satisfactory result is that in 1971-72, the number of states in the medium category was reduced to 4, but three states namely Gujarat, Kerala, and Punjab shifted from this position to the category of high level credit in 1971-72. Thus, the total number of states belonging to the category of high level of credit became 4 during 1971-72.

In 1981-82, the change in per hectare co-operative credit was so significant that an entirely different story emerged. Tamil Nadu had lost its position of high level of credit which it had been maintaining since 1961-62. The new state that had come to enjoy this status was Kerala. Only two states, namely Punjab and Haryana belonged to the medium level of credit category and the rest 14 states belonged to the small category. However, the states which enjoyed a relatively

higher per hectare credit were Tamil Nadu (Rs. 216.00), Gujarat (Rs. 185.00), Maharashtra (Rs. 169.00), Andhra Pradesh (Rs. 149.00) and Karnataka (Rs. 126.00).

Coming to the interstate variations in per hectare of total co-operative credit, the co-efficient of variation was found to be 76.34 in 1961 which increased marginally to 77.65 in 1971. But the co-efficient of variation increased to 110.78 in 1981. Almost the same trend was visible in the case of the per hectare short term credit of the states. In 1961-62, the C.V. was 71.03 which increased to 84.38 in 1971-72 and to 120.23 in 1981-82. It showed that over the past 20 years, inequality in the distribution of per hectare credit availability among the states had increased, notwithstanding the fact that governments and the RBI ^{were} trying hard to strengthen and revitalise the co-operative organisations in the backward states. Table 3.5 shows that in 1981-82 three states, namely, Kerala, Punjab and Haryana enjoyed the per hectare credit of more than Rs. 340.00 where as a state like Assam got only Rs. 5.00.

3.4 Compound Growth Rates ^{of} in Per Hectare Cooperative Credits

One can study the growth pattern of per hectare co-operative credit provided by the PACs and PIDBs at the all India and State level. The compound growth rates in

Table No. 3.7

Distribution of Compound Growth rates in Per Hectare
Cooperative Credit.

COMPOUND GROWTH RATE

Sl.No.	STATES	1961 - 71	1971-81	1961 - 81
1.	Andhra Pradesh	5.1	16.3	10.5
2.	Assam	9.6	00	4.7
3.	Bihar	22.6	8.9	15.5
4.	Gujarat	15.2	5.2	10.1
5.	Haryana	12.0*	20.4	16.1*
6.	Himachal Pradesh	34.2	5.7	19.1
7.	Jammu & Kashmir	6.2	4.0	5.1
8.	Karnataka	13.2	9.2	11.2
9.	Kerala	16.4	20.9	18.6
10.	Madhya Pradesh	10.5	9.9	10.2
11.	Maharashtra	11.3	8.7	10.0
12.	Orissa	13.9	15.2	14.6
13.	Punjab	22.9	13.6	18.2
14.	Rajasthan	7.2	26.5	16.4
15.	Tamil Nadu	8.3	7.0	7.7
16.	Uttar Pradesh	6.5	12.4	9.4
17.	West Bengal	00	23.7	11.2
	All India	11.6	12.0	11.8
	C.V.	62.17	58.89	37.73

Source: Statistical Statements relating to co-operative movement in India.

* - Haryana, Per Hectare Credit in 1961 is same as that of Punjab in 1961.

Table 3.8

Classification of Regions According to Growth Rates in Per Hectar Co-operative Loans

Growth Rates	S T A T E S		
	1961-71	1971-81	1961-81
Below the India Average	Andhra Pradesh, Assam Jammu and Kashmir, Madhya Pradesh, Maharashtra, Rajasthan Tamil Nadu, Uttar Pradesh West Bengal.	Assam, Bihar, Gujarat, Himachal Pradesh, J & K Karnataka, Madhya Pradesh Maharashtra, Tamil Nadu	Andhra Pradesh Assam, Gujrat J & K, Karnataka, Madhya Pradesh Maharashtra, Tamil Nadu, Uttar Pradesh, West Bengal.
Above The All-India Average	Bihar, Gujarat, Haryana, Himachal Pradesh Karnataka Kerala, Orissa and Punjab.	Andhra Pradesh, Haryana, Kerala Orissa, Punjab Rajasthan, Uttar Pradesh, West Bengal.	Bihar, Haryana, Himachal Pradesh, Kerala, Orissa, Punjab and Rajasthan.

per hectare credit has been calculated for three time periods from 1961 to 1971, from 1971 to 1981, and from 1961 - 1981 and presented in Table No. 3.7

At the all-India level, the compound growth rate was found to be 11.5 percent in the first decade (between 1961-71), 12.0 percent in the second decade (between 1971-81) and 11.8 percent during twenty years from 1961-62 to 1981-82. Thus, at the all India level, the compound growth rate in per hectare co-operative credit had been around 12 per cent in both the decades under study and also during the 20 years.

Coming to the inter-state changes in the growth rates of co-operative credit, one can get a clear picture from the Table 3.8.

From Table 3.8 one observes some interesting findings. During 1961 to 1971, 9 states recorded growth rates below the all-India average of 11.6 percent. These states were Andhra Pradesh, Assam, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. It is interesting to note that some states which were enjoying medium and high level of credit in 1961-62 namely, Andhra Pradesh, Jammu and Kashmir, Maharashtra, U.P. and Tamil Nadu

were experiencing a growth rate lower than the national average growth rate during 1961 to 1971. It is because of the high credit base of these states in 1961-62. Again some states namely Bihar, Orissa and Himachal Pradesh - were recording a growth rate in per hectare credit lower than the all-India average growth rate, though these states were placed in the small level of credit category in 1961-62.

This trend was more clear in the pattern of growth rates between 1971 and 1981. During this period 9 states were recording growth rate in per hectare credit greater than the all-India growth rate and the remaining 8 states were recording less than the all-India rate. Gujarat, Tamil Nadu, Himachal Pradesh, Karnataka and Maharashtra were placed in the medium and high level of credit in 1971, but during 1971 to 1981, these states were recording lower growth rate than the all India average rate. Again, Andhra Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal were poor in terms of per hectare credit in 1971-72, but these states were recording a higher growth rate in credit.

The same trend is found also during the period covering 20 years from 1961 to 1981. Bihar, Orissa, and Rajasthan were poor in terms of credit availability, but these states were recording higher growth rates. On the other hand, Gujarat, Tamil Nadu, Maharashtra and Andhra Pradesh belonged to the high level of per hectare credit

availability but recorded growth rates below the national average. Thus, the trend in growth rate was highly influenced by the availability of credit in the base period. However, three states Kerala, Haryana and Punjab were showing both higher growth rates and higher level of per hectare credit. The study, thus reveals, that these three states have gained most in terms of co-operative credit during the last two decades.

3.5 Share of States in Total Gross Cropped Area And Total Co-operative Credit to Agriculture

Table 3.9 shows the percentage share of different states in total Gross Cropped Area and Co-operative Credit to Agriculture. In this table, the states are arranged in descending order of their percentage share in total co-operative credit of the country. The percentage share of each state in the total gross cropped area is also recorded. In 1961-62, the Gini-co-efficient was 0.264 which increased to 0.282 in 1971-72. It reveals that the degree of inequality in the distribution of total co-operative credit among the various states in relation to the distribution of the gross cropped area had increased during the first 10 years. The Gini-coefficient had gone down to 0.209 in 1981-82. Thus, in the subsequent decade, this inequality was reduced to some extent.

From the Table 3.9, one can find out regions according to the share of co-operative credit to total net sown area. It has been presented in Table 3.10.

Table 3.10

Regions According to the Share of Co-operative Credit
To Total Gross Cropped Area

Regions	1961-62	1971-72	1981-82
States with Co-operative Credit higher than the share of gross cropped Area.	Maharashtra, Uttar Pradesh, Tamil Nadu, Gujarat, Andhra Pradesh, Punjab, Kerala	Maharashtra, Gujarat, Tamil Nadu, Punjab, Karnataka, Kerala, Haryana, Himachal Pradesh.	Maharashtra, Punjab, Kerala, Gujarat, Haryana, Andhra Pradesh and Tamil Nadu.
States with Less	The remaining States	The remaining States	The remaining States.

Table 3.10 shows that in 1961-62, 7 states - Maharashtra, Uttar Pradesh, Tamil Nadu, Gujarat, Andhra Pradesh, Punjab and Kerala - enjoyed shares in total co-operative credit higher than their shares of the gross cropped area and for the remaining states the shares in total credit were less than their shares in the gross cropped area.

In 1971-72, three states, namely Karnataka, Haryana and Himachal Pradesh were added to the first category but two states

(Uttar Pradesh and Andhra Pradesh) lost their position in the first category and joined the second group.

In 1981-82, 7 states belonged to the group of states with co-operative credit higher than the share of gross cropped area. Andhra Pradesh was added to this group but two states - Karnataka and Himachal Pradesh lost their position in this group to join the second category of states with share of credit less than the share of gross cropped area.

3.6 The Security Structure of the Co-operative Credit:

All financial institutions provide credit against some securities and co-operative agencies are no exception to this rule. The important securities against which the co-operative institutions grant loans are (i) fixed deposits, (ii) Agricultural produce (iii) Gold and Silver (iv) immovable property (v) guarantee /surety and (vi) other securities. Till recently, co-operative loans were made for a twelve months period by the co-operative societies on the security of land and other immovable property. The need to change over to a purpose oriented loans policy by adoption of the crop loan system, used in Maharashtra and Gujarat since 1950, was recommended by the committee of Direction, All India Rural Credit Survey, 1954 and V.L. Mehta Committee on

Co-operative Credit 1960. Now the Croploan system has been introduced in all the states and it has shifted the emphasis from the "Security of Loan" to the "requirement of Loan" for the production of a particular crop.

Under the crop loan system, the credit needs of the farmer are to be determined and fixed on the basis of his crop, the proposed area to be cultivated and the scale of finance fixed for the crop. Credit is to be provided partly in cash and partly in kind. Thus, the intention of this system is that entire credit system should be "production - based" and market oriented. The emphasis is laid on "productive needs" and "productive uses" as criteria for the use of loans.

After the introduction of the crop Loan system, the pattern of securities against which co-operative societies usually granted loans has undergone significant changes. By the beginning of the sixties, immovable property and guarantee/surety was the most important securities. But now agricultural produce assumes the role of an important security. Table 3.11 shows the Security-wise distribution of outstanding loans of the PACs at the end of June, 1962.

1961-62:

At the all India level, 44.35 percent of the total outstanding credit was against the security of immovable

Table 3.11Percentage Distribution of Loans Outstanding as the end of June 1962 - By Security

Sl.No.	States	Fixed Deposit	Agr. Produce	Gold & Silver	Immovable Property	Guarantee/ Security	Others
1.	Andhra Pradesh	0.30	7.05	0.36	42.53	49.76	-
2.	Assam	-	14.68	0.24	45.64	37.96	1.48
3.	Bihar	0.18	3.78	-	41.18	29.26	25.60
4.	Gujarat	0.02	70.91	0.02	9.83	16.76	2.46
5.	Haryana	x	x	x	x	x	x
6.	Himachal Pradesh	-	13.89	0.12	3.27	82.72	-
7.	Jammu & Kashmir	-	-	-	-	100.00	-
8.	Karnataka	0.21	4.85	1.47	71.04	19.38	3.05
9.	Kerala	2.41	7.93	14.21	41.98	28.35	5.12
10.	Madhya Pradesh	-	5.21	-	89.79	3.56	1.44
11.	Maharashtra	-	2.59	0.02	86.26	3.73	7.40
12.	Orissa	-	1.07	-	69.73	0.85	28.35
13.	Punjab	-	0.03	-	0.53	4.32	95.12
14.	Rajasthan	0.03	2.64	-	0.73	6.98	89.62
15.	Tamil Nadu	0.53	6.55	4.47	28.37	42.38	17.70
16.	Uttar Pradesh	-	45.56	-	1.63	16.98	35.83
17.	West Bengal	-	-	-	99.10	0.78	0.12
	All India	0.18	16.46	1.09	44.35	18.76	19.16.

property_ and 19.16 percent against other securities. Guarantee/surety came next in importance demanding 18.76 percent of the outstanding credit. Agricultural produce as a security had 16.46 percent of the total credit. The other two securities - fixed deposits and gold and silver were unimportant. In Karnataka, Madhya Pradesh, Maharashtra, Orissa and Andhra Pradesh, more than 60 per cent of the outstanding credit was against immovable property. In Gujarat and Uttar Pradesh, agricultural produce was the most important security. Guarantee/surety was an important security in the States like Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Jammu and Kashmir, Kerala and Tamil Nadu.

The classification of the states on the basis of the importance of securities has been shown in Table 3.12.

1971-72:

The security pattern in 1971-72 is drawn in Table 3.12. At the all-India level, 35.39 percent credit was outstanding against immovable property which was less than the percentage of outstanding credit (44.35) against this security in 1961-62. It shows that immovable property as a security had lost its importance during the first decade. On the other hand Agricultural produce was gaining importance in the security structure covering 26.80 percent of the outstanding credits. Guarantee/surety covered 35.75 percent

Table 3.12Regions According to the Importance of Different Securities1961-62

Securities	S T A T E S with	
	Higher Importance	Lower Importance
Immovable Property	Andhra Pradesh Assam Bihar Kerala, Karnataka Madhya Pradesh Maharashtra and West Bengal.	The remaining states
Agr. Produce	Gujarat, Uttar Pradesh	The remaining states.
Guarantee / Surety	Andhra Pradesh, Assam, Bihar, Himachal Pradesh Jammu & Kashmir, Kerala, and Tamil Nadu.	The remaining states.

of the outstanding credit. The rest of the securities were unimportant during 1971-72 also.

The relative importance of security at the State level in 1971-72 can be observed from Table 3.14.

Table 3.14

Importance of Regions According to the Different Securities

1971-72

Securities	States with	
	Higher Importance	Lower Importance
Immovable Property	Andhra Pradesh Assam Karnataka Madhya Pradesh Kerala, Maharashtra and West Bengal.	Remaining States.
Agr. Produce	Gujarat and Maharashtra	Remaining States.
Guarantee/ Surety	Haryana, Himachal Pradesh Orissa, Punjab, Rajasthan Tamil Nadu and Uttar Pradesh	Remaining States.

From the above table, it is observed that immovable property acted as the most important security in 7 states in 1971-72. In Andhra Pradesh, Assam, Karnataka and West Bengal this security covered more than 50 per cent of the outstanding credit. In Madhya Pradesh, it covered 100 percent of the outstanding credit.

Agricultural Produce was the most important security in Gujarat and Maharashtra in 1971-72 covering more than 50 percent of the outstanding loans. Guarantee/surety was a security of higher importance for the states of Haryana, Himachal Pradesh, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh.

1981-82:

At the all India level, immovable property as a security had further lost its importance in 1981-82, against which 27.66 percent of credit was outstanding (Table 3.14⁵), Guarantee/surety commanded the first position as a security covering 40.12 percent of the outstanding credit. Only 24.73 percent of the outstanding credit was covered by a agricultural produce. This shows that even after the introduction of the crop loan system, the co-operatives have failed to grant loans against the security of crops. They rather insist on the traditional security of guarantee/surety and immovable property while advancing loans to the cultivators.

The relative importance of securities at the state level in 1981-82 can be observed from Table 3.16.

Table 3.16

Regions According to the Importance of Different Securities

1981-82

Securities	States with	
	Higher Importance	Lower Importance
Immovable Property	Andhra Pradesh, Assam, Bihar, Madhya Pradesh, West Bengal & Kerala.	Remaining States.
Agr. Produce	Gujarat, Maharashtra and Karnataka	Remaining States.
Guarantee/Surety	Himachal Pradesh, Punjab, Haryana, Rajasthan, Tamil Nadu, Uttar Pradesh and Orissa.	Remaining States.

Table 3.16 shows that in 1981-82, immovable property was a security of higher importance in the states of Andhra Pradesh, Assam, Bihar, Madhya Pradesh, West Bengal and Kerala.

Of course in Kerala, the security distribution was very even. As usual, agricultural produce was the most important security in Gujarat and Maharashtra, but Karnataka was added to this group in 1981-82. Guarantee/surety was the security of higher importance in the states of Himachal Pradesh, Punjab, Haryana, Rajasthan, Tamil Nadu, U.P. and Orissa. In Haryana, Orissa and Himachal Pradesh, this security covered 100 per cent of the outstanding credit during the year.

The study makes it clear that over the time, immovable property as a security for providing agricultural credit had lost some but not all importance. Still this security was commanding a higher percentage of outstanding co-operative credit. Similarly, guarantee/surety as a security was widely accepted by the co-operative credit agencies. The position of agricultural produce as a security has improved, but not satisfactorily, making it abundantly clear that the much publicised 'crop loan system' has not fulfilled the desired aspirations.

3.7 The purpose-wise Distribution of Credit:

Farmers demand credit to use it either for production purposes or consumption purposes. Some people advance the view that credit should be advanced only for the productive purposes. But it is not entirely acceptable

in a country like India where a majority of rural population belong to the category of small and marginal farmers and landless labourers. Consumption loans to these farmers will be self-liquidating in nature. It is because, productive loans given to the big farmers, very often, return to these small and marginal farmers in the form of wages. This study will reflect the loan expenditure pattern of the rural population. The analysis will take into consideration the purposes for which all the three types of loans (short-term, medium term and long term) were advanced and if any significant change had occurred in their pattern during the past 20 years.

Short-Term Credit:

1961-62: For short-term, credit four important purposes namely i) Seasonal agricultural operations, (ii) purchase of agricultural implements (iii) marketing and processing of agricultural produce and (iv) consumption and other purposes have been considered. Table 3.1⁷ shows the purpose-wise distribution of credit in 1961-62.

At the all-India level, 85.45 percent of credit was advanced for seasonal agricultural operations, 2.93 per cent for purchase of agricultural implements, 2.58 percent for marketing and processing of agricultural produce and 9.4 percent for consumption and other purposes. It is

obvious that 'seasonal agricultural operations' was the most important purpose for which co-operative loans were granted in 1961-62. Almost a similar trend was found in the loan expenditure pattern at the state-level. Except three States, Jammu and Kashmir (25.82%), Kerala (67.93%) and Punjab (65.17%), in all other states more than 70% of the short term credit was given for seasonal agricultural operations. The first five states which demanded credit for seasonal agricultural operations were West Bengal (98.95%) Rajasthan, Maharashtra, Bihar, and Andhra Pradesh.

For purchase of agricultural implements, the first five states in order of percentage of credit granted were Punjab (7.77%), Tamil Nadu (7.14%) Kerala (6.5%), Bihar (6.09%) and Orissa (5.98%). The last five states in order of credit granted for this purpose were Assam, Maharashtra West Bengal, Rajasthan and Andhra Pradesh.

For marketing and processing of agricultural produce, the first five states in order of percentage of credit granted were Gujarat (13.82%), Himachal Pradesh 3.56%, Kerala 2.77% Madhya Pradesh (2.77%) and Karnataka (2.73%). In West Bengal and Assam no credit was granted for this purpose.

Finally for consumption and other purposes 71.73% were granted in Jammu and Kashmir, 43.55 percent in Himachal Pradesh, 26.42 percent in Punjab, 22.8 percent in Kerala and

Table No. 3.18Distribution of Short-term Loans issued During 1971 - 72 (By Purpose)

Sl. No.	States	Seasonal Agri. Operations	Purchase of Agriculture Implements	Marketing & Processing	Consumption and other purposes
1.	Andhra Pradesh	94.24	0.28	3.41	2.07
2.	Assam	96.82	-	1.70	1.48
3.	Bihar	98.12	-	0.30	1.58
4.	Gujarat	80.85	0.37	16.23	2.55
5.	Haryana	99.12	0	0	0.88
6.	Himachal Pradesh	63.82	0	0	36.18
7.	Jammu & Kashmir	43.42	0	56.58	0
8.	Karnataka	86.76	0.24	7.98	5.02
9.	Kerala	81.90	2.26	2.10	13.74
10.	Madhya Pradesh	88.24	0	6.29	5.47
11.	Maharashtra	99.70	0	0.08	0.22
12.	Orissa	98.68	0	00	1.32
13.	Punjab	86.26	1.10	00	12.64
14.	Rajasthan	100	00	00	00
15.	Tamil Nadu	92.70	4.21	00	3.09
16.	Uttar Pradesh	87.91	5.95	1.26	4.88
17.	West Bengal	98.22	0.31	0.44	1.03
	All India	89.78	1.22	4.45	4.55

Source: Statistical Statement relating to Co-operative Movement in India.

