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**Allocation and Utilisation of Agricultural Credit  
Financed by Banks: A Regional Analysis**

*Dissertation submitted to*  
**JAWAHARLAL NEHRU UNIVERSITY**  
*in partial fulfillment of the requirement*  
*for the award of the degree of*  
**MASTER OF PHILOSOPHY**

**SHAKTI KUMAR**

**Centre for the Study of Regional Development  
School of Social Sciences  
Jawaharlal Nehru University  
New Delhi - 110067**

**India**

**1998**



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जवाहरलाल नेहरू विश्वविद्यालय  
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## CERTIFICATE

Certified that the dissertation “Allocation and Utilisation of Agricultural Credit Financed By Banks : A Regional Analysis” submitted by **Shakti Kumar**, in partial fulfilment for the award of the degree of **Master of Philosophy** of this University, is his bonafide work and may be placed before the examiners for evaluation. This dissertation has not been submitted for the award of any degree of any other university to the best of my knowledge.

*Kusum Chopra*  
**Prof. Kusum Chopra**  
Supervisor

22.7.98

*Nangia*  
**Prof. Sudesh Nangia**  
Chairperson

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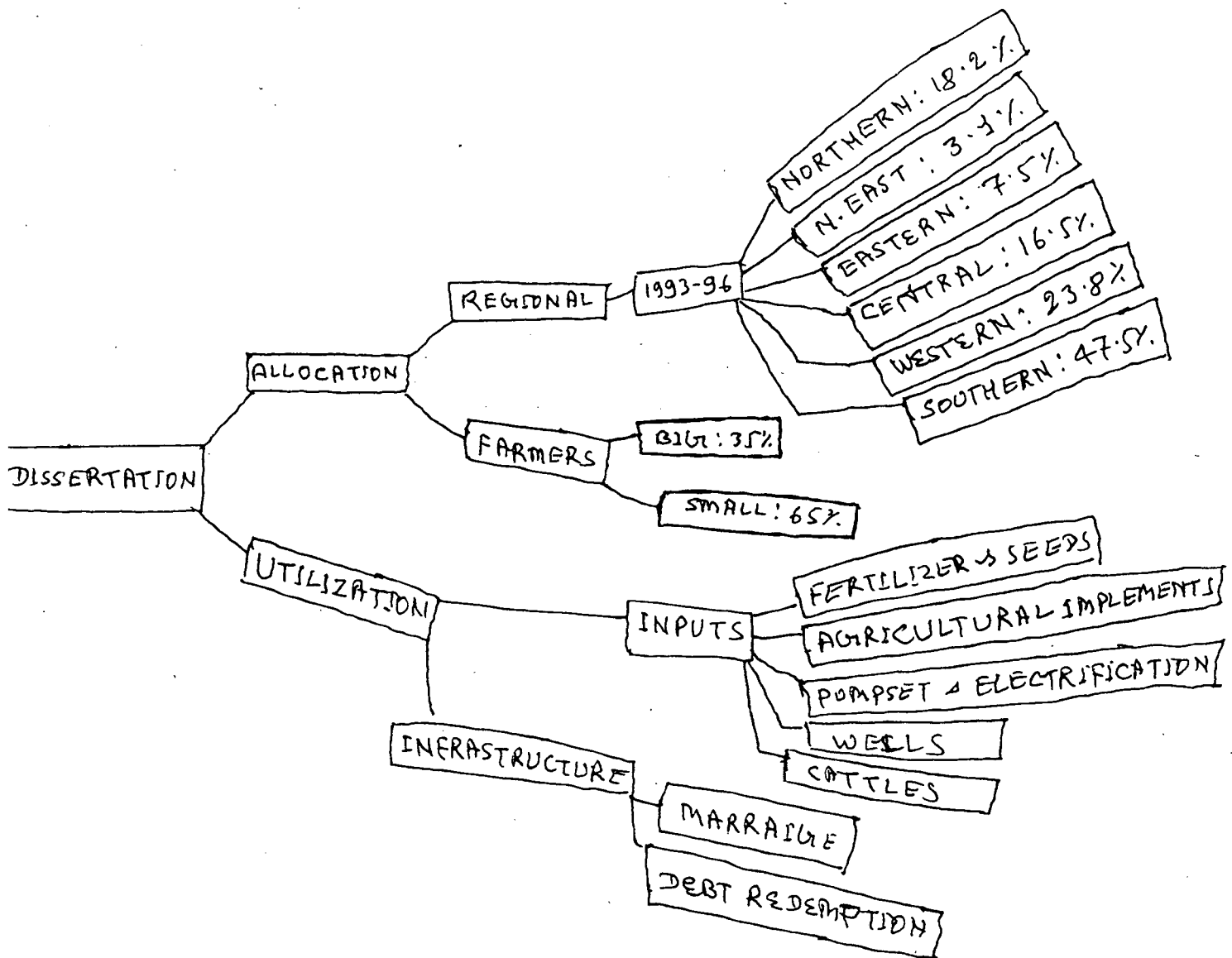
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SHAKTI KUMAR 21/7/98

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This dissertation focuses mainly on



To know the facts of credit allocation and utilization the following methodology was applied:

- Correlation co-efficient between productivity per hectare and per hectare credit allocation for different purposes for the period of 1963-66, 1979-82, 1993-96.
- Regression co-efficient of credit and production during 1960-1996.
- Price elasticity between credit per hectare for different purposes and productivity per hectare for 1960-1963/1963-1966, 1976-1979/1979-1982 and 1990-1993/1993-1996.
- Co-efficient of variation of credit to know the status of credit allocation.