19.45 percent of loans were granted in Tamil Nadu. The states demanding very low percentage of credit for this purpose during 1961-62 were Assam, Rajasthan (0.32%) Bihar (0.85%) and West Bengal (0.92%).

In 1971-72, there was not any significant change in the pattern of distribution of credit for various purposes. From Table 3.17, it is observed that out of the total credit 89.78 percent was advanced for the seasonal agricultural operations, 4.45 percent for marketing and processing of agricultural produce, and 4.55 percent granted for consumption and other purposes. Loans granted for purchase of agricultural purposes had gone down to 1.22 percent from 2.93 percent in 1961-62. But seasonal agricultural operations and marketing and processing had got a higher percentage of credit in comparison to 1961-62.

At the state level, 'seasonal agricultural operations' was the most important purpose for which loans were granted in all the states. However, in Rajasthan, Maharashtra, West Bengal, Haryana, Orissa, Bihar, Andhra Pradesh, Assam and Tamil Nadu, more than 90 percent of loans were granted for seasonal agriculture operations. The last three states in demanding credit for this purpose were J & K (43.42%) H.P.(63.8%) and Gujarat (80.85%).

Coming to loans granted for purchase of agricultural implements, in as many as 9 states no credit was granted for this purpose. The first two states which demanded

more credit for this purpose were Uttar Pradesh (5.95%) and Tamil Nadu (4.21%).

The top five states in demanding credit for the purpose of marketing and processing were Jammu and Kashmir (56.58%), Gujarat (16.23%), Karnataka (7.95%), Madhya Pradesh (6.29%) and Andhra Pradesh (3.41%). In six states no credit was granted for this purpose in 1971-72.

Credit advanced for consumption and other purposes was high for the States of Himachal Pradesh (36.18%), Kerala (13.74%) and Punjab (12.64). In Jammu and Kashmir and Rajasthan no credit was granted for this purpose.

1981-82 :

Table 3.19 shows the distribution of loans and advances for various purposes during 1981-82. In 1981-82 at the All-India level, 88.2 percent of the total short term co-operative loans were granted for seasonal agricultural purposes. The percentage of loans granted for agricultural, implements and for marketing and processing had gone down to 1.1 percent and 0.56 percent respectively in this year. However, the percentage of credit granted for consumption and other purposes had gone up to 10.14 percent at the all India level.

The percentage of credit granted for seasonal agricultural operations was more than 95 percent in as many as 8 states - like Jammu and Kashmir, Rajasthan, West Bengal, Orissa, Maharashtra, Bihar, Gujarat and Madhya

Table 3.19Distribution of Short-term Loans Issued During 1981 - 82-By Purpose

Sl. No.	STATES	Seasonal Agri. Operations	Purchase of Agri. Implements	Marketing & Processing	Consumption and other Purposes
1.	Andhra Pradesh	89.03	3.62	0.68	6.67
2.	Assam	87.41	4.62	0.35	7.62
3.	Bihar	98.96	0.10	0.68	0.26
4.	Gujarat	98.92	0.23	0.65	0.20
5.	Haryana	87.27	1.97	00	10.76
6.	Himachal Pradesh	60.66	3.16	00	36.18
7.	Jammu & Kashmir	100	00	00	00
8.	Karnataka	87.48	1.46	5.94	5.12
9.	Kerala	48.17	5.15	1.08	45.60
10.	Madhya Pradesh	97.72	0.42	0.12	1.74
11.	Maharashtra	99.00	0.40	00	0.60
12.	Orissa	99.10	0.27	00	0.63
13.	Punjab	94.76	00	00	5.24
14.	Rajasthan	99.98	0.02	00	00
15.	Tamil Nadu	59.72	00	00	40.28
16.	Uttar Pradesh	98.42	00	00	1.58
17.	West Bengal	99.90	00	0.10	00
	All India	88.20	1.10	0.56	10.14.

Source: Statistical Statement Relating to Co-operative Movement in India.

Pradesh. It was also observed that in states like Kerala, Tamil Nadu and Haryana where per hectare credit was high, the percentage of credit granted for seasonal operations was relatively less. A higher amount of medium term and long term loans might have been advanced in these states.

For purchase of agricultural implements, no credit was given in as many as five states. The percentage of credit given for this purpose was of some value for the states like Kerala (5.15%), Assam (4.62%), Andhra Pradesh (3.62%) and Himachal Pradesh (3.16%). For marketing and processing, no credit was given in 9 states. Only Karnataka demanded (5.94%) during this year.

The top 3 states which demanded a higher share of credit for consumption and other purposes were Kerala (45.60%), Tamil Nadu (40.28%), Himachal Pradesh (36.18%) and Haryana (10.76%).

The above study reveals that a higher percentage of credit was provided by the PACs in all the states for the purpose of seasonal agricultural operations. Credit for the purchase of agricultural implements and marketing and processing had declined over time. More credit was provided at the all India level for consumption and other purposes relative to the previous time periods.

Table 3.20

Distribution of Medium Term Loans Issued During 1961-62 - By Purpose

S1. No.	States	Sinking of Repairs of Wells	Purchase of Machinery (Pump Sets)	Purchase of Cattle	Minor Impro- vements to Land	Other purposes incl. conver- sion/rephase- ment of Loans.
1.	Andhra Pradesh	1.35	3.71	3.65	66.12	25.17
2.	Assam	00	00	100	00	00
3.	Bihar	0.95	1.39	93.96	33.54	0.16
4.	Gujarat	3.90	12.63	39.34	18.00	26.13
5.	Haryana	x	x	x	x	x
6.	Himachal Pradesh	00	00	35.85	11.53	52.62
7.	Jammu & Kashmir	x	x	x	x	x
8.	Karnataka	16.66	14.55	17.78	43.11	7.90
9.	Kerala	4.53	9.28	9.78	34.56	41.85
10.	Madhya Pradesh	6.42	2.45	58.94	11.23	20.96
11.	Maharashtra	16.76	32.12	45.41	4.26	1.45
12.	Orissa	1.18	2.26	72.08	14.20	10.28
13.	Punjab	4.58	4.08	36.96	13.58	40.80
14.	Rajasthan	14.98	4.58	58.47	13.35	8.62
15.	Tamil Nadu	4.00	5.48	31.02	18.72	40.78
16.	Uttar Pradesh	8.13	3.85	51.40	4.81	31.81
17.	West Bengal	0.42	0.34	40.88	17.83	40.53
	All India	6.12	8.08	37.27	19.83	28.70

Source: Statistical Statements relating to co-operative Movement in India.

Medium Term Credit: 1961-62

Table 3.10 shows the percentage distribution of medium term credit for various purposes. In 1961-62, 'purchase of cattle' was the most important purpose for which medium term credit was granted by the PACs; 37.27 percent credit was given for this purpose; 28.70 percent of credit was granted for other purposes including conversion and rephasing of loans. Around 20 percent of credit was advanced for minor improvements to land.

More than 50 percent of total credit was given for the purchase of cattle in Assam, Bihar, Orissa, Madhya Pradesh, Rajasthan and Uttar Pradesh. In fact, in Assam, the whole medium term credit was given for the purchase of cattle. A higher percentage of loans was also granted for this purpose in Gujarat, Himachal Pradesh, Maharashtra, and West Bengal. A high percentage of credit was given for the purpose of 'Minor-improvements to land' in Andhra Pradesh and Karnataka. Loans for "other purposes" including "conversion/rephasing" of loans were high in Himachal Pradesh, Kerala, Punjab, Tamil Nadu and West Bengal. Since loans for conversion/rephasing had been added with other purposes, a high percentage of credit given for other purposes in these states may be due to the conversion of short term loans into medium term loans by the PACs. Credit advanced for the purchase of machinery

Table No. 3.21

Distribution of Medium Term Loans Issued During 1971 -72 - BY Purpose

S.No.	STATES	Sinking of Repair of Wells	Purchase of Machinery (Pump Sets)	Purchase of Cattle	Minor Improve-ments to Land	Other Agri. Purposes	Other purposes including conversion/ rephasement of Loans
1.	Andhra Pradesh	2.07	23.67	1.94	1.90	50.90	19.52
2.	Assam	2.36	4.05	75.00	2.36	00	16.23
3.	Bihar	25.21	35.18	24.13	0.32	10.78	4.38
4.	Gujarat	14.40	13.43	21.33	10.68	38.78	1.38
5.	Haryana	30.25	9.55	30.87	12.13	15.12	1.38
6.	Himachal Pradesh	1.46	0.28	55.53	16.72	16.75	9.26
7.	Jammu & Kashmir	00	00	68.67	00	31.33	00
8.	Karnataka	1.35	21.33	4.67	13.47	32.08	27.10
9.	Kerala	7.92	25.84	5.15	33.47	20.10	7.52
10.	Madhya Pradesh	29.92	33.02	12.00	3.46	2.20	19.40
11.	Maharashtra	0.65	2.49	3.97	0.92	56.12	35.85
12.	Orissa	47.27	1.88	13.61	3.54	26.78	6.92
13.	Punjab	29.97	49.12	7.26	0.96	1.20	11.49
14.	Rajasthan	13.78	46.63	15.20	00	10.26	14.13
15.	Tamil Nadu	27.29	34.06	14.87	2.32	21.46	00
16.	Uttar Pradesh	16.76	5.81	45.47	1.20	9.87	20.89
17.	West Bengal	4.59	5.10	29.04	28.18	9.82	23.87
	All India	12.39	15.06	16.93	5.84	29.70	20.08

Source: Statistical Statements Relating to Co-operative Movement in India.

(Pump-sets) was not important in 1961-62. The demand for credit for this purpose was less as the technological break-through in agriculture had not arrived in India before the mid-sixties.

1971-72: Table 3.2d shows the distribution of medium term credit for various purposes in 1971-72. The share of credit granted for other agricultural purposes was the highest (29.70%) followed by conversion/rephasing of loans at the all-India level. Credit granted for the purchase of cattle and for machinery (pump sets) were 16.93 percent and 15.06 percent respectively. Credit granted for other agricultural purposes was high (more than 30%) in the states of Andhra Pradesh, Gujarat, Maharashtra, Karnataka and Jammu and Kashmir. More than 30 percent of total credit was given for purchase of cattle in the states of Assam, Haryana, Himachal Pradesh, Jammu and Kashmir and Uttar Pradesh. In these states, loans granted for the purchase of machinery (pump sets) were low. A high percentage of credit was given for the purchase of machinery (pump sets) in Bihar, Madhya Pradesh, Punjab, Rajasthan and Tamil Nadu. Cooperative societies giving higher percentage of credit for machinery (pumpsets) in the states like Bihar, Rajasthan and M.P. revealed that the better-off farmers were taking the medium term loans from the co-operatives. Credit granted for the purpose of sinking of or repairs of wells was high in Haryana, Punjab, Madhya Pradesh, Tamil Nadu and Bihar. A high percentage of medium

Table.No. 3.22Distribution of Medium Term Loans Issued During 1981 - 82 - By Purpose

S1. No.	STATES	Sinking of Repair of Wells	Purchase of Machi- nery (Pump Sets)	Purchase of Cattle	Minor Improve- ments to Land	Other. Agri. Purposes	Other purposes including conversion/ rephasement of Land.
1.	Andhra Pradesh	3.58	6.00	30.84	3.00	23.38	33.20
2.	Assam	2.03	19.70	63.79	3.23	11.25	0
3.	Bihar	8.95	9.69	20.60	2.44	41.46	16.86
4.	Gujarat	6.38	9.10	4.17	0.15	23.24	56.96
5.	Haryana	00	1.67	66.27	2.26	21.00	8.80
6.	Himachal Pradesh	0.29	2.43	69.36	6.35	21.57	00
7.	Jammu & Kashmir	00	1.18	60.00	00	7.08	31.74
8.	Karnataka	6.51	11.56	51.87	3.92	24.92	1.22
9.	Kerala	5.15	9.23	11.90	16.28	56.68	0.76
10.	Madhya Pradesh	14.72	12.91	16.85	0.38	21.77	33.37
11.	Maharashtra	1.78	25.32	19.80	0.60	23.78	28.72
12.	Orissa	29.38	8.83	32.85	1.56	22.94	4.44
13.	Punjab	00	4.45	59.34	00	20.04	16.17
14.	Rajasthan	0.08	0.54	34.88	00	0.26	64.54
15.	Tamil Nadu	00	0.82	84.94	00	14.24	00
16.	Uttar Pradesh	0.54	1.60	54.40	1.00	17.10	25.36
17.	West Bengal	14.56	69.00	8.40	0.18	7.86	00
	All India	4.50	8.67	29.77	2.94	23.20	30.92

Source: Statistical Statements Relating to Co-operative Movement in India.

term credit given in Haryana, Punjab and Tamil Nadu for sinking of or repairs of wells might be due the effects of green revolution after the mid sixties. In Kerala and West Bengal, a higher percentage of credit was given for minor improvements to land.

1981-82

From Table 3.22, it is observed that in 1981-82, 30.92 percent of credit was given for "other purposes" including conversion/rephasing of loans at the all-India level followed by 29.77 percent for purchase of cattle and 23.20 percent for other agricultural purposes. Loans for "other purposes" including "conversion/rephasing of loans" were high (more than 30%) in Rajasthan, Gujarat, Andhra Pradesh, Madhya Pradesh and Jammu and Kashmir. As mentioned previously, the high percentage of credit for this purpose may be due to the conversion of short-term loans into medium & term loans by the PACs.

In 1981-82, more than 50 percent of credit was given for "purchase of cattle" in Assam, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Punjab, Tamil Nadu and Uttar Pradesh. It shows that purchase of cattle was an important purpose of loan giving in 1981-82. In Bihar and Kerala, more than 40 percent credit was advanced for other agricultural purposes "Purchase of machinery" (pump sets) was an important purpose for West Bengal.

Table No. 3.23

Percentage Distribution of Long-term Loans Issued During 1961-62 - By Purpose

Sl. No.	STATES	For Debt Redemp- tion	For Purch- ase of Land	For Land Improve- ments	For Purchase of Machinery	Other Purposes
1.	Andhra Pradesh	45.73	0.23	49.06	21.98	-
2.	Assam	-	-	5.46	-	94.54
3.	Bihar	93.87	-	6.13	-	-
4.	Gujarat	0.33	0.35	27.59	66.76	4.97
5.	Haryana	x	x	x	x	x
6.	Himachal Pradesh	-	0.94	7.55	-	91.51
7.	Jammu & Kashmir	x	x	x	x	x
8.	Karnataka	74.49	x	25.51	-	-
9.	Kerala	90.65	-	6.27	-	3.08
10.	Madhya Pradesh	70.79	1.04	28.17	-	-
11.	Maharashtra	0.61	0.30	63.97	34.77	0.35
12.	Orissa	19.41	-	80.59	-	-
13.	Punjab	50.35	15.92	1.79	31.94	-
14.	Rajasthan	63.10	-	28.51	8.39	-
15.	Tamil Nadu	41.45	-	58.55	-	-
16.	Uttar Pradesh	27.90	0.79	22.85	40.64	7.82
17.	West Bengal	15.36	-	84.64	-	-
	All India	28.46	0.73	45.40	23.98	1.43

Source : Statistical Statements Relating to Co-operative Movement in India

Table No. 3.24Percentage Distribution of Long-term Loans Issued During 1971-72 - By Purpose

Sl.No.	STATES	For Debt Redemp- tion	For Land Improve- ments	For Purchase of Machinery & Implements	For Irri- gation purposes	For consti- tution of farm Houses & sheds	Other purposes.
1.	Andhra Pradesh	0.26	22.30	6.50	57.10	8.43	5.31
2.	Assam	3.63	46.65	6.36	22.05	14.28	7.03
3.	Bihar	0.77	1.19	19.17	78.87	-	00
4.	Gujarat	-	0.72	25.39	67.45	0.52	12.62
5.	Haryana	1.48	1.93	19.60	76.31	0.40	0.28
6.	Himachal Pradesh	0.72	15.28	13.03	5.49	46.57	18.91
7.	Jammu & Kashmir	-	35.36	53.69	10.04	-	0.90
8.	Karnataka	0.89	20.13	9.11	35.81	0.52	33.54
9.	Kerala	0.31	49.17	0.58	32.80	8.90	8.25
10.	Madhya Pradesh	-	1.39	14.32	84.29	-	-
11.	Maharashtra	-	4.82	3.57	75.27	-	16.34
12.	Orissa	-	5.46	11.37	81.19	0.64	0.85
13.	Punjab	1.49	7.26	24.53	60.79	0.91	5.02
14.	Rajasthan	-	2.15	18.15	79.22	0.08	0.40
15.	Tamil Nadu	0.59	6.76	13.87	76.54	-	2.04
16.	Uttar Pradesh	-	0.87	43.65	53.53	-	1.95
17.	West Bengal	-	7.58	3.34	85.18	3.72	0.18
	All India	0.43	7.51	19.30	64.19	1.38	7.19

Source: Statistical Statement Relating to Co-operative Movements In India.

Long-term Credit:

1961-62: The purpose-wise distribution of long term credit from the Central Land Development Banks for 1961-62 has been shown in Table 3.23. At the all-India level the highest percentage of long term credit (45.40%) was given for Land improvements followed by 28.46 percent for debt redemption and 23.98 percent for the purchase of machinery. A high percentage of credit was advanced for land improvements in Andhra Pradesh, Maharashtra, Orissa, Tamil Nadu and West Bengal. Purchase of machinery was an important purpose in Gujarat, Maharashtra, Punjab and Uttar Pradesh. Loans for debt-redemption was high in Bihar, Kerala, Karnataka, Madhya Pradesh, Rajasthan, Punjab and Andhra Pradesh and Tamil Nadu. The higher percentage of long-term loans for debt redemption in these states showed that these loans might have been advanced to free the farmers from the control of the private agencies.

1971-72:

Table 3.24 shows the purpose-wise distribution of long term loans. In 1971-72, one important purpose had been added, i.e. loans for irrigation, purposes. It was clear that the highest percentage of credit (64.19%) was granted for this purpose in 1971-72. More than 60% of total long term credit was granted in 10 states. These states were West Bengal, Madhya Pradesh, Orissa, Rajasthan, Bihar, Tamil Nadu, Haryana, Maharashtra, Gujarat and Punjab. The higher flow of long term credit in the states like Tamil Nadu, Punjab, Haryana, Maharashtra and

Gujarat. The demand for credit to purchase persian wheels and pump sets increased significantly in these states. In relatively underdeveloped states like Bihar, Orissa, Madhya Pradesh and Rajastha, these loans might have been used on conventional irrigation schemes like sinking of new wells and construction of tanks and repair of old ones. The other possibility is that the better off farmers of these states might have taken these loans to purchase pump sets.

As expected a high percentage of long-term credit was given for the purchase of machinery and implements in the agriculturally developed states like U.P. Punjab, Gujarat and Haryana. It is also noted that the highest percentage of long term credit (53.69%) was advanced for this purpose in Jammu and Kashmir. These loans might have been taken by the richer section of the rural community in that state.

1981-82:

Table 3.25 shows the purpose-wise distribution of long-term loans in 1981-82. At the all-India level, it is found that 47.75 percent of credit was granted for irrigation purposes and 28.74 percent for purchase of machinery and implements. More than 50 percent of total long term loans were granted for irrigation purposes in 7 states, namely, Bihar, Assam, Uttar Pradesh, Rajasthan M.P. Haryana and Maharashtra. More than 30 percent of total long term credit was given for the purchase of machinery

and implements in the states of Gujarat, Punjab, Jammu and Kashmir, Himachal Pradesh, Tamil Nadu, Haryana and Madhya Pradesh. Thus, the farmers of agriculturally developed states like Punjab, Haryana, Gujarat, and Tamil Nadu were demanding greater amount of credit for the purchase of machinery and implements in 1981-82. In Jammu and Kashmir and Himachal Pradesh, the total amount of long-term loans granted was small and out of this small amount, a major portion might have been taken by the better-off farmers to purchase machinery and implements.

It is observed from the study that after the introduction of new technology, in agriculture in mid-sixties, the demand for credit to purchase machinery and implements had been steadily increasing. In 1971-72, a very high percentage of long term loans was granted for irrigation purposes in most of the states. In 1981-82, the percentage of credit granted for irrigation purposes declined in 12 states. These loans might have been used to purchase machinery and implements since percentage of loans granted for this purpose increased in 15 states, in 1981-82 the percentage of credit granted to purchase machinery and implements declined in Bihar and Orissa only.

3.8 Position of Overdues:

The co-operative societies provide loans usually for the productive purposes. If the loan is utilised for the productive purposes, the cultivators can pay back the

the loans within the stipulated time out of the flow of income that credit generates. But unfortunately, substantial portion of the co-operative credit is found to be used either for consumption purposes or for social ceremonies. As a result, the farmers fail to repay the loans in time that causes in the expansion of overdues.

The Maclagan Committee had observed that unless loans are paid punctually, co-operation is both financially and educationally an illusion".³⁰ He suggested that the co-operative societies should insist on repayment after the first good harvest and normally two years should ^{be} the maximum period of repayment. Some also suggest that recovery of loans should be adjusted to the cyclical trend of production. But it is a bitter truth that the problems of overdues has become a matter of serious concern for co-operatives. Now a large proportion of the loans outstanding is represented by overdues. This is because of the fact that so far expansion and not consolidation has been the watch ward of the authorities concerned. Proper attention is not paid to timely recovery of the loans advanced. The important reasons for rising of overdues are : (a) defective loaning policies (b) inadequate supervision and (c) weakness of internal management. However, natural calamities may make it difficult for the cultivators to repay loans in time. The study team on overdues of co-operative institutions

(appointed by the R.B.I. in 1972) reported in February 1974 that "the lack of will and discipline among the cultivators to repay loans was the principal factor responsible for the prevalence of overdues in co-operatives. Defective lending policy pursued by co-operatives, the apathy of management in taking quick decision against recalcitrant members and absence of favourable climate were other contributory factors".

Here it is proposed to study the actual position of overdues in the outstanding credit of PACs both at the all India and state level for the three time periods under the study.

The percentage distribution of overdues to the total outstanding credit of PACs has been presented in Table. 3.26.

From Table 3.26, it is observed that at the all-India level by the end of 1961-62, the percentage of total overdues to total outstanding credit was 20.75 percent. This percentage increased to 32.34 percent by the end of 1971-72. By the end of June 1982 the percentage of total overdues to total outstanding credit of the PACs had reached a staggering figure of 49.9. Thus, it is noted that the percentage of overdues had been steadily increasing from 1961-62 to 1981-82 at the all India level.

Table 3.26

Percentage of Overdues to Total Outstanding Credit

Sl. No.	States	Percentage of Over dues		
		1961-62	1971-72	1981-82
1.	Andhra Pradesh	4.33	52.17	40.56
2.	Assam	72.55	80.56	78.35
3.	Bihar	39.29	50.31	91.03
4.	Gujarat	21.49	24.98	34.65
5.	Haryana	x	52.39	38.48
6.	Himachal Pradesh	37.79	24.60	28.98
7.	Jammu & Kashmir	23.63	55.29	41.00
8.	Karnataka	45.23	45.78	47.58
9.	Kerala	13.82	29.80	21.66
10.	Madhya Pradesh	23.41	46.81	47.78
11.	Maharashtra	26.31	43.87	40.07
12.	Orissa	17.95	58.17	31.20
13.	Punjab	20.52	47.31	46.27
14.	Rajasthan	47.09	63.10	32.34
15.	Tamil Nadu	8.58	28.48	48.96
16.	Uttar Pradesh	10.42	51.58	49.38
17.	West Bengal	22.03	79.56	59.24
	All India	20.75	43.92	49.97
	C.V.	62.34	32.34	36.58

Source: Statistical Statements Relating to Cooperative Movement in India.

1961-62: It is noticed that by the end of June 1962, in as many as 10 states the percentage of overdues was greater than the all-India percentage share. The top five states in the order of high percentage of overdues by the end of 1962 were, Assam, Rajasthan, Karnataka, Bihar, and Himachal Pradesh. The Bottom 5 states in terms of percentage of overdues by the end of this period were Andhra Pradesh, Tamil Nadu, U.P., Kerala and Orissa. The low percentage share of these five states had reduced the all India percentage of overdues to a large extent. The inequality in the distribution of over-dues among the states was high as the value of the co-efficient of variation stood at 62.34.

1971-72: By the end of June 1972 the percentage of overdues to total outstanding credit increased substantially in all states except Himachal Pradesh where it was reduced to 24.60 percent. The top five states in terms of overdues by the end of this period were Assam, West Bengal, Rajasthan, Orissa, and Jammu and Kashmir. It may be emphasised here that these states were agriculturally backward states and the farmers had failed to repay the loans either because of the large scale diversion of loans for unproductive purposes or because of the occurrence of natural calamities and subsequent crop failures. Again, it may be due to the low productivity of agriculture in the absence of introduction of technology in these states.

The bottom of five states in terms of percentage of overdues to total outstanding credit were Himachal Pradesh, Gujarat, Tamil Nadu, Kerala and Maharashtra. It should be noted that except Himachal Pradesh, all these states were economically and agriculturally advanced states and productive use of credit had been made in these states. As a result, the farmers were in a comfortable position to repay their loans.

1981-82:

By the end of June 1982, the percentage of overdues to total credit had undergone some changes. For some states the percentage of over-dues had increased while for other states it declined in comparison to 1971-72. Those states which recorded an increase in the percentage of overdues were Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh

Tamil Nadu and for the remaining states the share of overdues declined.

The top five states in terms of overdues by the end of the period were- Bihar, Assam, West Bengal, Uttar Pradesh and Madhya Pradesh. Once again, it should be noted that the amount of overdues were very high in the agriculturally backward states of the eastern region like Bihar, West Bengal and Assam.

The bottom five states in terms of percentage of over dues were Kerala, Himachal Pradesh, Orissa, Rajasthan, and Gujarat. It is obvious that the share of over dues should be less in more developed states like Kerala and Gujarat, but surprisingly it is found that the percentage of overdues were also less in backward states like Orissa and Rajasthan. It may be due to the fact that the PACs, in order to consolidate their position and to get more resources from the central cooperatives, might have converted the short term loans into medium and long term loans.

3.9 Size-class wise Distribution of Credit:

An attempt is being made to study the pattern of distribution of Credit among the different size class of ownership holdings. It will show the extent of inequality at the intra-state level. It has been, often, alleged that the big farmers are taking a large portion of the total flow of credit and the small and marginal farmers are struggling to get access to the institutional credit market. Therefore, it is proposed to study the inequality in the distribution of credit among different size classes.

The short-term and medium term loans and advances granted by the PACs for the period 1971-72 and 1981-82 have

been considered for this purpose. For 1961-62, the data are not available in the statistical statements relating to co-operative Movement in India. One cannot meaningfully analyse the distribution of credit among different size classes of ownership holding unless one relates it to the distribution of area owned in those size classes. The data on the distribution of area owned for different size classes have been obtained from the NSS Report, 26th and 37th Round. The degree of inequality in the distribution of credit and area owned - for different states have been compared by estimating Gini-co-efficient between percentage share of credit and percentage share of area owned for different size-classes of ownership holdings.

The size class-wise distribution of credit and area owned has been presented in Table 3.27 for 1971-72 and in Table 3.28 for 1981-82. The states have been arranged in descending order of the values of the Gini-co-efficient in Table 3.29.

From Table 3.29, one notices that in 1971-72, there was higher concentration of credit in relation to area owned (size -class wise) in the states of Tamil Nadu, Haryana, Assam and Karnataka, Medium concentration of credit

Table 3.29

Sl.No.	1971 - 72		1981 - 82	
	STATES	Gini Ratio	STATES	Gini Ratio
1.	Tamil Nadu	0.342	Andhra Pradesh	0.283
2.	Haryana	0.336	West Bengal	0.216
3.	Assam	0.278	Orissa	0.196
4.	Karnataka	0.214	Bihar	0.182
5.	Maharashtra	0.168	Assam	0.165
6.	Uttar Pradesh	0.156	Karnataka	0.153
7.	Andhra Pradesh	0.119	Haryana	0.121
8.	Kerala	0.109	Himachal Pradesh	0.109
9.	Punjab	0.097	Jammu & Kashmir	0.097
10.	Madhya Pradesh	0.098	Kerala	0.082
11.	Orissa	0.080	Madhya Pradesh	0.059
12.	Gujarat	0.055	Uttar Pradesh	0.043
13.	Rajasthan	0.054	Punjab	0.028
14.	-	-	Gujarat	0.025
15.	-	-	Rajasthan	0.013
16.	-	-	Maharashtra	0.004
17.	-	-	Tamil Nadu	0.003
	All India	0.049		0.013

in Maharashtra, Uttar Pradesh, Andhra Pradesh and Kerala and lower concentration of credit in Punjab, Madhya Pradesh, Orissa, Gujarat and Rajasthan. During this period, the highest concentration of credit was in Tamil Nadu and the lowest in Rajasthan.

In 1981-82, the concentration of credit had declined in all the states except Andhra Pradesh and Orissa. The highest concentration of credit was recorded in Andhra Pradesh during this period. The top 5 states experiencing high concentration of credit were Andhra Pradesh, West Bengal, Orissa, Bihar and Assam and the bottom 5 states were Punjab, Gujarat, Rajasthan, Maharashtra and Tamil Nadu.

It is interesting to note that the 4 states from the eastern region - West Bengal, Bihar, Assam and Orissa - where agriculture was still backward and where the green revolution had not made an impact, were experiencing greater inequality in the distribution of credit among the different size classes in relation to the area owned. Thus, in these states small and marginal farmers were getting limited access to the co-operative loans. On the other hand, more developed states (where credit base is also very strong) like Punjab, Gujarat, Maharashtra and Tamil Nadu were experiencing very less inequality in the distribution of credit among different size classes of holding in relation

to area owned. Thus, in these states credit was disbursed among the various size classes of holding almost in proportion to the area owned which was not likely in the eastern region.

This is the logical trend to take place since credit should be given for productive purposes and according to the absorption capacity of the farmers in their land. However, by saying this, one agrees to the fact that big farmers should get more credit from the institutional agencies and small farmers less. A very large percentage of households belong to the categories of small and marginal farmers. In 1981-82, 55.31 percent of the total households belonged to the category of "marginal farmers" and they owned only 15.49 percent of total land.³¹ Co-operative agencies should come out of their traditional lines and divert more credit to the hands of these farmers not on the basis of land owned but on the basis of other credit worthy purposes like animal husbandry, small entrepreneurship etc.

3.10 Credit to Tenants and Agricultural Labourers:

Co-operative credit societies are also disbursing a percentage of their total credit to the tenants and agricultural labourers. The data for distribution of credit among these people are available for 1971-72 and 1981-82 in the statistical statements relative to

Co-operative Movement in India. Table 3.30 shows the distribution of percentage share of credit given to the tenants and agricultural labourers at the State and all -India level.

Table 3.30

Distribution of Percentage Share of Credit Going to
Tenants and Agricultural Labourers

Sl.No.	State	1971-72	1981-82
1.	Andhra Pradesh	1.80	6.90
2.	Assam	0.11	7.59
3.	Bihar	-	00
4.	Gujarat	1.05	1.77
5.	Haryana	5.29	19.53
6.	Himachal Pradesh	16.76	7.75
7.	Jammu & Kashmir	-	00
8.	Karnataka	4.75	5.99
9.	Kerala	16.71	7.21
10.	Madhya Pradesh	0.22	0.78
11.	Maharashtra	0.81	0.73
12.	Orissa	0.40	0.67
13.	Punjab	13.26	10.61
14.	Rajasthan	0.07	3.13
15.	Tamil Nadu	3.75	5.26
16.	U.P.	x	1.14
17.	West Bengal	x	2.60
	All India	3.90	5.26
	C.V.	121.67	101.62

Source: Statistical Statements Relating to Co-operative Movement in India.

From Table 3.36, it is observed that at the all-agricultural India level, the tenants and $\frac{1}{2}$ labourers were getting 3.90 per cent and 5.26 percent of total credit during 1971-72 and 1981-82 respectively. In 1971-72, the top five states in which this group was getting more share of credit were Himachal Pradesh, Kerala, Punjab, Haryana and the Karnataka and the bottom 5 states were Rajasthan, Assam, Madhya Pradesh, Maharashtra and Gujarat. The inequality in the distribution of share of credit going to this group among the states was very high as the value of the co-efficient of variation stood at 121.67.

In 1981-82, the share of credit to agricultural labourers increased in all the states. At the all-India level 5.26 percent of credit was given to this class. The top 5 states giving higher percentage of credit to this class were, Haryana, Punjab, Himachal Pradesh, Assam and Kerala. It should be noted that except Assam, the remaining 4 states had a developed co-operative structure and were diverting a higher share of credit for this target group during 1971-72 also. The bottom states giving credit to agricultural labourers were Orissa, Maharashtra, Madhya Pradesh, Uttar Pradesh and Gujarat, Bihar and Jammu and Kashmir advanced no credit to this group in 1981-82. The inter-state variations in the distribution of credit to this group was also high as the value of the co-efficient of variation was more than 100.

The tenants and agricultural labourers are the most vulnerable sections of the society. They do not have any productive asset with them that will ensure them a steady flow of income for their minimum sustenance. Therefore, they need more protection from the institutional agencies so that the village money lenders cannot exploit them like bonded labourers. The co-operative agencies should come forward in a big way to extend credit to this weaker section of the rural society and help the rural poor to purchase and maintain certain productive assets that will ensure a minimum standard of living for them.

3.11 SUMMARY OF THE FINDINGS:

From the above study, one finds that by the end of 1982, the expansion of the co-operative societies in relation to villages covered and population served was satisfactory in most of the states though the coverage of membership was not so good. There was large inter-state variations in the distribution of cooperative credit. The amount of loan per hectare of gross cropped area was higher in the agriculturally developed regions and in regions with strong co-operative movement. It was also noticed that inequality in the distribution of per hectare co-operative credit had increased over the two decades. The inequality in the distribution of share of credit in relation to share of gross cropped area of the states increased in the first decade but declined in the second decade.

Secondly, it was observed that some important changes had taken place in the structure of securities. Immovable property was no longer the dominant security in the loan market. With the introduction of crop loan system, agricultural produce had assumed importance as a security. However, Guarantee/surety was still considered as ^{an} important security showing that the co-operative societies had not fully given up their traditional attitude.

Thirdly, it was found that more than 90 percent of the short-term loans were granted for seasonal agricultural operations in most of the states. A major percentage of medium-term credit was advanced for the purchase of cattle. Long-term Loans from the central Land Development Banks were given for the two important purposes, namely irrigation purposes and for purchase of machinery and implements. In 1981-82, it was found that a relatively higher percentage of long-term credit was advanced for purchase of machinery though the highest percentage was given for irrigation purposes.

Fourthly, it was observed that the relatively less developed states like Bihar, Assam, West Bengal and Madhya Pradesh were having a high percentage of overdues to total outstanding credit in 1981-82. However

the low percentage of overdues in Orissa and Rajasthan might be due to the conversion of short-term loans into medium - term loans by the PACs. In the relatively advanced states, the percentage of overdues was less.

Fifthly, the study revealed that, the inequality in the distribution of co-operative credit in relation to percentage of area owned among the different size-class of ownership holdings had declined between 1971-72 to 1981-82. However, in Andhra Pradesh and Orissa, the inequality in the distribution of credit increased during the same period.

Sixthly, it was observed that the tenants and agricultural labourers were getting a higher percentage share of total credit in those states, where the co-operative societies were well-developed.

Table No. 3.1

COVERAGE OF CO-OPERATIVE SOCIETIES

From 1961-62 to 1981-82

Sl. No.	States	Percentage of Villages served to total villages			Percentage of Population served to total Population			Members as Percentage to total Population Served		
		1961-62	1971-72	1981-82	1961-62	1971-72	1981-82	1961-62	1971-72	1981-82
1.	Andhra Pradesh	80.73	91.45	100.00	25.92	85.14	100.00	20	7.71	19.50
2.	Assam	65.18	82.02	97.96	61.70	64.73	99.35	4.09	4.50	12.28
3.	Bihar	60.60	97.95	100.00	49.64	96.00	100.00	4.88	5.85	9.25
4.	Gujarat	99.71	91.45	100.00	93.73	92.51	91.92	6.00	7.86	8.09
5.	Haryana	x	100.00	100.00	x	95.38	100.00	x	8.40	11.77
6.	Himachal Pradesh	100	100.00	100.00	100.00	100.00	100.00	5.59	14.27	14.74
7.	Jammu & Kashmir	75.79	83.97	68.24	92.70	77.44	78.66	8.81	9.12	9.19
8.	Karnataka	-	94.46	100.00	-	87.22	100.00	-	9.58	14.39
9.	Kerala	100.00	100.00	99.84	98.24	100.00	100.00	6.78	9.84	18.40
10.	Madhya Pradesh	74.60	100.00	100.00	81.16	100.00	100.00	4.36	6.18	9.46
11.	Maharashtra	96.96	96.23	100.00	94.11	73.16	100.00	7.23	12.62	13.44
12.	Orissa	46.68	94.30	100.00	62.56	87.36	100.00	4.08	7.79	10.40
13.	Punjab	95.59	100.00	100.00	42.53	100.00	100.00	20.00	14.38	14.27
14.	Rajasthan	67.22	93.82	99.26	30.65	89.46	99.24	6.09	6.79	13.46
15.	Tamil Nadu	100.00	100.00	100.00	72.58	100.00	100.00	16.04	11.46	16.41
16.	Uttar Pradesh	100.00	100.00	100.00	97.46	100.00	100.00	5.91	8.53	9.96
17.	West Bengal	67.72	79.25	88.67	59.35	84.78	77.43	3.80	4.63	6.49
18.	All India	75.41	95.43	99.70	68.14	91.51	97.31	7.77	8.26	12.03
	C.V.	21.16	7.01	7.95	34.83	11.46	7.35	65.96	33.01	28.20

Source: Statistical Statements Relating to Co-operative Movement in India.

Table No. 3.5

Distribution of Per-Hectare Availability of Co-operative Credit (In Rupees)

Sl.No.	States	Total Loans			Short Term Loans			Medium & Long Term Loans			Percentage of Short-term Credit in total Per Hectare Credit		
		1961-62	1971-72	1981-82	1961-62	1971-72	1981-82	1961-62	1971-72	1981-82	1961-62	1971-72	1981-82
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Andhra Pradesh	20	33	149	16	22	91	3	11	58	80	67	61
2.	Assam	2	5	5	1.5	4	2	0.1	1	3	75	80	40
3.	Bihar	3	23	54	2	12	24	1	11	30	67	52	44
4.	Gujarat	27	111	185	26	89	122	1	22	63	96	80	67
5.	Haryana	-	53	340	-	38	247	-	15	93	-	72	73
6.	Himachal Pradesh	3	57	99	1	29	28	2	28	71	33	51	28
7.	Jammu & Kashmir	17	31	46	17	25	32	0	6	14	100	80	69
8.	Karnataka	15	52	126	12	37	97	3	15	29	80	71	76
9.	Kerala	29	132	882	19	106	686	10	26	196	65	80	78
10.	Madhya Pradesh	11	30	77	9	24	62	2	6	15	82	80	60
11.	Maharashtra	25	73	169	22	51	130	3	22	39	88	69	77
12.	Orissa	6	22	91	4	16	67	2	6	24	67	73	74
13.	Punjab	17	134	481	14	101	407	3	33	74	82	75	65
14.	Rajasthan	4	8	84	3	6	52	1	2	32	75	75	62
15.	Tamil Nadu	49	109	216	31	75	188	18	34	28	63	69	87
16.	Uttar Pradesh	18	34	109	17	18	73	2	16	36	94	53	66
17.	West Bengal	8	8	67	7	6	56	1	2	11	87	75	83
	All India	16	48	149	13	34	110	3	14	39	81	71	74
	C.V.	76.34	77.65	110.78	71.03	84.38	120.23	133.71	69.68	92.10	20.37	13.57	23.74

Source: Statistical Statements relating to Co-operative Movement in India

Table 3.9

Percentage Share of Different States In Total Cropped Area And Co-operative Credit to Agriculture

Sl. No.	States	1961 - 62		States	1971 - 72		States	1981 - 82	
		Share in Total Credit	Share in Total Cropped		Share in Total Credit	Share in Total Cropped Area		Share in Total Credit	Share in Total Cropped Area
1.	Maharashtra	18.99	12.31	Maharashtra	16.67	10.74	Maharashtra	13.14	11.62
2.	Uttar Pradesh	15.82	14.28	Gujarat	14.30	6.10	Punjab	12.76	3.95
3.	Tamil Nadu	13.13	4.69	Tamil Nadu	10.65	4.69	Uttar Pradesh	10.34	14.12
4.	Gujarat	108.78	6.30	Uttar Pradesh	9.98	14.15	Kerala	9.82	1.65
5.	Andhra Pradesh	10.27	8.20	Punjab	9.96	3.55	Gujarat	7.75	6.23
6.	Madhya Pradesh	7.73	11.93	Madhya Pradesh	8.07	12.84	Haryana	7.60	3.32
7.	Punjab	6.70	6.28	Karnataka	7.45	6.75	Andhra Pradesh	7.45	7.44
8.	Karnataka	6.27	6.86	Andhra Pradesh	5.46	7.78	Madhya Pradesh	6.38	12.40
9.	Kerala	2.75	1.51	Kerala	5.08	1.82	Rajasthan	5.92	10.60
10.	Rajasthan	2.30	9.70	Haryana	3.45	3.10	Tamil Nadu	5.72	3.94
11.	West Bengal	1.96	4.10	Bihar	3.15	6.56	Karnataka	5.42	6.40
12.	Orissa	1.49	4.17	Orissa	1.94	4.33	Orissa	3.04	4.98
13.	Bihar	1.05	7.18	Rajasthan	1.72	10.30	Bihar	2.18	6.06
14.	Jammu & Kashmir	0.56	0.52	West Bengal	0.74	4.47	West Bengal	1.89	4.23
15.	Assam	0.15	1.69	Himachal Pradesh	0.66	0.55	H. Pradesh	0.36	0.54
16.	Himachal Pradesh	0.05	0.28	J & K	0.35	0.53	J & K	0.17	0.56
17.	Haryana	-	-	Assam	0.17	1.74	Assam	0.06	1.96
	Total	100	100		100	100		100	100
	Gini-co-efficient		0.264			0.282			0.209

Source: (1) Statistical Statement Relating to Co-operative Movement in India.
 (2) Fertiliser Statistics - FAI Publication States arranged in descending order of share in Total Co-operative Credit.

Table 3.13

Percentage Distribution of Loans Outstanding at the End of June 1972 (By Securities)

Sl.No.	STATES	TOTAL	Fixed Deposit	Agr. Produce	Gold & Silver	Immovable Property	Guarantee/Survey	Others
1.	Andhra Pradesh	100	0.06	1.99	55.74	40.57	1.53	
2.	Assam	100	-	23.38	50.91	2.96	22.75	
3.	Bihar	100	0.02	31.29	24.01	27.56	17.07	
4.	Gujarat	100	0.02	89.07	7.71	2.49	0.71	
5.	Haryana	100	-	-	2.92	97.08	-	
6.	Himachal Pradesh	100	-	6.50	-	93.50	-	
7.	Jammu & Kashmir	100	-	-	-	-	100.00	
8.	Karnataka	100	0.31	16.92	64.86	14.83	1.98	
9.	Kerala	100	1.27	12.02	39.58	37.06	1.35	
10.	Madhya Pradesh	100	-	-	100.00	-	-	
11.	Maharashtra	100	-	57.62	42.38	-	-	
12.	Orissa	100	-	0.39	10.73	68.88	-	
13.	Punjab	100	-	-	0.37	99.63	-	
14.	Rajasthan	100	-	1.25	19.29	77.18	2.28	
15.	Tamil Nadu	100	1.31	16.73	23.94	55.87	1.41	
16.	Uttar Pradesh	100	-	-	0.10	99.90	-	
17.	West Bengal	100	-	0.69	97.97	1.34	-	
	All India	100	0.20	26.80	35.39	35.75	1.18	

Table 3.15

Percentage Distribution of Loans Outstanding At the end of June 1982 - by Security

Sr. No.	STATES	Total	Fixed Deposit	Agr. Produce	Gold & Silver	Immovable Property	Guarantee/ Security	Others
1.	Andhra Pradesh	100	0.26	13.40	0.43	64.63	9.87	11.41
2.	Assam	100	00	27.28	00	61.12	2.14	9.46
3.	Bihar	100	00	45.00	00	55.00	00	00
4.	Gujarat	100	00	62.32	1.91	15.85	3.72	16.20
5.	Haryana	100	00	00	00	00	100	00
6.	Himachal Pradesh	100	00	00	00	0.05	99.95	00
7.	Jammu & Kashmir	100	00	16.58	00	00	41.68	41.74
8.	Karnataka	100	0.30	45.07	2.84	37.48	12.74	1.58
9.	Kerala	100	5.14	5.26	21.59	31.77	30.64	5.60
10.	Madhya Pradesh	100	00	30.97	00	64.80	4.14	0.09
11.	Maharashtra	100	00	49.06	0.09	45.51	0.41	4.93
12.	Orissa	100	00	00	00	00	100	00
13.	Punjab	100	00	00	00	0.07	85.19	14.74
14.	Rajasthan	100	00	3.17	00	2.61	94.04	0.18
15.	Tamil Nadu	100	3.85	21.84	12.17	9.14	53.01	00
16.	Uttar Pradesh	100	0.11	4.16	00	3.76	91.59	0.38
17.	West Bengal.	100	00	1.31	00	85.74	7.28	5.67
	All India	100	0.82	24.73	3.18	27.66	40.12	4.80

Table No. 3.17

Distribution of Short-term Loans Issued During 1961 - 62 (By Purpose)

Sl. No.	States	Seasonal Agri. Operation	Purchase of Agri. Implement	Marketing & Processing	Consumption and other purposes
1.	Andhra Pradesh	90.69	0.58	2.39	6.34
2.	Assam	100	00	00	00
3.	Bihar	92.73	6.09	0.33	0.65
4.	Gujarat	80.35	1.77	13.62	4.06
5.	Haryana	-	-	-	-
6.	Himachal Pradesh	52.22	0.67	3.56	43.55
7.	Jammu & Kashmir	25.82	0.77	1.68	71.73
8.	Karnataka	89.25	3.17	2.73	4.85
9.	Kerala	67.93	6.50	2.77	22.80
10.	Madhya Pradesh	77.13	2.30	2.77	18.30
11.	Maharashtra	97.22	0.08	0.38	2.32
12.	Orissa	88.18	5.98	0.96	4.68
13.	Punjab	65.17	7.77	0.64	26.42
14.	Rajasthan	98.65	0.58	0.45	0.32
15.	Tamil Nadu	73.04	7.14	0.37	19.45
16.	Uttar Pradesh	89.92	4.12	0.48	5.48
17.	West Bengal	98.95	0.13	00	0.92
	All India	65.45	2.93	2.58	9.04

Source: Statistical Statement relating to Co-operative Movement in India,

Table No. 3.25

Percentage Distribution of Long - Term Loans Issued during 1981 -82 - By Purpose

Sl. No.	STATES	For Land Improvements	For Purchase of Machinery Implements	For Irrigation purposes	For construction of farm houses and sheds	For development horticulture & plantation crops	Animal husbandary	Other purposes
1.	Andhra Pradesh	9.28	26.97	42.74	0.55	4.75	12.45	3.26
2.	Assam	1.84	13.99	73.85	5.85	4.06	0.26	0.15
3.	Bihar	1.27	6.06	90.32	00	0.23	0.99	1.13
4.	Gujarat	0.14	78.53	10.17	1.90	0.05	2.80	6.50
5.	Haryana	1.24	34.54	56.32	1.56	0.19	00	6.16
6.	Himachal Pradesh	2.74	62.82	7.28	6.24	18.70	00.94	1.00
7.	Jammu & Kashmir	7.20	70.98	0.29	6.89	3.21	5.03	6.40
8.	Karnataka	7.20	13.39	36.50	17.08	18.46	4.54	2.83
9.	Kerala	15.55	3.00	21.87	6.31	18.90	7.07	27.30
10.	Madhya Pradesh	00	32.67	65.84	00	0.21	1.26	0.02
11.	Maharashtra	0.16	13.26	52.21	1.04	2.55	9.16	21.62
12.	Orissa	10.88	4.04	48.84	11.46	2.27	19.59	2.92
13.	Punjab	4.27	70.09	5.46	2.94	1.92	10.17	5.15
14.	Rajasthan	0.33	18.17	70.51	0.37	0.12	00	10.51
15.	Tamil Nadu	0.60	42.09	5.56	2.93	5.77	25.90	17.15
16.	Uttar Pradesh	1.82	24.00	71.47	00	0.31	2.00	0.40
17.	West Bengal	4.09	16.22	42.79	1.64	10.02	7.66	17.58
	All India	3.89	28.74	47.75	2.52	3.74	5.48	7.88

Source: Statistical Statement relating to Co-operative Movement in India

Table 3.27

Size Class-wise Distribution of Co-operative Credit and Area Owned 1971 - 72

Sl. No.	States	Upto 1 Hectare		1 - 2 Hectares		2 - 4 Hectares		4 - 8 Hectares		Above 8 Hectare		Gini Ratio
		percentage of Credit	Percentage of Areas Owned	Percent. of Credit	Percent. of Areas Owned	Percent. of Credit	Percent. of Areas Owned	Percent. of Credit.	Percent. of Area Owned	Percent. of Credit.	Percent. of Area Owned	
1	2	3	4	5	6	7	8	9	10	11	12	13
1.	Andhra Pradesh	15.36	9.92	21.59	13.16	26.25	21.19	21.60	24.41	15.20	31.32	0.1119
2.	Assam	23.53	22.15	60.94	30.22	14.04	30.79	1.49	12.80	00	4.04	0.278
3.	Bihar	-	-	-	-	-	-	-	-	-	-	-
4.	Gujarat	5.35	4.53	11.82	9.94	24.15	16.73	29.80	26.97	28.88	41.83	0.055
5.	Haryana	8.21	4.63	21.35	7.43	43.20	18.95	13.02	35.59	14.22	33.40	0.336
6.	Himachal Pradesh	-	-	-	-	-	-	-	-	-	-	-
7.	Jammu & Kashmir	-	-	-	-	-	-	-	-	-	-	-
8.	Karnataka	15.55	5.74	26.11	11.81	23.10	24.84	21.26	24.86	13.98	32.75	0.214
9.	Kerala	50.16	40.88	23.78	24.32	13.77	19.95	9.93	10.92	2.36	3.93	0.109
10.	Madhya Pradesh	2.80	3.34	10.36	9.16	20.00	21.36	33.56	19.18	33.28	36.96	0.089
11.	Maharashtra	6.85	3.48	13.69	8.59	22.12	18.34	28.22	28.40	29.12	41.19	0.168
12.	Orissa	17.50	20.45	27.20	26.95	31.68	25.88	17.22	16.76	6.40	9.96	0.080
13.	Punjab	11.25	4.47	15.46	8.87	31.68	25.06	27.97	28.28	13.64	33.32	0.097
14.	Rajasthan	9.32	2.03	18.72	6.78	27.26	13.15	24.25	22.04	20.45	56.00	0.050
15.	Tamil Nadu	6.58	20.24	15.24	21.84	49.50	25.20	23.50	19.72	5.18	13.00	0.342
16.	Uttar Pradesh	7.76	17.49	29.14	24.65	36.37	27.94	19.47	19.83	7.28	10.09	0.156
17.	West Bengal	-	-	-	-	-	-	-	-	-	-	-
	All India	10.46	9.76	17.65	14.68	28.06	21.92	24.89	23.83	18.94	29.81	0.049

Source: 1) Statistical Statements Relating to Co-operative Movement in India, NABARD.

2) NSS - 26th Round, July 197 - Sept 1972. No. 215

Note: 1) The Gini-Co-efficient is estimated after arranging the percentage of Credit in descending order.

ii) Loans and advances from the PACS only.

Table 3.28

Size Class-wise Distribution of Co-operative Credit and Area Owned (1981 - 82)

Sl. No.	STATES	Upto 1 Hectare		1 - 2 Hectare		2 - 4 Hectare		4 - 8 Hectares		Above 8 Hectare		Gini Ratio
		Percent. of Credit	Percent. of Area Owned	Percent. of Credit	Percent. of Area Owned	Percent. of Credit	Percent. of Area Owned	Percent. of Credit	Percent. of Area Owned	Percent. of Credit	Percent. of Area Owned	
1.	Andhra Pradesh	22.60	11.26	15.95	15.29	32.87	20.70	19.55	24.00	9.03	28.75	0.283
2.	Assam	37.05	24.54	41.32	34.80	15.02	27.67	15.02	10.94	00	2.05	0.165
3.	Bihar	5.81	23.96	33.28	22.91	24.84	27.02	22.00	17.45	13.57	8.66	0.182
4.	Gujarat	5.70	6.65	12.15	10.78	21.98	22.63	25.11	27.74	35.06	32.20	0.025
5.	Haryana	11.55	5.04	24.41	13.44	25.68	21.58	23.41	29.08	14.95	30.86	0.121
6.	Himachal Pradesh	21.89	20.94	32.23	23.09	24.98	26.03	11.52	21.78	9.38	8.16	0.109
7.	Jammu & Kashmir	16.34	28.13	43.60	30.29	20.84	28.70	13.91	8.76	5.11	4.12	0.097
8.	Karnataka	19.98	6.21	21.85	13.56	26.70	25.40	20.58	24.22	10.89	30.61	0.153
9.	Kerala	37.78	45.74	27.25	23.51	20.81	19.11	10.80	10.06	3.36	1.58	0.082
10.	Madhya Pradesh	9.25	4.99	14.93	11.08	27.16	24.30	27.38	30.58	21.28	29.05	0.059
11.	Maharashtra	8.53	4.65	16.93	10.90	27.04	20.82	26.26	28.66	21.24	34.97	0.004
12.	Orissa	31.93	19.88	30.12	29.73	24.63	25.05	10.78	15.17	2.54	10.17	0.196
13.	Punjab	6.50	5.56	14.93	10.75	29.47	22.87	27.92	32.43	21.18	28.36	0.028
14.	Rajasthan	10.65	3.63	17.93	7.29	25.11	17.29	25.00	26.58	21.11	45.21	0.013
15.	Tamil Nadu	18.58	23.58	27.83	27.24	25.66	23.53	17.35	17.59	10.58	8.06	0.003
16.	Uttar Pradesh	21.75	20.36	26.60	24.08	28.75	28.12	16.88	18.29	6.02	9.15	0.043
17.	West Bengal	30.53	30.34	41.66	28.77	10.76	27.23	7.21	11.41	1.84	2.25	0.216
	All India	16.38	12.22	20.88	16.49	26.00	23.38	21.29	23.46	15.45	24.45	0.013

Source: 1) Statistical Statements Relating to Co-operative Movement in India, NABARD.

2) NSS - 37th Round 1981-82.

Note: 1) Gini Co-efficient is estimated after arranging the percentage of credit in descending order.
 ii) Loans and advances from the PACs only.

CHAPTER IV

COMMERCIAL BANKS' FINANCE TO AGRICULTURE

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The traditional role of commercial banks was to act as "purveyors of credit" and therefore, they were reluctant to enter the rural credit market. They were contributing a very insignificant proportion of rural credit before the seventies. But later on, it was realised that commercial banks could act as 'catalytic agent' in the agricultural development of the country. They could also supplement their role as the emancipator of farmers from the money lenders along with the co-operative. Therefore, 14 major commercial banks were nationalised in 1969 and this was followed by the nationalisation of 6 more banks in 1980. Since then, the commercial banks have gone a long way and the advances from Public Sector Banks to agriculture have registered a phenomenal increase. Their operational base has been widened in the rural areas under the direction and supervision of the Reserve Bank of India and NABARD. Besides financing agriculture directly and indirectly through co-operatives and RRBs, they have also introduced some special rural-oriented schemes like the Lead Bank scheme, farmers service Societies, Differential Interest Rates etc. to ensure a steady flow of credit to the agricultural sector.

The purpose of the Chapter is to study the overall progress of the scheduled commercial banks in the field of

agricultural credit with respect to the following facts during a decade i.e. from 1971-72 to 1981-82.

- 1) The coverage of the rural areas through their rural branch expansion programme.
- 2) The level of direct and indirect finances to the farmers;
- 3) The distribution of Credit in various states in relation to their share in gross cropped area;
- 4) The credit deposit ratio for the rural branches.
- 5) The pattern of distribution of short-term and long term loans among different size class of ownership holdings comprising marginal farmers (upto 1 hectare), Small farmers (above 1 to 2 hectares, medium farmers (above 2 to 4 hectares and big farmers (above 4 hectares of land) .

Usually, for commercial banks, the data are available in the form of outstanding credit. Of course, the Report on currency and finance provide data on the flow of short-term and long term loans during a given year. But since data for 1971-72 and for other factors are available in the form of outstanding credit. We take 'Outstanding credit' as the measuring rod in our study.

4.2 Coverage of Commercial Banks:

At the outset the coverage of commercial banks in relation to their branch expansion in the rural areas is studied. The number of rural offices of these banks have increased spectacularly in the last decade in all the states. Table 4.1 shows the percentage of rural branches to total commercial banks' branches during the two time periods at the all-India and state level.

From Table 4.1, one finds that in period II (1981-82) the expansion of commercial banks in rural areas increased to a large extent. It is found that 52 percent of the total commercial banks' offices were in rural areas in 1982. The highest percentage of rural branches are in Himachal Pradesh (84.93%) and the lowest percentage was in Kerala (35.10%). The top 5 states in terms of rural branches of commercial banks were Himachal Pradesh, Orissa, Jammu and Kashmir, Bihar and Madhya Pradesh. The inter-state variations in the distribution of percentage of rural branches had gone down in 1981-82 since the co-efficient of variation had come down to 23.90. The bottom 5 states in terms of rural branches of commercial banks were Kerala, Maharashtra, Tamil Nadu, West Bengal and Gujarat. From the difference in percentage shares of rural offices, it is observed that more rural branch expansion had taken place in the state of Bihar, Orissa, Madhya Pradesh and Andhra Pradesh during the decade.

Table 4.1

Percentage of Rural Offices to Total Offices of
Commercial Banks

Sl. No.	States	Percentage of Rural Offices		Difference in Percentage Shares
		At the end of 1971-72	At the end of 1981-82	
1.	Andhra Pradesh	31.92	54.51	22.59
2.	Assam	45.61	60.12	14.31
3.	Bihar	38.39	70.04	31.65
4.	Gujarat	39.47	45.13	5.56
5.	Haryana	39.89	58.06	18.17
6.	Himachal Pradesh	83.44	84.93	1.49
7.	Jammu & Kashmir	51.26	70.38	19.12
8.	Karnataka	42.78	51.78	9.00
9.	Kerala	31.73	35.10	3.37
10.	Madhya Pradesh	41.64	64.76	23.12
11.	Maharashtra	20.36	37.84	17.48
12.	Orissa	45.96	72.98	27.02
13.	Punjab	49.35	53.67	4.32
14.	Rajasthan	45.24	58.40	13.16
15.	Tamil Nadu	25.23	38.38	13.15
16.	Uttar Pradesh	40.32	61.23	19.91
17.	West Bengal	24.71	41.46	16.75
	All India	35.50	51.90	
	C.V.	33.25	23.80	

Source: i) Statistical Table Relating to Banks in India 1974.
ii) Basic Statistical Returns Summary Results, 1982.

Changes: (Between Period I and II):

The changes in the percentage distribution of rural offices to total offices at the state level can be observed from Table 4.2. This table shows the regions according to the percentage of rural branches to total commercial banks' branches.

It should be noted from Table 4.2 that rural branch expansion was higher in those states which did not experience agricultural development in a significant way. For example, in 1981-82, Assam, Bihar, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh and Orissa were showing a higher percentage of rural branch expansion by the commercial banks. It is a paradox that these states were neither agriculturally developed nor advanced in institutional credit base.

This phenomenon can be explained from the point of view of definitions of the rural, semi-urban and urban centres. According to the definition, rural centres are those places with population upto 10,000 semi-urban with population over 10,000 and upto 1,00,000 urban centres with population over 1,00,000 and upto 10,00,000 and metropolitan centres are places with population over 10,00,000.¹ In the states like Assam, Bihar, Orissa, Madhya Pradesh and Jammu and Kashmir etc. there is less industrialisation and urbanisation. Therefore, the number of urban and semi-urban branches became low in these states. But commercial banks, because

1. Report on Currency and Finance, 1984-85, Vol. II, Statistical Statements P.46 -

Table 4.2

Regions According to Percentage of Rural Branches To
Total Commercial Banks' Branches

Regions	1972	1982
Low Below	Andhra Pradesh Bihar, Gujarat Haryana, Maharashtra, Tamil Nadu and West Bengal	Kerala, Maharashtra, and Tamil Nadu.
Medium 40 - 60%	Assam, Himachal Pradesh, Jammu & Kashmir, Karnataka Madhya Pradesh Orissa, Punjab Rajasthan and Uttar Pradesh	Andhra Pradesh Gujarat Haryana, Karnataka Punjab Rajasthan and West Bengal.
High Above 60%	Himachal Pradesh	Assam Bihar Himachal Pradesh Jammu & Kashmir Madhya Pradesh Orissa and Uttar Pradesh

of their general expansion policy had opened branches in the small towns of these states. But mere branch expansion does not necessarily guarantee that a greater percentage of credit would flow to the agricultural sector of these states. The fact is that these branches are treated as rural branches but they provide credit to the small industries and businessmen and conduct their usual commercial banking activity instead of extending credit to the agriculturists.

On the same ground, it can be said that very developed states like Kerala, Maharashtra, Tamil Nadu and Gujarat are showing a lower percentage of rural branch expansion. In these states the base of the institutional agencies is strong. Thus, even if, more branches are opened up in semi-urban and urban areas and less branches in rural areas, the urban and semi-urban branches might be diverting more credit to the agriculturists. This fact can be examined by taking per hectare credit in these states. Thus, higher percentage of rural branch expansion may not mean that farmers are getting more finances from the commercial banks.

4.3 Scheduled Commercial Banks Direct Finance to Agriculture

Commercial banks provide credit to the agricultural sector both directly and indirectly. They extend credit indirectly via the Primary agricultural credit societies,

Regional Rural Banks etc. for the distribution of fertilisers and other inputs and also for other agricultural purposes. They also provide loans to state electricity boards for energisation^{of} wells etc. However, one proceeds to analyse the amount of direct finance advanced by the commercial banks to the agricultural sector. For this analysis, the amount of direct finance outstanding at the end of 1972 and 1982 is considered. Table 4.3 shows the distribution of per hectare direct and Total credit of commercial banks along with their growth rates during the decade.

From Table 4.3 one observes that in 1971-72 direct credit per hectare of gross cropped area from scheduled commercial banks stood at Rs. 19.00. By the first period, the commercial banks had not entered the rural credit market in a big way. The top five states in per hectare availability of credit were Tamil Nadu, Kerala, Gujarat, Andhra Pradesh, and Karnataka having credit per hectare for Rs.31 to Rs.57.00. The bottom 5 states having per hectare credit availability of Rs.5.00 and less were Himachal Pradesh, Jammu and Kashmir, Assam, Orissa and Madhya Pradesh. The highest per hectare credit was available in Tamil Nadu (Rs.57.00) and the lowest in Himachal Pradesh (2.00). The inequality in the distribution of outstanding credit per hectare of gross cropped area was

very high and the co-efficient of variation was 88.6 .

By the end of 1982, one observes a spectacular progress in outstanding credit of commercial banks. By this period, the per hectare outstanding credit at the all-India level stood at Rs. 298.00. The top five states in availability of per hectare credit were Kerala, Tamil Nadu, Punjab, Andhra Pradesh and Karnataka, having per hectare credit from Rs. 341/- to Rs. 728/- Thus, commercial banks had made a tremendous progress in the southern states besides Punjab and Haryana. The bottom 5 states having per hectare Credit availability of Rs. 170.00 and less were Madhya Pradesh, Rajasthan, Orissa, Bihar and Gujarat. Gujarat comes to the group of bottom 5 states, because the commercial banks disbursed a greater share of credit in the form of indirect finance in this state. Otherwise, Assam, would have been included in this group. The highest amount of direct credit was available in Kerala (Rs. 728.00) and the lowest in Madhya Pradesh (Rs. 93.00). The co-efficient of variations in the distribution of direct credit per hectare of gross cropped area stood at 63.21, which was less as compared to period I.

During the decade, the absolute amount of direct outstanding credit had increased substantially in all the states. But the relative position of the states remained,

Table 4.3Per Hectare Availability of Commercial Banks Direct and Total Credit (Rupees)

Sl.No.	States	End of 1972		End of 1982		Growth	
		Direct	Total	Direct	Total	Direct Finance	Total
1.	Andhra Pradesh	33	42	474	545	30.5	29.2
2.	Assam	3	4	178	202	50.4	48.0
3.	Bihar	8	11	150	203	34.0	33.8
4.	Gujarat	34	44	170	270	17.5	19.9
5.	Haryana	18	31	320	449	33.4	30.69
6.	Himachal Pradesh	2	2	286	335	64.3	66.8
7.	Jammu & Kashmir	25	25	201	222	55.0	56.6
8.	Karnataka	31	46	341	412	27.0	24.5
9.	Kerala	55	64	728	801	29.5	28.7
10.	Madhya Pradesh	5	8	93	120	33.9	31.1
11.	Maharashtra	30	47	165	291	18.6	20.0
12.	Orissa	3	3	138	190	46.6	51.4
13.	Punjab	17	21	503	595	40.3	39.8
14.	Rajasthan	7	7	113	135	32.0	34.0
15.	Tamil Nadu	57	87	631	754	27.2	24.1
16.	Uttar Pradesh	11	26	179	245	32.2	25.1
17.	West Bengal	20	22	247	311	28.6	30.3
	All India	19	28	298	386	31.7	29.9
	C.V.	88.6	87.7	63.21	56.11	34.09	37.03

Source: 1) Statistical Tables relating to Banks in India
2) Basic Statistical Returns, Summary Results 1974 and 1982.

more or less same, in relation to the per hectare availability of bank credit. The changes in the positions of the states have been demonstrated in Table 4.4.

In Table 4.4, the class intervals, of Low, Medium and High level of per hectare credit have been made on the basis of the lowest and highest per hectare credit for the ^{two} time period.³² Thus, the low, medium and high class intervals take the following form:

Region	1971-72	1981-82
Low	Rs. 2.00 - Rs. 18.00	Rs. 93.00 - Rs. 211.00
Medium	Rs. 18.00 - Rs. 36.00	Rs. 211.00 - Rs. 422.00
High	Above Rs. 36.00	Above Rs 422.00

It should be noted that in this form of classification the highest and lowest values affect the size of the class interval. In this particular case, the highest per hectare credit of Tamil Nadu and Kerala and the lowest per hectare credit of Himachal Pradesh and Madhya Pradesh affect the size of classes in a significant manner.

In 1971-72, Assam, Bihar, Haryana, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Orissa, Punjab, Rajasthan and Uttar Pradesh were in the low per hectare zone. Thus, in 1971-72, commercial banks direct finance

Table 4.4

Regions According to Per Hectare Availability of Direct
Finance from Commercial Banks

Regions	1971-72	1981-82
Low	Assam, Bihar, Haryana Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Orissa, Punjab, Rajasthan and Uttar Pradesh	Assam, Bihar, Gujarat Jammu and Kashmir, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, and Uttar Pradesh.
Medium	Andhra Pradesh, Gujarat, Karnataka, Maharashtra, and West Bengal.	Andhra Pradesh, Haryana, Himachal Pradesh, Karnataka, and West Bengal.
High	Kerala and Tamil Nadu	Kerala, Punjab and Tamil Nadu.

to farmers in Punjab, Haryana and U.P. comes under the low category. The remaining states were agriculturally backward and flow of direct credit from commercial banks to those states was also low.

Andhra Pradesh, Gujarat, Karnataka, Maharashtra and West Bengal were placed in the medium category of availability of direct finance. But Kerala and Tamil Nadu were placed in the high credit availability zone. The high per hectare credit in Kerala during this period may be due to the fact that provision of credit for plantation purposes was a traditional function of the commercial banks even before nationalisation. All those states, where medium and high level of direct finance was available, were agriculturally developed for traditional category of commercial crops at that time. Further, it is interesting to note that Himachal Pradesh was getting the lowest amount of per hectare credit but during the same time, the percentage of its rural offices to total bank offices was highest. It reveals that though there was a satisfactory rural branch expansion, the rural branches were not catering to the needs of the agricultural sector.

In 1981-82, a more clear picture emerges and one finds positive association between agricultural development and flow of direct bank finance. Again, Kerala, Tamil Nadu were placed in the high credit availability

zone with the addition of Punjab. In Punjab demand for credit increased after the technological break-through in agriculture and the commercial banks responded to those needs. Andhra Pradesh, Karnataka and West Bengal retained their position in the medium group with the addition of Himachal Pradesh and Haryana. However, Maharashtra and Gujarat joined the rank of the low availability group.

Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan and J & K retained their old place in the low level of direct credit zone. However, the addition of Gujarat, Maharashtra and U.P. in this zone shows that the flow of direct credit from the banks was rather low in these states, despite their level of agricultural development. It may be due to the presence of strong co-operative societies in these states which supplied a direct credit to the farmers.

Coming to growth rates, the compound growth rate of commercial banks direct finance to agriculture during the decade after nationalisation showed a spectacular increase. At the all-India level the growth rate was 31.7 percent. As many as 11 states recorded a compound growth rate more than 30 percent. The highest growth rates were realised in the states of Himachal Pradesh, Jammu, and Kashmir, Assam and Orissa. But the present study shows, the per hectare credit availability was low in these :

states except Himachal Pradesh (period II) at both the time periods. Thus, compound growth rate is not an indicator of increase in the flow of direct bank finance to agriculture. A very high growth rate was recorded in these states because of their low credit availability in the base years.

The low growth rates in direct finance from banks were realised in the states of Gujarat, Maharashtra, West Bengal, Tamil Nadu and Kerala. Tamil Nadu and Kerala were in the high per hectare credit availability group in both the time periods. The low compound growth rate experienced by these two states was due to their strong credit base during 1971-72. However, growth rates in direct credit was not impressive particularly in Maharashtra and Gujarat.

4.4 Scheduled Commercial Banks Total (Direct plus Indirect) Finance to Agriculture.

It is proposed to analyse the interstate variations in the availability of total commercial banks' finances to agriculture and the changes taking place during the 10 years. The per hectare total outstanding finance of the commercial banks to measure the level of credit availability for various states has been taken into consideration. From Table 4.3, one notes that in 1971-72, per hectare availability of total finance was Rs. 28.00 only and it increased about fourteen times to Rs. 386.00 in 1982. The comparative position of the different states in

1971-72 and 1981-82 can be observed from the Table 4.5. The class intervals for low, medium and high credit availability zones were made on the basis of the highest and lowest credit availability as it was done for the direct finance.

So far as the total per hectare outstanding credit of commercial banks was concerned in 1971-72, like the per hectare direct credit, Assam, Bihar, Himachal Pradesh, Orissa, Punjab, Rajasthan, West Bengal and Uttar Pradesh, were placed on the low level of credit group. The lowest amount of credit (Rs. 2.00) was available in Himachal Pradesh. However, agriculturally developed states like Punjab and Uttar Pradesh were grouped with these states in 1971-72. It showed that the commercial banks had not started financing agricultural sector in a big way by the end of 1972 in these states, though the green revolution had arrived there before beginning of the seventies.

Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Haryana belonged to the medium level credit availability zone during this time. Kerala and Tamil Nadu, belonged to the high level of credit. Thus, it is found that these southern states along with Gujarat and Maharashtra were getting a substantial amount of commercial banks total finances in Period I.

Table 4.5Regions According to Per Hectare Availability
of Total Finance from Commercial Banks

Regions	1971-72	1981-82
Low	Assam, Bihar, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Orissa, Punjab, Rajasthan, West Bengal and Uttar Pradesh	Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Orissa and Rajasthan.
Medium	Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Haryana.	Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Uttar Pradesh and West Bengal.
High	Kerala and Tamil Nadu	Andhra Pradesh, Kerala, Punjab and Tamil Nadu.

The actual class intervals for low, medium and high regions in terms of per hectare total credit is the following:

	<u>1972</u>	<u>1982</u>
(a) Low	Rs. 2.00-Rs. 28.00	Rs. 120.00 - Rs. 227.00
(b) Medium	Rs. 28.00 - Rs. 56/-	Rs. 227.00 - Rs. 454.00
(c) High	Rs. Above Rs. 56.00	Above Rs. 454.00

By the end of 1982, one finds a very clear picture on the position of the various states in relation to commercial banks' total outstanding credit. The study shows that during the decade, the commercial banks had extended productive credit to the agricultural sector in a big way and those states were availing more bank finance which were also agriculturally advanced. By 1982, Andhra Pradesh, Kerala, Punjab and Tamil Nadu belonged to the high per hectare total credit zone. Kerala was getting the highest amount of total finance from the commercial banks (Rs. 801.00). Haryana missed this group by a margin of rupees five only. During this period, Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Uttar Pradesh and West Bengal belonged to the medium level of per hectare total credit zone. All these states except Himachal Pradesh and West Bengal were fairly advanced in agriculture and allied activities. In contrast to cooperatives one finds that West Bengal was getting a reasonably high level of commercial banks' finances, *despite* its backwardness in agriculture, it may be because of historical reasons as the commercial banks were well developed in the urban centres of West Bengal.

The agriculturally backward states like Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Orissa and Rajasthan were placed in the low level of total credit

availability group. Thus even after nationalisation, these states had not gained significantly from the commercial banks. It is difficult to say whether low level of credit availability is the cause of agricultural backwardness in these states. Mere injection of credit cannot transform the nature of agriculture in these states. However, it can be said that commercial banks in their new role of "catalytic agent" of agricultural development, had failed in their attempt to transform the agricultural sector in these states. However, the number of states, in the low credit zone had declined from 10 in 1971-72 to 6 in 1981-82.

Coming to the trend of compound growth rates in total outstanding finance of the commercial banks during the 10 years, one notices that at the all-India level, the growth rate was 29.9 percent. The high growth rates also were realised in the states of Himachal Pradesh (66.8%), Jammu and Kashmir (56.6%), Orissa (51.4%) and Assam (48.0%). As explained earlier, these states belonged to the low-credit group (except Himachal Pradesh) during this time and they recorded a higher growth rate in credit because of their low credit base in 1971-72. Gujarat and Maharashtra recorded a very low growth rate (19.9 percent and 20.0 percent respectively) during this period. Of course, both these states belonged to the medium level of credit availability zone in both the time periods. Thus, the low level compound growth rate

in per hectare outstanding credit does not mean that these states were weak in relation to the availability of credit from commercial banks.

The whole analysis with respect ^{to} the availability of per hectare total finance from commercial banks is represented in a summary table. (Table 4.6)

Summary Table 4.6

Total Finance (Direct + Indirect) From the
Commercial Banks

	1972	1982	Growth Rates
1) All-India	Rs. 28.00	Rs. 386.00	Rs. 29.9
2) Range (The Highest and the Lowest)	Rs. 87.00 to Rs. 200	Rs. 801.00 to Rs. 120.00	66.8 to 19.9
3) Inter-State Differences (C.V.)	Rs. 87.7	Rs. 56.11	37.03
4) Number of States falling in the different credit availability			
Region: (a) Low	10	6	10
(b) Medium	5	7	6
(c) High	2	4	1

The study reveals that after nationalisation, commercial banks have made significant progress in financing the agricultural sector. However, the flow of finance from the commercial banks was lopsided. The agriculturally more developed states were ensured to get a greater flow of credit from the banks where as the less developed states had precariously failed to get credit from them. The developed states were getting more credit from the banks due to their repaying capacity. The fact remains that the agriculturally backward states were still getting a very low per hectare of bank credit and their relative position remained same even after 10 years. The decline in the value of the co-efficient of variation may be due to the fact that more equal distribution of credit had been made among the top six to seven states in terms of per hectare credit. The commercial banks, therefore, should make a sustained and more vigorous attempts to raise the position of these states not only in terms of per hectare credit availability, but also in terms of a overall transformation of the agricultural sector.

4.5 Share of the States in Total Bank Credit and Total Cropped Area.

Now one proceeds to study the distribution of credit in different states in relation to the share of the states in total gross cropped area. Out of the total

credit outstanding each state has a share in it. Similarly, each state also enjoys a percentage share in total gross cropped area. By relating the percentage share of states in total outstanding credit and in total gross cropped area one can find out the Gini-coefficient which will show the extent of credit concentration. One can make a comparison of the concentration of credit for both the time periods and see whether the inequality in the distribution of credit in relation to gross cropped area has changed or not.

In Table 4.7 and Table 4.8, the states are arranged in descending order with respect to their percentage share in total outstanding credit of the commercial banks for period I and II respectively.

From Table 4.7 one observes that Maharashtra, Tamil Nadu, Andhra Pradesh, Karnataka, Gujarat, Kerala were getting a higher percentage of credit than their share of gross cropped area in 1971-72. But Uttar Pradesh, West Bengal, Madhya Pradesh, Punjab, Rajasthan, Bihar, Orissa, Assam, Jammu & Kashmir and Himachal Pradesh were getting a lower percentage share of credit than their share of gross cropped area. The inequality in the distribution of credit in relation to the gross cropped area was high as depicted by the value of the Gini-coefficient (0.345).

Table 4.7

Percentage Share of States in Total Finance From
Commercial Banks and for Total Gross Cropped Area (1972)

Sl.No.	States	At the end of 1972	
		% of credit	% of GCA
1.	Maharashtra	18.02	10.74
2.	Tamil Nadu	14.69	4.69
3.	Uttar Pradesh	12.97	14.15
4.	Andhra Pradesh	11.47	7.78
5.	Karnataka	11.03	6.75
6.	Gujarat	9.48	6.10
7.	Kerala	4.14	1.82
8.	West Bengal	3.54	4.47
9.	Haryana	3.39	3.10
10.	Madhya Pradesh	3.22	12.84
11.	Punjab	2.61	3.55
12.	Rajasthan	2.55	10.30
13.	Bihar	2.25	6.56
14.	Orissa	0.34	4.33
15.	Assam	0.23	1.74
16.	Jammu & Kashmir	0.04	0.53
17.	Himachal Pradesh	0.03	0.55

Gini coefficient - 0.345.

Source: i) Statistical Tables Relating to Banks in India, 1974.

ii) Fertiliser Statistics, FAI Publications.

Table 4.8Percentage share of states in Total Finance
From Commercial Banks and Total Cropped Area

Sl.No.	States	At the end of 1982	
		% of Credit	% of Cross Cropped Area
1.	Andhra Pradesh	13.31	7.44
2.	Uttar Pradesh	11.33	14.12
3.	Maharashtra	11.12	11.62
4.	Tamil Nadu	9.75	3.94
5.	Karnataka	8.66	6.40
6.	Punjab	7.76	3.95
7.	Gujarat	5.50	6.23
8.	Haryana	4.90	3.33
9.	Madhya Pradesh	4.89	12.40
10.	Rajasthan	4.69	10.60
11.	Kerala	4.35	1.65
12.	West Bengal	4.30	4.22
13.	Bihar	4.03	6.06
14.	Orissa	3.10	4.98
15.	Assam	1.30	1.96
16.	Himachal Pradesh	0.60	0.54
17.	Jammu & Kashmir	0.41	0.56

Gini-coefficiency 0.140.

Source: i) Fertiliser Statistics, FAI Publications.

ii) Basic Statistical Returns, Summary Results 1982.

Table 4.8 shows that ^{by} the end of 1982 Andhra Pradesh, Tamil Nadu, Karnataka, Punjab, Haryana, Kerala were availing a percentage share of credit greater than their share in the gross cropped area. On the other hand, Uttar Pradesh, Gujarat, Madhya Pradesh Rajasthan, Bihar, Orissa and Assam were getting a percentage share of credit less than their share in gross cropped area. The states like Maharashtra, West Bengal, Himachal Pradesh and Jammu and Kashmir, were enjoying near parity in terms of both in their share of gross cropped area and bank credit. By 1982, the Gini-coefficient had declined to 0.140. It shows that the inequality in the distribution of percentage share of states in total outstanding credit with respect to their share in gross cropped area had declined between the two time periods.

4.6 Commercial Banks' Short-term and Term Finance:

Commercial banks provide both short-term loans and term loans to the agricultural sector. Short-term loans (including crop loans) are given for purchase of production inputs, such as seeds, fertilisers, pesticides etc. and to meet the cost of cultivation which includes labour charges for carrying out agricultural operations, irrigation charges etc. These loans are normally repayable within a period of 12 months and in certain cases within 15 to 18 months, the repayment schedule being related to the harvesting and marketing

of the particular crop. Term (medium/long) loans are granted by the commercial banks for development purposes like development of irrigation potential, purchase of tractors and other agricultural implements and machinery, improvement of land, development of plantations, construction of godowns and cold storages, purchase of pump sets/oil engines, plough animals (bullocks) etc. The period of repayment of these loans generally extends from 3 to 10 years. It may be longer, particularly in cases when refinance from NABARD is available.³³

One can study the the shares of short-term and term loans in total flow of credit of each state and see which state gets more share of term loans. The Basic statistical returns do not provided the data for the state-wise distribution of short-term and term loans. For the year 1971-72 however the report on currency and finance furnished this data for the year 1981-82 in the form of loans and advances granted during the year. Table 4.9 shows the percentage distribution of credit between short-term and term loans for all the states.

Table 4.9 reveals that at the all-India level, the commercial banks were giving 53.76 percent of total credit in the form of short-term loans and rest 46.24 percent as term loans during 1981-82. The states

Table 4.9Percentage Distribution of Short-Term and Term Loans
in Commercial Banks Total Advances (1981 - 1982).

Sl.No.	States	Short-term	Term Loan
1.	Andhra Pradesh	85.44	14.56
2.	Assam	61.34	38.66
3.	Bihar	22.21	77.79
4.	Gujarat	34.41	65.59
5.	Haryana	18.76	81.24
6.	Himachal Pradesh	24.61	75.39
7.	Jammu & Kashmir	21.28	68.72
8.	Karnataka	62.40	37.60
9.	Kerala	72.32	27.68
10.	Madhya Pradesh	25.07	74.93
11.	Maharashtra	48.37	51.63
12.	Orissa	52.13	47.87
13.	Punjab	40.91	59.09
14.	Rajasthan	22.26	77.74
15.	Tamil Nadu	84.68	15.32
16.	Uttar Pradesh	26.69	73.13
17.	West Bengal	70.27	29.73
	All India	53.76	46.24

Source: Report on Currency & Finance, 1984-85, RBI,
Vol. II.

which took a higher percentage of short-term credit were Andhra Pradesh, Tamil Nadu, Kerala, West Bengal and Karnataka. In Punjab, Haryana, Uttar Pradesh, Gujarat and Maharashtra, greater percentage of credit was in the form of term loans. It is expected that agriculturally advanced states should take more term loans for the purchase of machinery and implements. But surprisingly one finds that agriculturally backward states like Bihar, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh and Rajasthan were taking a greater percentage of term loans. It may be due to the fact that whatever small amount of total loan was granted in ^{these} states, a greater proportion was used by relatively rich farmers for developmental purposes in agriculture.

The lesser importance of term loans in the southern states reflected the presence of the well-established long term co-operative credit structure. The prevalence of ryotwari system also facilitated the easy and smooth flow of short term credit in these states. The greater importance of term credit in the relatively under developed states reflected at once the weak long term co-operative structure and the presence of the commercial banks to lend against proper security. Since the purpose of term loans was to purchase tractors, agricultural implements and machinery, it becomes obvious that better-off farmers were getting more access to the commercial banks in these states.

4.7 Credit - Deposit Ratio:

After the nationalisation of the banks, the hitherto neglected sectors like agriculture, small scale industry, retail trade and small business were given "priority status" and banks were asked to provide credit to these sectors. Commercial banks were also asked to have a "rural bias" in their branch expansion, deposit mobilisation and credit sanctions. But it has been, often, alleged that commercial banks have entered the rural areas and mobilised the scattered savings of the agricultural sector, but diverted these resources to the urban centres. Thus, they have acted as the "suction pumps" to divert the rural resources that would have been used in the agricultural sector to the urban and metropolitan centres. This is a form of exploitative mobilization that leads to the pauperisation of the rural economy. The RBI was well aware of this precarious possibility. "To emphasise local deployment of deposits and to allay apprehensions that rural branches might become the conduit for the flow of resources from the rural to the urban areas, public sector banks were advised that, by March 1979, their rural and semi-urban branches should achieve a credit-deposit ratio of at least 60 percent".³⁴ One would like to study the credit deposit ratio of the rural branches at both the time periods for all the states. This has been presented in Table 4.10.

Table 4.10Distribution of Credit Deposit Ratio of Rural and Semi-Urban Branches

Sl.No.	States	1972		1982	
		Rural	Semi-Urban	Rural	Semi-Urban
1.	Andhra Pradesh	1.41	0.74	0.97	0.64
2.	Assam	0.30	0.35	0.48	0.33
3.	Bihar	0.76	0.25	0.58	0.37
4.	Gujarat	0.23	0.35	0.42	0.47
5.	Haryana	0.49	0.57	0.85	0.89
6.	Himachal Pradesh	0.09	0.20	0.41	0.46
7.	Jammu & Kashmir	0.05	0.14	0.44	0.57
8.	Karnataka	0.98	0.63	0.84	0.70
9.	Kerala	0.60	0.51	0.61	0.54
10.	Madhya Pradesh	0.40	0.38	0.72	0.54
11.	Maharashtra	0.68	0.44	0.75	0.53
12.	Orissa	0.17	0.45	1.12	0.61
13.	Punjab	0.16	0.27	0.38	0.46
14.	Rajasthan	0.41	0.47	0.83	0.84
15.	Tamil Nadu	0.90	0.80	0.88	0.71
16.	Uttar Pradesh	0.36	0.30	0.41	0.48
17.	West Bengal	0.16	0.16	0.29	0.22
	All India	0.47	0.41	0.58	0.51

Source: Basic Statistical returns - Summary Results 1982.
Statistical Tables relating to Banks in India - 1974.

From Table 4.10, one observes that during 1971-72, at the all-India level, the credit deposit ratio both at the rural and semi-urban centres were 47 percent and 41 percent respectively. Only six states realised a credit deposit ratio of more than 60 percent at the rural centres. These states were Andhra Pradesh, Bihar, Karnataka, Kerala, Maharashtra and Tamil Nadu. Once again, one finds that except Bihar, the rest five states were relatively developed in agriculture. A very low credit-deposit ratio was found in the states of Himachal Pradesh, Jammu and Kashmir, Orissa, West Bengal, Punjab and Assam. Coming to some urban centres during this period, only three states, namely, Andhra Pradesh, Karnataka, and Tamil Nadu reached a credit-deposit ratio of more than 60 per cent. A very low credit deposit ratio was realised in Jammu and Kashmir, West Bengal, Himachal Pradesh, Bihar and Punjab at the semi-urban centres.

In 1982, the situation had improved considerably. At the all-India level the credit - deposit ratio was 58 percent and 51 percent at the rural and semi-urban centres respectively. At the rural centres, 9 states achieved a credit - deposit ratio of more than 60 percent. These states were, Andhra Pradesh, Haryana, Karnataka, Madhya Pradesh, Kerala, Maharashtra, Rajasthan, Tamil Nadu and Orissa. Orissa recorded a more than 100 percent credit - deposit ratio in the rural centres.

The ratio was low in the rural centres of West Bengal, Himachal Pradesh, Gujarat, Bihar, Punjab and Uttar Pradesh. At the semi-urban centres, six states namely Andhra Pradesh, Haryana, Karnataka, Orissa, Rajasthan and Tamil Nadu exceeded 60 percent Credit - deposit ratio. A very low credit - deposit ratio was recorded in the semi-urban centres of West Bengal and Assam.

While these data help one to know the overall position with regard to credit deployment, undue emphasis should not be placed on credit - deposit ratio as these are several factors influencing the ratio. Where deposit mobilisation is large due to outside factors like remittances CD ratio cannot improve despite large lending. This may be the reason for Kerala realising a moderate CD ratio in the rural centres ^{at} both the time periods. On the other hand, a low level of advances and still lower level deposits may appear large when expressed as a ratio. Orissa got a more than 100 percent C.D. ratio in 1982, not because the level of advances was high, but because ^{of} the level of deposit was low. This type of pattern revealed that there was a considerable flow of rural surpluses from the rural sector to urban industrial sector.

4.8 Distribution of Commercial Banks' Finances According to Size Class of Ownership holding and Area Owned (Short-term Finances)

The intra-regional disparities in the distribution of commercial banks finances among the various size-classes of ownership holding with respect to area owned have been analysed here. The mere percentage share of a size-class will not reflect the true nature of inequality in the credit distribution of a state. Therefore, it is intended to relate the percentage share of credit of a particular size - class with the percentage share of area owned by that size class in a state. The data on the distribution of credit according to size classes have been provided by the Report on Currency and Finance, RBI, Bombay only from 1976. Therefore, the analysis is limited to 1981-82 only. Four size classes are considered here i) Marginal farmers with ownership of land up to 1 hectare (ii) small farmers with land above 1 to 2 hectares (iii) semi-medium farmers with land above 2 to 4 hectares and (iv) medium and large farmers with above 4 hectares of land. The percentage distribution of short-term credit and area owned by the 4 broad size-class holdings is given in Table 4-11.

It is observed that marginal farmers owned 12.22 percent of land but got 36.06 percent of short term credit from the commercial banks. The small farmers owned 16.49 percent land but obtained 23.66 percent of credit. The medium and larger farmers owned

47.90 percent of land but took only 19.70 percent of credit. The semi-medium farmers owned 23.38 percent of land but shared 20.58 percent of commercial banks' finance. Thus, at the all-India level, one finds the distribution of credit skewed in favour of marginal farmers.

One can find the state-wise picture with respect to the percentage of area owned and credit obtained for each size class from the summary Table 4.12.

So far as the marginal farmers were concerned, all the states except Jammu and Kashmir were giving more credit to them than the share of their ownership holding. However, in the states of Andhra Pradesh, Himachal Pradesh, Karnataka, Kerala, Orissa, Rajasthan, Tamil Nadu and West Bengal, a very high percentage of credit was given to them relative to their share in ownership holding.

Small farmers were getting, a greater share of credit than their share of ownership holding in 13 states. Only in Assam, Jammu and Kashmir, Kerala and Tamil Nadu the small farmers were taking less percentage of credit than their share of land holding. However, Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh were giving a higher percentage of credit to the small farmers.

Table 4.11

Percentage Distribution of Credit And Area Owned According to Size-Class of Holding (1982)(SHORT TERM LOANS)

Sl.No.	S T A T E S	<u>Upto 1 Hectare</u>		<u>Above 1 to 2 Hectares</u>		<u>Above 2 to 4 Hectares</u>		<u>Above 4 Hectares</u>	
		Credit	Area Owned	Credit	Area Owned	Credit	Area Owned	Credit	Area Owned
1.	Andhra Pradesh	31.19	11.26	28.08	15.29	24.05	20.70	16.68	52.75
2.	Assam	31.70	24.54	11.56	34.81	3.97	27.67	52.77	12.99
3.	Bihar	36.81	23.96	34.18	22.91	20.83	27.02	8.18	26.12
4.	Gujarat	10.95	6.66	16.38	10.78	29.82	22.63	42.85	59.94
5.	Haryana	16.67	5.04	18.69	13.44	27.75	21.58	36.89	59.95
6.	Himachal Pradesh	59.51	20.94	27.31	23.09	9.62	26.03	3.56	29.93
7.	Jammu & Kashmir	21.72	28.13	23.72	30.29	46.38	28.70	8.18	12.88
8.	Karnataka	24.30	6.21	23.92	13.56	21.36	25.40	30.42	54.83
9.	Kerala	76.10	45.74	13.42	23.51	4.89	19.11	5.59	11.65
10.	Madhya Pradesh	6.17	4.99	25.81	11.08	43.42	24.30	24.60	59.65
11.	Maharashtra	10.90	4.65	17.16	10.90	28.13	20.82	43.81	63.63
12.	Orissa	52.79	19.88	31.08	29.73	11.08	25.04	5.05	25.34
13.	Punjab	16.47	5.59	20.41	10.75	35.37	22.87	27.75	60.79
14.	Rajasthan	35.19	3.63	8.16	7.29	16.17	17.29	40.48	71.78
15.	Tamil Nadu	54.92	23.57	24.36	27.24	12.76	23.53	7.96	25.65
16.	Uttar Pradesh	26.25	20.36	27.42	24.08	22.92	28.11	23.41	27.42
17.	West Bengal	50.08	30.33	36.40	28.77	8.85	28.23	4.67	13.66
	All India	36.06	12.22	23.66	16.49	20.58	23.38	19.70	47.90

Source: i) Report on Currency and Finance 1984-85, Vol. II, RBI, Bombay.

ii) NSS, 37th Round, Jan - Dec., 1982.

Summary Table 4.12Position of the States with respect to Area Owned
and Credit obtained for Different Size Classes of Holding

Size Class of Holding	S T A T E S with	
	Higher Percentage of Credit than Area Owned	Lower Percentage of Credit than Area Owned
Marginal Farmers (Upto 1 Hectare)	All States except Jammu & Kashmir	Jammu and Kashmir
Small Farmers (Above 1 to 2 Hectare)	The remaining 13 states	Assam, Jammu & Kashmir, Kerala, Tamil Nadu.
Semi-Medium Farmers (Above 2 to 4 Hectares)	Andhra Pradesh, Gujarat, Haryana, Jammu & Kashmir, Madhya Pradesh, Maharashtra & Punjab.	Assam, Bihar, Himachal Pradesh Karnataka, Kerala Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal.
Medium and large farmers Above 4 hectares	Assam,	The remaining states.

The semi-medium farmers were getting a greater share of credit than their share of owned area in Andhra Pradesh, Gujarat, Haryana, Jammu and Kashmir, Madhya Pradesh, Maharashtra and Punjab. They were getting a lower share of credit in Assam, Bihar, Himachal Pradesh, Karnataka, Kerala, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

The medium and large firms were getting a low percentage of credit than their share of ownership holding in all the states except Assam. In Assam, they were getting 52.77 percent of credit while they owned only 12.99 percent of land. A very low percentage of credit relative to the share of area owned was given to this group in Andhra Pradesh, Himachal Pradesh, Kerala, Karnataka, Orissa, Punjab, Rajasthan, Bihar, Tamil Nadu and West Bengal. If giving a lower percentage of credit than the share of area zoned is accepted as an index of equality in the distribution of credit then one can conclude that these states were having a relatively more egalitarian distribution of credit among the different size-class of farmers. In short, one finds that the commercial banks were performing their duty according to their given policy of favouring weaker sections.

4.9 Distribution of Commercial Banks Finance
According to Size-Class of Ownership
Holding (Term Loans)

The percentage distribution of term loans among the various size classes along with the share of area owned is shown in Table 4.13. By the end of 1982, the Marginal farmers were getting 18.13 percent of term loans while they owned 12.22 percent of land. The small farmers took 17.17 percent of term loans but they owned only 16.49 percent of land. Thus, small farmers were getting a greater share of term finance than their share in ownership holding. The semi-medium farmers were taking 17.08 percent of term loans, but they owned 23.38 percent of land. The medium and large farmers were getting 47.62 percent of term loans while they owned 47.90 percent of land. Thus at the all-India level the medium and large farmers were taking same share of term loans as that of their owned area. This is a welcome trend as the large farmers would have taken more percentage of term finance since they are in a better position to use these loans for tractorisation and mechanisation. It shows that marginal farmers got a greater share of term loans than their area owned. They may be using their loans for buying cattle to supplement their incomes.

At the state level, the variations with respect to the share of the area owned and term-loan obtained for different size classes has been summarised in Table 4.14.

Table 4.13

Percentage Distribution of Credit and Area Owned According to Size-Class of Holding (Term Loans)

Sl.No.	STATES	<u>Upto 1 Hectare</u>		<u>Above 1 Hectare to 2 Hectare</u>		<u>Above 2 Hectares to 4 Hectares</u>		<u>Above 4 Hectares</u>	
		<u>Credit</u>	<u>Area Owned</u>	<u>Credit</u>	<u>Area Owned</u>	<u>Credit</u>	<u>Area Owned</u>	<u>Credit</u>	<u>Area Owned</u>
1.	Andhra Pradesh	25.13	11.26	28.17	15.29	11.95	20.70	34.75	52.75
2.	Assam	42.30	24.54	29.22	34.81	17.18	27.67	11.30	12.99
3.	Bihar	41.65	23.96	29.00	22.91	10.22	27.02	19.13	26.12
4.	Gujarat	12.70	6.66	6.22	10.78	13.26	22.63	67.82	59.94
5.	Haryana	9.18	5.04	10.20	13.44	15.07	21.58	65.55	59.95
6.	Himachal Pradesh	36.95	20.94	30.60	23.09	18.60	26.03	13.85	29.93
7.	Jammu & Kashmir	20.70	28.13	16.17	30.29	11.18	28.70	51.95	12.88
8.	Karnataka	17.47	6.21	21.93	13.56	22.98	25.40	37.62	54.83
9.	Kerala	42.98	45.74	18.83	23.51	29.93	19.11	8.26	11.65
10.	Madhya Pradesh	11.76	4.99	20.60	11.08	21.06	24.30	46.58	59.65
11.	Maharashtra	10.55	4.65	16.76	10.90	17.54	20.82	55.15	63.63
12.	Orissa	25.37	19.88	18.95	29.73	47.17	25.04	8.51	25.34
13.	Punjab	3.80	5.59	10.23	10.75	14.73	22.87	71.24	60.79
14.	Rajasthan	31.16	3.63	13.73	7.29	18.03	17.29	37.08	71.78
15.	Tamil Nadu	32.52	23.57	16.82	27.24	9.43	23.53	41.23	25.65
16.	Uttar Pradesh	18.92	20.36	4.68	24.08	16.51	28.11	44.39	27.42
17.	West Bengal	24.82	30.33	33.86	28.77	12.13	28.23	29.19	13.66
	All India	18.13	12.22	17.17	16.49	17.08	23.38	47.62	47.90

Source : i) Report on Currency and Finance, 1984-85, Vol. II, RBI, Bombay
ii) NSS, 37th Round Jan-Dec. 1982.

Table 4.14

Position of the States with respect to Area Owned
and Credit Obtained for Different Size-Class of
Holding

Size Class of Holding	STATES with	
	Higher percentage of credit than Area owned	Lower Percentage of Credit than Area owned.
Marginal Farmers (upto 1 hectare)	The remaining 12 states	Jammu and Kashmir, Kerala, Punjab, Uttar Pradesh and West Bengal
Small Farmers (Above 1 to 2 Hectares)	Andhra Pradesh, Bihar, Himachal Pradesh Karnataka, Madhya Pradesh Maharashtra, Rajasthan and West Bengal	Assam, Gujarat, Haryana, Jammu & Kashmir Kerala, Orissa, Punjab, Tamil Nadu and Uttar Pradesh.
Semi-Medium Farmers (Above 2 to 4 hectares)	Kerala, Orissa, & Rajasthan.	The remaining 14 states.
Medium and Large farmers (Above 4 hectares)	Gujarat, Haryana, J & K Punjab, Tamil Nadu, U.P. and West Bengal	The remaining 10 states.

Table 4.14 shows that as many as 12 states were giving term credit to the marginal farmers more than their share in area owned. Only Jammu and Kashmir, Kerala, Punjab, West Bengal and U.P. were providing term finance to this group of farmers less than their share in area owned. In Kerala ownership of land is more equitably distributed and the marginal farmers own 45.74 percent of total owned lands. Therefore, even if the state was giving a very high percentage of term loans to the marginal farmers, still then the percentage stood below the share of the owned area. Similar was the case with West Bengal. In Punjab, the share of term loans going to the marginal farmers was very low. Since 12 states were providing a greater percentage of term finance than the share of owned area to the marginal farmers, it can be said that marginal farmers had a reasonably good access to the long term finances of the commercial banks.

So far as the small farmers are concerned, the states were almost equally divided in giving term loans. Eight states - A.P., Bihar, Himachal Pradesh, Karnataka, M.P., Maharashtra, Rajasthan and West Bengal were giving a higher percentage of term loans than the share of area owned by the small farmers. The remaining 9 states were giving a less percentage of term loans than that of area owned to these farmers. Uttar Pradesh, Haryana, Gujarat and Punjab were providing a very low percentage of term loans to the small farmers.

There was greater inequality in the distribution of credit and area owned for the semi-medium farmers. Only in three states - Kerala, Orissa and Rajasthan - they were getting a higher percentage share of term credit than their share in owned area. In the remaining 14 states they were getting a less percentage share in term loans than that of area owned.

The medium and large farmers were getting a higher percentage share than the area owned in the states of Gujarat, Haryana, Jammu and Kashmir, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. It was an obvious fact that in the relatively agriculturally developed states like Gujarat, Haryana, Punjab and Tamil Nadu, the banks should provide a greater percentage of term finance to the large farmers for the purpose of mechanisation of agriculture. Maharashtra also gave a high percentage of term finance (55.15%) to the medium and large farmers. In West Bengal the disparity arises because of more egalitarian nature of land ownership and one finds that only 13.66 percent of land is owned by the medium and large farmers. It is also found that in as many as 10 states, farmers are getting a less percentage of term loans than their share of area owned. Thus, the belief that large farmers were taking a higher percentage of credit in all the States than their share of area owned was not true. However in agriculturally developed states, the large farmers were taking a more percentage of credit than

their share of owned area, may be because of mechanisation.

When one does not relate their share of credit with area owned, one finds that they were taking a higher percentage of credit in many states. Table 4.13 shows that, medium and large farmers were taking the highest percentage of term credit in the states of Andhra Pradesh, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh. Similarly Table 4.11 shows that the highest percentage of short term credit was going to the medium and large farmers in the states of Assam, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra and Rajasthan.

Thus, one can conclude that in many states, the medium and large farmers were getting a higher percentage of credit from the commercial banks. But when their share of credit is compared with their share in area owned, it is found that they were getting a lower percentage of "short-term" credit than their share of owned area in all the states in 1982 except Assam. Similarly, they were also given a lower percentage of "term loans" than their share of area owned in as many as 10 states. However, in the relatively more advanced states like Gujarat, Punjab, Haryana

and Tamil Nadu, the medium and large farmers were taking a greater percentage of term loans than their percentage share in area owned.

4.10 Credit from the Regional Rural Banks

The Regional Rural Banks were started in 1975, with the objective that they would act as the 'rural arms' of the commercial banks. These banks ^{are} basically scheduled commercial banks with the difference that their area of operation is limited to a particular region comprising one or more districts in a state and they grant loans and advances particularly to small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs and persons of small means engaged in trade and other productive activities in the area of operation. Thus, they are supposed to fill up the gaps left by the co-operatives and commercial banks while providing credit to the agricultural sector and to strengthen the rural credit market. Here an attempt is being made to study their overall progress in the rural areas and assess their extent of service rendered to the agricultural sector since their inception.

The position of the RRBs with respect to their number, village population covered and the per hectare outstanding credit has been presented in Table 4.15.

Table 4.15

Regional Rural Banks - Distribution of Branches, Village Population covered and Per Hectare Outstanding Credit
As on December 1982.

S1. No.	STATES	No. of Branches	Village Population per Branches (in thousands)	Per Hectare Direct Outstanding Credit	Per Hectare Total Outstanding Credit
1.	Andhra Pradesh	436	94	57	60
2.	Assam	124	153	16	19
3.	Bihar	1200	51	64	64
4.	Gujarat	76	323	3	3
5.	Haryana	135	75	26	27
6.	Himachal Pradesh	60	71	42	42
7.	Jammu & Kashmir	164	35	56	56
8.	Karnataka	421	62	42	50
9.	Kerala	225	113	138	138
10.	Madhya Pradesh	589	71	14	15
11.	Maharashtra	115	361	4	6
12.	Orissa	484	48	61	65
13.	Punjab	x	x	x	x
14.	Rajasthan	336	80	23	23
15.	Tamil Nadu	108	300	24	25
16.	Uttar Pradesh	1255	72	42	43
17.	West Bengal	405	117	30	35
	All India	6133	87	39	41
	C.V.		79.97	78.65	74.96

Source: Report on Currency and Finance, 1984-85, Vol. II.

It is observed from this table that at the end of 1982, at the all-India level, there were 6133 RRBs. The number of RRBs were large in Uttar Pradesh, Bihar, Madhya Pradesh, Orissa, Andhra Pradesh, Karnataka and West Bengal. However, the absolute number of RRBs cannot be the proper index of its expansion. Therefore, the per bank village population in the state has been considered. It is seen that per bank village population was less in Jammu and Kashmir, Orissa, Bihar, Karnataka, Uttar Pradesh, Madhya Pradesh, Rajasthan and West Bengal. The lower population per bank showed that the RRBs had greater coverage in these states. Their coverage of rural area is less in Gujarat, Maharashtra and Tamil Nadu. These states are very strong in cooperative and commercial banks credit availability. Therefore, the failure of the RRBs to open more banks in these states did not affect the states significantly. However, the coverage was seen to be very less in Assam which was very weak in institutional credit. Therefore, more RRBs should be opened in this state. So far as the per hectare direct credit availability was concerned, the top five states were Kerala, Bihar, Andhra Pradesh, Orissa and J & K. The bottom five states in per hectare direct credit availability were Gujarat, Maharashtra, M.P. Assam and Rajasthan. It is rather unfortunate to note that the relatively less developed states like Assam, Rajasthan and Madhya Pradesh were getting a very small amount of per hectare direct

finance. Again, it is interesting to observe that Kerala, which was topping in both co-operative and commercial banks' credit, was also topping in the availability of credit from the RRBs. The inequality in the distribution of per hectare direct credit among the states was high as the co-efficient of variation stood at 78.65.

The Per Hectare availability of total credit from RRBs also provided the same trend. The top five states getting higher per hectare credit were Kerala, Orissa, Bihar, Andhra Pradesh and Jammu and Kashmir. The bottom 5 states were Gujarat, Maharashtra, Madhya Pradesh, Assam, and Rajasthan. The RRBs were giving the highest amount of per hectare credit in Kerala and the lowest in Gujarat. The inequality in the distribution of credit from the RRBs among the states was also high as the value of the co-efficient of variation stood at 74.96. It is, thus, observed that the purpose of starting the RRBs has not been fulfilled since, the poorer states like Assam, Madhya Pradesh, Rajasthan, were still getting a very small amount of per hectare credit from the RRBs while the states like Kerala, Andhra Pradesh and Uttar Pradesh were availing a higher amount of credit from the RRBs.

4.11 Summary of the Findings:

From the above study it was clear that after the nationalisation of 14 major commercial banks in 1969, they have made a spectacular progress both in coverage of rural areas and advancing the agricultural sector.

However, even after 13 years of nationalisation, significant interstate variations were found in the flow of commercial banks finances. The states like Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Orissa and Rajasthan were getting a very small amount of per hectare credit while relatively more developed States like Kerala, Andhra Pradesh, Punjab, Haryana and Tamil Nadu were getting a very high amount of per hectare loans.

Secondly, it was observed that the inequality in the distribution of percentage share of states in total credit relative to the percentage share of gross cropped area had declined in the last 10 years which might be due to the better distribution of credit among the better of states. The relative position of the less developed states remained more or less same.

Thirdly, it was found that in the southern states the percentage share of medium and long term (Term Loan) loans was less whereas in the relatively under developed states like Assam, Rajasthan, Madhya Pradesh, Jammu and Kashmir and Himachal Pradesh, the share of the short term loans was high.

Fourthly, it was found that by 1982, as many as 8 states did not achieve the credit deposit ratio of 60 per cent at the rural branches of the commercial banks, notwithstanding

the directive from the RBI. The CD ratio was less than 1 in all the states except Orissa, showing thereby that the rural surpluses were diverted to the urban and metropolitan centres via commercial banks.

Fifthly the study showed that the medium and large farmers were taking a greater percentage of credit in many states. But when their share of credit was considered in relation to their share of area owned, it was found that these farmers were getting a percentage share in total "short-term" credit less than their share in area owned in all the states except Assam. They were also given a lower percentage of "Term Loans" than their share of area owned in as many as 10 states. However, in the advanced states like Gujarat, Punjab, Haryana and Tamil Nadu, the medium and large farmers were taking a greater percentage share in term finance than their share of area owned.

Sixthly, the study revealed that the RRBs had failed to fulfil their assigned roles as the per hectare outstanding credit advanced by them was very low in the States like Assam, M.P. and Rajasthan while a developed State like Kerala was getting the highest per hectare credit from them. However, their success was moderate considering their performance in poor states like Bihar, Orissa, Jammu and Kashmir and to some extent, West Bengal.

CHAPTER V

ASSOCIATION BETWEEN INSTITUTIONAL CREDIT

AND

INDICATORS OF ECONOMIC DEVELOPMENT

CHAPTER VASSOCIATION BETWEEN INSTITUTIONAL CREDIT AND
INDICATORS OF ECONOMIC DEVELOPMENT

Institutional agencies extend credit to the agricultural sector normally for productive purposes. The borrowers use it as capital to purchase various inputs such as fertilisers and seeds and machinery and implements like tractors and pump sets to increase productivity in agriculture. It has been, often alleged that a substantial portion of institutional credit is diverted for wasteful consumption expenditure in India. However, the farmers of relatively more developed states invest their funds productively in agriculture. In this chapter, an attempt is being made to find out the degree of association between flow of institutional credit and some indicators of agricultural development.

In this study, 5 important indicators of agricultural development have been chosen. These include, i) the per hectare yield of food grains, ii) the percentage of area irrigated to total gross cropped area, iii) consumption of fertiliser ($N + P_2O_2 + K_2$) per hectare, iv) number of pump sets (electric plus oil

engines) per thousand hectares of gross cropped area and v) number of tractors per thousand hectares.

The data on these indicators of agricultural development for the two time periods have been presented on Table 5.1 and 5.2.

To find out the association between flow of credit and indicators of agricultural development, three types of credit have been considered. These are, i) total co-operative credit per hectare of gross cropped area, ii) total commercial banks' finances per hectare of gross cropped area and iii) total institutional credit (both co-operatives and commercial banks) per hectare of gross cropped area. To study the association between two sets of variables the method of rank correlation has been used.

1971-72:

The co-efficients of correlation between per hectare credit and indicators of agricultural development are presented in Table 5.3

Correlation Table 5.3 (1971-72)

	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅
X ₁	0.38 ^{NS}	0.17 ^{NS}	0.75*	0.63*	0.52*
X ₂	0.11 ^{NS}	0.15 ^{NS}	0.71*	0.45**	0.23 ^{NS}
X ₃	0.45**	0.18 ^{NS}	0.83*	0.45**	0.33 ^{NS}

-
- i) * - Significant at 5 percent level.
 ii) ** - Significant at 10 per cent level.
 NS - Not significant

- where X_1 = Co-operative Credit per hectare of gross cropped area.
- X_2 = Commercial banks' credit per hectare of gross cropped area.
- X_3 = Total Institutional credit per hectare.
- Y_1 = Yield of food grains per hectare of gross cropped area.
- Y_2 = Percentage of area irrigated to total gross cropped area.
- Y_3 = Consumption of fertiliser per hectare.
- Y_4 = Number of Pump sets (both electric and oil engine) per thousand hectares.
- Y_5 = Number of tractors per thousand hectare.

It was found that the coefficient of correlation between per hectare credit and various indicators of agricultural development was positive in 1971-72. The value of the co-efficient of correlation between per hectare co-operative credit and yield of food grains per hectare was 0.38 which was not significant. The co-efficient of correlation between per hectare commercial banks' finance and yield of food grains per hectare was 0.11 which was also not significant.

The weak association between per hectare yield of food grains and per hectare credit can be explained by the fact that institutional agencies not only extend credit for production of food grains but also for cash crops and plantation purposes. There are some states like Kerala, Karnataka, Andhra Pradesh, Tamil Nadu, Gujarat and Maharashtra which invest more credit on cash crops than food crops. These states take higher rank in per hectare credit availability but lower rank in per hectare yield of food grains. Therefore, the association between per hectare credit and per hectare yield of food grains becomes weak. However, it was found that the value of the coefficient of correlation between total institutional credit per hectare and yield of food grains per hectare was 0.45 which was significant at 10 per cent level.

There was no significant association between the three types of credit and percentage of area irrigated to total gross cropped area. It was because of the fact that some states like Kerala, Gujarat, Karnataka and Maharashtra were placed in the higher rank of per hectare credit but in the lower rank in terms of percentage of area irrigated. It was also observed that some states were getting lower percentage of Credit

though they were having a greater percentage of irrigated area. Because of the divergence of the ranks of the states, the degree of association became weak.

It was noted that there was strong correlation between per hectare credit and fertiliser consumption. The values of the co-efficients of correlation between the three types of per hectare credit and per hectare fertiliser consumption was high and significant at 5 per cent level.

There was also strong correlation between credit availability and use of pump sets. It showed that the farmers were investing a greater percentage of institutional credit for the purchase of pump sets in 1971-72. The value of the co-efficient of correlation between per hectare co-operative credit and number of pumpsets per 1000 hectares was 0.63 which was significant at 5 per cent level. Similarly the co-efficient of correlation between per hectare commercial banks' credit and use of pump sets stood at 0.45 which was significant at 10 per cent level. The value of co-efficient of correlation between total institutional credit and of pumpsets per thousand hectares was 0.40 which was significant at 10 percent level.

The value of the co-efficient of correlation between per hectare co-operative credit and number of tractors per thousand hectares was 0.52 which was significant at 5 per cent level. However, the value of the coefficient of correlation was not significant between per hectare commercial banks credit and numbers of tractors per thousand hectares. Similarly it was not significant between per hectare total institutional credit and number of tractors per thousand hectares. In 1971, the use of tractors was limited to Punjab, Haryana and Uttar Pradesh. There were many states which were receiving higher level of per hectare credit in 1971-72, but they were not using tractors. In fact, Kerala was having number 1 rank in per hectare credit but 10th rank in use of tractors. Therefore, the association between per hectare credit and tractor use was found to be weak.

1981-82:

The co-efficients of correlation between per hectare institutional credit and indicators of economic development for 1981-82 has been presented in Table 5.4.

Correlation Table 5.4

	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅
X ₁	0.34 ^{NS}	0.16 ^{NS}	0.74*	0.75*	0.31 ^{NS}
X ₂	0.66*	0.29 ^{NS}	0.63*	0.62*	0.19 ^{NS}
X ₃	0.58*	0.28 ^{NS}	0.70*	0.64*	0.23 ^{NS}

In 1981-82, it was found that the co-efficient of correlation was positive between per hectare credit and all the indicators of economic development. The co-efficient of correlation between per hectare credit and yield of food grains was not significant. It was because some states were getting a higher per hectare co-operative credit but their yield rate was not as high. However, the co-efficient of correlation was significant at 5 per cent level between per hectare commercial banks' credit and per hectare yield. Similarly the correlation was significant at 5 per cent level between per hectare of total insitutional credit and yield per hectare.

The association between per hectare credit and percentage of area irrigated was not significant in 1981-82 also. It was because some states are ranked higher in per hectare credit but their rank in percentage of

irrigated area to total area was lower in the order.

It was found that there was significant association between fertiliser use and credit availability in 1981-82. It revealed that a substantial portion of credit might be used for the purchase of fertilisers. The coefficient of correlation between per hectare co-operative credit and per hectare fertiliser consumption was 0.74 which was significant at 5 per cent level. The co-efficient of correlation between per hectare commercial banks credit and consumption of fertiliser was 0.63 which was significant at 5 per cent level. Similarly, the co-efficient of correlation was 0.70 between per hectare total institutional credit and fertiliser use which was significant at 5 per cent level.

The association between per hectare credit and use of pump sets was significant in 1981-82. It substantiated the fact revealed by the study that the highest percentage of medium term loans advanced by the co-operative societies was for the development of irrigation facilities through the purchase of persian wheels and pump sets. The co-efficient of correlation between per hectare co-operative credit and pump sets per thousand hectares stood at 0.75 which was significant at 5 per cent level. The co-efficient of correlation

between per hectare total commercial banks' credit and pump sets per thousand hectares was found to be 0.62 which was significant at 5 per cent level. The co-efficient of correlation between per hectare total institutional credit and number of pump sets per thousand hectares stood at 0.64 which was significant at 5 per cent level. Thus it was clear from the study, that there was strong association between flow of credit and use of pump sets by the farmers in 1981-82 to increase agricultural productivity.

The association between institutional credit and use of tractor was found to be rather weak in 1981-82 though there was positive correlations between the two sets of variables. The co-efficient of correlation between per hectare co-operative credit and number of tractors per thousand hectares was found to be 0.31 which was not significant even as 10 per cent level. The co-efficient of correlation between per hectare commercial banks' credit and number of tractors per thousand hectares stood at 0.19 which was also not significant. Similarly, the correlation between per hectare total institutional credit and tractor use was not significant in 1981-82. The association between flow of credit from two institutions and use of tractor was weak because only a few states like

Punjab, Haryana, Uttar Pradesh and Gujarat had higher ranks both in the use of tractors and availability of credit. States like Kerala, Tamil Nadu, Maharashtra and Andhra Pradesh were getting higher ranks in institutional credit but lower ranks in the use of tractors. Again, states like Rajasthan and Bihar were getting lower ranks in credit but higher ranks in tractor use. Therefore, the co-efficient of correlation between availability of credit and use of tractors was not significant.

An attempt was also made to find out the degree of association between availability of per hectare credit of commercial banks and co-operatives to find out whether they were additive or not. The Dantwala Committee on RRBs concluded that commercial banks' agricultural credit had been additive and had not helped to fill the geographical gaps in the availability of credit not covered by co-operatives. It was found that the rank correlation co-efficient was 0.60 in 1971. In 1981-82, the correlation co-efficient was 0.74. Thus, there was high degree of association between per hectare availability of co-operative credit and commercial banks' credit. The commercial banks should pay more attention to those regions which were weak

in the development of co-operatives while they formulate their further branch expansion policy.

From the above study, it was observed that there was significant association between per hectare credit availability and use of fertilisers and pump sets in both the time periods. It was also found that the degree of association between per hectare credit and yield of food grains per hectare, percentage of area irrigated to total area and number of tractors per thousand hectares was weak.

Table No. 5.1

State-wise Distribution of Indicators of Agricultural Development

(1971 - 72)

Sl.No.	STATES	Total food grains yield in key per hectare	Percentage of area irrigated to total gross cropped area	Consumption of fertilizer per unit of Gross Cropped area key per hectare	Number of Pump sets per thousand hectares	No. of tractors per thousand hectares.
1.	Andhra Pradesh	839	33.3	22.59	20.0	5.0
2.	Assam	945	20.1	2.94	x	1.8
3.	Bihar	930	25.5	9.79	8.9	5.3
4.	Gujarat	856	13.1	17.90	41.6	7.9
5.	Haryana	1149	44.1	16.62	22.8	36.4
6.	Himachal Pradesh	1148	17.3	7.19	x	3.3
7.	Jammu & Kashmir	1236	38.3	6.12	x	5.8
8.	Karnataka	828	12.3	15.45	18.1	5.2
9.	Kerala	1485	20.3	22.28	9.5	5.1
10.	Madhya Pradesh	682	7.2	5.79	5.4	2.4
11.	Maharashtra	407	9.4	12.42	19.5	3.2
12.	Orissa	732	23.0	5.94	0.85	2.5
13.	Punjab	2028	74.1	52.69	57.0	74.0
14.	Rajasthan	501	14.7	4.97	4.3	7.01
15.	Tamil Nadu	1345	44.6	48.31	116.0	7.06
16.	Uttar Pradesh	914	36.5	20.90	13.4	11.98
17.	West Bengal	1277	21.9	14.32	0.97	0.97

Source: 1) Fertiliser Statistics FAI Publication.

11) Number of tractors, 1977-78.

Table No. 5.2State-wise Distribution of Indicators of Agricultural Development (1981-82)

Sl.No.	STATES	Total food grains yield in key per hectare	Percentage of area irrigated to total gross cropped area	Consumption of fertilizer per unit of Gross Cropped area	Number of Pump sets per thousand hectares	Number of tractors-per thousand hectares.
1.	Andhra Pradesh	1147	33.3	50.0	33.2	8.5
2.	Assam	1073	16.6	3.3	0.3	2.1
3.	Bihar	1031	34.1	18.0	21.2	9.9
4.	Gujarat	1001	21.4	38.6	45.2	10.3
5.	Haryana	1597	56.7	45.5	33.1	52.1
6.	Himachal Pradesh	1026	16.4	19.5	2.1	5.3
7.	Jammu & Kashmir	1559	40.0	21.8	1.02	8.2
8.	Karnataka	1023	14.9	34.4	7.7	7.4
9.	Kerala	1587	13.1	32.9	18.2	5.8
10.	Madhya Pradesh	688	11.3	10.9	12.3	6.9
11.	Maharashtra	693	12.3	26.6	26.7	6.1
12.	Orissa	870	19.5	9.9	0.5	1.6
13.	Punjab	2458	83.4	123.7	65.2	96.2
14.	Rajasthan	531	20.2	7.9	9.0	13.3
15.	Tamil Nadu	1340	47.6	66.7	148.2	9.5
16.	Uttar Pradesh	1206	45.9	52.2	26.3	28.8
17.	West Bengal	1358	20.8	32.8	x	9.4

Source: Same as Table 5.1.

CHAPTER VI

SUMMARY AND CONCLUSION

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The objective of the study was to find out changes in the relative importance of institutional and non-institutional agencies in the flow of agricultural credit in rural India. It was also intended to examine the extent of interstate variations in the distribution of institutional credit. Besides, it was proposed to analyse the changes in the security pattern of loans, position of overdues and purposes for which co-operative loans were advanced. Finally, it was also intended to look into the changes in the position of the credit deposit ratio of the commercial banks in the rural Centres.

Growing Importance of Institutional Credit:

The study revealed that the 'multi-agency approach' to rural credit had been progressing slowly but steadily in India. The efforts of the government to drive out the exploitative private agencies like the moneylenders out of the rural credit market had met with limited success till about the beginning of the seventies. Between 1961-62 and 1971-72, their share in total agricultural credit declined marginally, but during the second decade, the share of these agencies declined significantly. Nevertheless, it is extremely crucial to note that private agencies including agricultural and professional moneylenders continued to dominate the rural credit market in many states

such as Assam, Bihar, Jammu and Kashmir, Rajasthan and Andhra Pradesh. Efforts should be made to strengthen the institutional agencies in these states so that the investment in usurious money lending that inhibits productive investment in agriculture can be checked.

It was found that by 1982, the commercial banks had entered the rural areas as a major source of institutional credit. The share of the co-operative societies in total institutional credit had been declining since 1961-62 chiefly because of the entry of the commercial banks and relative stagnancy of the co-operative societies in certain regions. It was observed that the share of the commercial banks' credit had increased in all the states during the seventies. The interstate variations in the distribution of commercial banker's share in total credit also declined. The study revealed that the share of RRBs in total institutional credit was higher in the relatively less developed states like Orissa, Bihar, Jammu and Kashmir, Assam, and Himachal Pradesh. It should be noted that these states were also weak with respect to the availability of credit from co-operative agencies. The states which received a lower percentage of credit from the RRBs were developed in terms of co-operative and commercial banks' credit. Therefore it can be concluded that the RRBs were performing their assigned role fairly successfully.

Co-operative Credit to Agriculture:

The expansion of the co-operative societies in relation to the number of villages covered and population served was satisfactory in most of the states. However, it was found that expansion in terms of membership was not as good. Even as late as 1981-82, the percentage of members to total population served was less than 10 in the states of Bihar, Gujarat, Jammu and Kashmir, Madhya Pradesh, Uttar Pradesh and West Bengal. It is thus essential that special efforts should be made to increase the membership of the co-operative societies in these states.

There was large inter-state variations in the distribution of co-operative credit. The availability of loan per hectare of gross cropped area was considerably low in the agriculturally less developed states like Assam, Bihar, Orissa, Rajasthan, Madhya Pradesh and West Bengal and relatively higher in states such as Punjab, Haryana, Tamil Nadu, Gujarat, Maharashtra, Kerala, Andhra Pradesh and Karnataka. It was also noted that inequality in the distribution of per hectare co-operative credit among the states had increased during the last two decades notwithstanding the best efforts of the government to have a more equitable distribution of institutional credit.

Between 1961-62 and 1981-82, the co-operative credit was higher in the states of Bihar, Himachal Pradesh, Orissa and Rajasthan. These states were less developed in co-operative credit. The higher growth rates in per hectare credit were realised in these states because of their low per hectare credit availability in the base year. On the other hand, Gujarat, Tamil Nadu, Maharashtra and Andhra Pradesh recorded a higher growth rate in per hectare credit even though they were getting a higher level of per hectare co-operative credit. Thus, the trend in growth rates were highly influenced by the availability of credit in the base period. However, three states, namely Kerala, Haryana and Punjab were showing both higher growth rates and higher level of per hectare credit in the base as well as the terminal years.

When one looks at the percentage share of states in total co-operative credit in relation to the percentage share in gross cropped area, some encouraging results were noted. It was found that the Gini coefficient of concentration had increased in the first decade but declined in the second decade. In 1981-82 seven states were getting a higher share in co-operative credit than their share in gross cropped area. These states were Maharashtra, Punjab, Kerala, Gujarat, Haryana, Andhra Pradesh and Tamil Nadu. It should be


noted that most of these states were doing well in agriculture as also in co-operative credit. In 1961-62 also, all these states were having co-operative credit higher than their share in gross cropped area except Haryana. Thus, even if the inequality in the distribution of credit in relation to the percentage share of gross cropped area had declined, the relative position of these states remained more or less the same.

Some important changes were observed in the structure of securities. Both in 1961-62 and 1971-72, immovable property was the most important security against which co-operatives were advancing loans. With the introduction of the crop loan system, prospective agricultural produce had assumed importance as a security after the seventies. However, in 1981-82, Guarantee/surety was still treated as the most important security against which 40 percent of the total credit was outstanding. This security was of higher importance in the states ^{of} Himachal Pradesh, Punjab, Haryana, Rajasthan, Tamil Nadu, Uttar Pradesh and Orissa. The importance of guarantee/surety as a security in 1981-82 revealed that the co-operative societies had not fully abandoned their traditional attitude of insisting on sureties. No wonder, therefore,

in parts of rural India the insistence on sureties for loans might still be forcing the small and marginal farmers to depend on the rich farmers.

So far as the purpose-wise distribution of credit was concerned, it was found that 90 percent of the short term loans were granted for seasonal agricultural operations in most of the states in 1981-82. A major percentage of medium term loans was advanced for the purchase of cattle. Loans for other purposes including conversion/rephasing of loans declined in the first decade but increased in the second decade, showing that the PACs were converting short-term loans into medium -term loans to reduce their overdues and pretend to maintain their viability. Long-term loans were advanced by the central Land Development Banks for two important purposes, namely irrigation development and purchase of machinery and implements. The study revealed that the percentage of credit granted for machinery and implements was increasing steadily since 1971-72. In 1981-82, a relatively higher percentage of long-term credit was advanced for this purpose though the highest percentage was still given for irrigation development. A higher percentage of long term credit for the purchase of machinery and implements was advanced in Punjab, Gujarat, Haryana, Tamil Nadu, Jammu and Kashmir

and Himachal Pradesh. Thus, the farmers in the state of Punjab, Haryana, Gujarat and Tamil Nadu were getting greater amount of credit for the purchase of machinery and implements in 1981-82. In the less developed states like Jammu and Kashmir and Himachal Pradesh the higher percentage of long term credit might be due to the fact that only the better off farmers were taking these loans to purchase machinery and implements. The percentage of credit granted for irrigation purpose declined in 12 states. These loans might have been diverted for the purchase of machinery and implements since percentage of loans granted for this purpose increased in as many as 15 states.



It was observed that the relatively less developed states like Bihar, Assam, West Bengal and Madhya Pradesh were having a higher percentage of over-dues to total outstanding credit in 1981-82. The trend was not surprising since there was no technological breakthrough in the agricultural sector of these states and the repaying capacity of farmers in these states was of a low order. However, the low percentage of over-dues in Orissa and Rajasthan and Himachal Pradesh may be due to the conversion of short-term loans into medium term loans by the PACs to show their viability. As expected, the

percentage of overdues was less in the advanced states like Kerala, Gujarat and Haryana.

The study revealed that the inequality in the distribution of co-operative credit in relation to the percentage of area owned among the different size-class of ownership holdings had declined between 1971-72 and 1981-82 in all states except Andhra Pradesh and Orissa. It was important to note that the 4 states from the eastern region - West Bengal, Bihar, Assam and Orissa - where agriculture was still backward and where the green revolution had not made an impact, were experiencing greater inequality in the distribution of credit among the different size-class in relation to the area owned. It implied that the small and marginal farmers in these states were getting limited access to the co-operative credit in these states. On the other hand, many other states like Punjab, Gujarat, Maharashtra, and Tamil Nadu were experiencing very less inequality in the distribution of credit among different size classes of holding in relation to area owned. In these states, credit was distributed among various size-classes of holding almost in proportion to the area owned.

It is often argued that credit should be given for productive purposes and according to the absorptive capacity of the farmers²⁰⁰ their land. This argument is

based on the premise that the distribution of credit should be proportional to the distribution of land owned. But in India, more than 55 percent of the total households belong to the category of marginal farmers and they own only 15.49 percent of total land. Government sponsored institutional agencies are expected to play a special role in alleviating the poverty of the masses. The co-operatives should abandon their traditional approach to sanction credit and divert more credit to the hands of these farmers not on the basis of land owned but on the basis of other credit worthy purposes like animal husbandry, horticulture, pisciculture and allied activities..

It was heartening to find from the study that in 1981-82, the tenants and landless labourers were getting a higher percentage share of total credit in those states where co-operative societies were fairly developed. In Haryana and Punjab, more than 10 percent of credit was given to this class. In Kerala, Himachal Pradesh and Andhra Pradesh, this group was also enjoying more than 7 percent of total credit. However, in the less developed states of Bihar, Orissa, Rajasthan, West Bengal and Madhya Pradesh, a very small percentage of total credit was given to them. The cooperative agencies should make special efforts to divert a substantial

percentage of their credit to this vulnerable section of the society. These agencies should inject more credit into the hands of the weaker sections to enable them to purchase and maintain certain productive assets that would ensure a minimum standard of living for them. To a large extent, the current package of programmes under IRDP goes to meet such a demand.

Commercial Banks Credit to Agriculture:

The study revealed that in 1981-82, 52 percent of the total commercial banks' offices were located in the rural areas against 35 percent in 1971-72. It is slightly puzzling that the rural branch expansion was higher in those states which did not experience agricultural development in a significant way. In 1982, the percentage of rural branches to total commercial banks' branches was more than 60 percent in the states of Assam, Bihar, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Orissa and Uttar Pradesh. In states like Kerala, Maharashtra, Tamil Nadu and Gujarat showed a lower percentage of rural branch expansion of the commercial banks was in existence.

Significant interstate variations were found in the flow of commercial banks' direct finances to agriculture. In 1982 the per hectare credit availability was more than Rs. 300.00 in states of Kerala, Tamil Nadu, Punjab, Andhra Pradesh, Karnataka, and Haryana

whereas it was less than Rs. 150.00 in states of M.P. Rajasthan, Orissa and Bihar. However, it was observed that the inequality in the distribution of commercial banks' direct credit among the states had declined in 1982 in comparison to 1972. The same trend was also observed in the distribution of commercial banks' total finance to agriculture.

It was found from the study that inequality in the distribution of the percentage share of credit of the states in total credit relative to their shares in gross cropped area had declined during the 10 years between 1971-1981. In 1982 states like Andhra Pradesh, Tamil Nadu, Karnataka, Punjab, Haryana and Kerala were availing of a percentage share of credit greater than their share in gross cropped area. It should be noted that all these states were doing well in terms of agricultural development. On the other hand, Uttar Pradesh, Gujarat, Madhya Pradesh, Rajasthan, Bihar, Orissa and Assam were getting a percentage share of credit less than their share in gross cropped area. However, the inequality in the distribution of percentage share of the states in total credit relative to their shares in total gross cropped area declined sizeably between 1971-72 and 1981-82.

The study revealed that in the southern states, the percentage share of medium term and long term (term loans) Loans from commercial banks was less whereas in

the relatively less developed states like Assam, Rajasthan, Madhya Pradesh, Jammu and Kashmir and Himachal Pradesh the share of the short-term loans was relatively higher. Since the purpose of term loans was to purchase tractors, agricultural implements and machinery, it becomes obvious that better off farmers had more access to the commercial banks in these states,

In 1980, the credit deposit ratio of the commercial banks in rural branches had improved to 0.58 in 1982 from 0.47 in 1972. However, in 1982, the C.D. ratio was less than 1 in all the states except Orissa. In fact, the CD ratio in rural centres was less than 60 percent notwithstanding the directive of the RBI that by March 1979 the rural and semi-urban branches should achieve a C.D. ratio of at least 60 percent. This type of trend revealed that the surpluses of the rural areas were diverted to the urban and metropolitan centres via the commercial banks. If this trend continues one of the major objectives of nationalisation will remain unfulfilled.

It was observed from the study that the medium and large farmers were getting a greater percentage of credit in many states. But when their share of credit was considered in relation to their share of area owned, it was found that these farmers were receiving a percentage share in total "short-term" credit less than their share in area owned in all the states except Assam. They were also receiving a lesser percentage of "Term Loans" than their share of area owned in as many as

10 states. In the developed states like Gujarat, Punjab, Haryana and Tamil Nadu, the medium and large farmers were taking a greater percentage of 'term finance' than their share of area owned. This is largely because of many profitable investment opportunities open to semi medium/large farmers in these progressive states.

It was also clear that marginal farmers were getting "short-term" loans more than their share in area owned in all the states except Jammu and Kashmir. The small farmers were also getting a greater share of credit than their share of holdingⁱⁿ as many as 13 states. Even at the all-India level, the marginal and small farmers were receiving a greater share of "term finance" than their share in area owned. Thus if distribution of credit among the various size classes of ownership holding was related to area owned, it was found from the study that that the distribution was in favour of the marginal and small farms. However, if the distribution of credit would be considered in absolute terms it would bound to be skewed in favour of the rich farmers.

The study revealed that the per hectare outstanding credit advanced by the RRBs, was very low in states, such as Assam, Madhya Pradesh and Rajasthan which were weak both in co-operative nor in commercial banks'

credit whereas a state like Kerala was getting the highest per hectare credit from them. The above position notwithstanding, the coverage of the village population by the RRBs was fairly satisfactory in the less developed states such as Jammu and Kashmir, Orissa, Bihar, Madhya Pradesh, Rajasthan and West Bengal. This was reflected by village population per branch of RRB in these states. The success of the RRBs could be termed as moderate considering the per hectare credit supply from them in states like Bihar, Orissa, Jammu and Kashmir and West Bengal.

It was observed from the study that the degree of association between per hectare credit and fertiliser consumption per hectare of gross cropped area was significant in both the time periods. Similarly, the association between per hectare credit and number of pumpsets per thousand hectares was significant in both the time periods. However, it was found that the association between per hectare credit availability and per hectare yield of food grains, per hectare credit and use of tractors, per thousand hectares and per hectare credit and percentage of area irrigated was not significant in both the time periods.

The study throws up a few important far reaching policy implications. It seems that increasing concentration of co-operative credit to agriculture is taking place in a few regions/states between 1962 and 1982. Again,

if distribution of credit is considered independent of area owned, the medium and large farmers were taking a larger share of credit than the small holders. This trend is observed despite the goals set before the institutional agencies to provide a more even distribution of bank credit. Further, the credit deposit ratio in rural centres was found to be less than 60 percent in many states. It is, therefore, suggested that the identification of credit deficit states should serve as a guide for future branch expansion policy of commercial banks. The co-operative agencies should make an all out effort to reorganise and strengthen the PACs in these states. Activities of the RRBs should be extended to eliminate the imbalance in the distribution of credit arising out of unequal growth of co-operative movement within the country. While fixing the credit limit for the small and marginal farmers their share may not be pegged down ^{to} / the limits of area owned by them. In fact, their credit requirements go much beyond the limits permitted by area owned by them. To put the record straight, one does not hint at their consumption requirements which are fairly big in many cases. The contention is that even for making a sizeable improvement in their production regional^{MR} they need a more higher dose of capital on per hectare

basis because, inter alia, the diseconomies of indivisibility are fairly big in their case. Besides crop production, they can use the credit in other productive activities like horticulture, animal husbandry, pisciculture and allied activities. On the same ground, the institutional agencies should provide more accommodation to the landless labourers and tenants than here-to-fore. Thus one can suggest that a far more egalitarian credit plan should be made and monitored by the institutional agencies for rapid as well as balanced agricultural development in the country.

NOTES

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28. Ibid. P. 106.
29. The class intervals for Low Medium and High levels of pre-hectare credit for the three time periods.
Thus,
Low = L to $\frac{H - L}{3}$; Medium = $\frac{H-L}{3}$ to $2 \frac{(H-L)}{3}$
and High = Above $2 \frac{(H - L)}{3}$
Where, H = The Highest per hectare credit.
L = The Lowest per hectare credit.

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 32. Low - L to $\frac{H - L}{3}$; Medium = $\frac{H - L}{3}$ to $\frac{2(H - L)}{3}$ and High = Above $2 \left(\frac{H - L}{3} \right)$, where H = The highest per hectare Credit, L = The lowest per hectare credit.
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