## CHAPTER – 1

### INTRODUCTION

Agriculture is the backbone of Indian economy. Almost 65% of total India's population depends on it. It needs various inputs which are too expensive and beyond the pocket of Indian farmers. Therefore they must be financed either by government or banks. The scheduled commercial banks, the co-operative banks, the rural banks and the Land development banks are basically engaged in financing them.

There are two sources of credits Institutional (Formal) and non-institutional. The commercial banks, the Land Development banks, the foreign banks, National Bank for Agriculture and Rural Development, Regional Rural Bank, etc. belong to the former one. Advancement of loans by landlords, money lenders, villagers, friends etc. come under non-institutional sources of credit.

According to the All India Rural credit survey committee (1954) contribution of institutional credit was only 3%. The share of the commercial bank was less than 1% at that time. With the in-coming of the Green revolution, the demand for credit increased which was catered to by the nationalization of 14 commercial banks in 1969 and with the establishment of banks like RRB, NABARD etc.

The demand for agricultural credit increased because of the following reasons (i) The poverty of farmers (ii) Expensive-Fertilizer, seeds, technology, tractors, (iii) Marketing of a large output of crops (iv) payment of interest. At the same time the supply of credit increased by (v) investment of savings of farmers (vi) Credit being made available to the agricultural sector by the government.

By balancing the demand for and supply of credit the financial institutions helped both the cultivators and the other segments of population. According to AIRDIS (All India Rural debt and Investment Survey) (1994) the percentage of indebted households was constant at 67% in 1992 while it was 52% for non-cultivators. AIRDIS (1971) said that, the average liability per household was Rs. 503 in contrast with average asset per household of Rs. 11, 343 which indicates 4.3% level of indebtedness.

Credit is given for different purposes and for different length of time. Loans are usually provided for (1) Fertilizers and seeds (ii) Agricultural implement (iii) Marketing of crops (iv) Wells (v) pumpsets & Electrifications (vi) Cattle and so on. The Land development bank (L.D.B.) provides credit for (i) Land improvement,



(ii) Pumpset & Electrification (iii) Agricultural Implements (iv) To acquire Ownership right (v) Cattle and (vi) Debt Redemption. Here we are going to discuss about the flow of institutional credit to different regions of India. For this purpose we are going to take the average institutional credit flow for three points of time, i.e. (1) PRE GREEN REVOLUTION period (1963-66), (2) POST-GREEN REVOLUTION period (1979-82) and (3) during the LIBERALISATION period (1993-96). In all three periods, the flow of credit was unequally distributed to different regions

**OBJECTIVES OF STUDY :** The main objectives of this research are mainly to study :-

1. The pattern of credit allocation by various institutions to different regions of India.
2. The purpose for which flow of Institutional credit to different regions takes place.
3. The flow of institutional credit according to farm - size and operational holding.
4. The relationship of the flow of institutional credit with interest rate and with foodgrain production.
5. To evaluate the role of credit institutions.

6. To suggest guidelines for credit policies.

### **HYPOTHESES OF THE STUDY :-**

The following hypotheses will be tested-

1. There exist glaring inter-regional disparities in the purpose wise allocation of institutional credit.
2. The Supply of institutional credit favors small farmers.
3. Commercial banks play an important role in reducing the inter - regional disparity in credit compared to the credit given by co-operative credit societies and the Land Development Banks.

### **DATA BASE:-**

Only secondary data are collected for this study from the following sources.

1. Report on Trends and progress of Banking in India, RBI.
2. Statistical Statement relating to co-operative movements in India: NABARD, 1977-96.
3. Fertilizer statistics of India : FAI, 1977-96.
4. Agricultural Statistics of India: Directorate of Economics and Statistics, Ministry of Agriculture, Government of India, New Delhi.

5. RBI, Bulletin.

6. Bulletin on Food Statistics – 1963-1996.

### **METHODOLOGY : -**

The following tools are taken for analyzing our hypotheses.

$$(1) \quad C.V. = \frac{\text{Standard deviation}}{\text{Mean}} \times 100$$

It is taken for calculating the variation in available data.

(2) (1979-82) has been selected as the base year because it equally maintains distance between 1963-66 and 1993-96.

(3) For the analysis triennium average are taken for the years 1963-66, 1979-82 in 1993-96 to get approximate and correct data throughout the period.

(4) C.P.I. (1979-82) for agricultural labour (general) has been used to convert data into constant price.

(4) Per hectare credit is derived by dividing credit by gross sown area.

### **STRUCTURE OF RURAL CREDIT IN INDIA :-**

In this chapter we are going to study the efforts made by the banks, the government, the committees and the Research scholars regarding rural credit in India. We shall also, discuss the role played by the money

lenders, landlords and other adding to the supply of credit in rural areas of India. In the early period of our independence, the informal institutions played a major role in the flow of credit to farmers. However this trend changed over time and the formal institutions started to play a major role. But the non-institutional sources of credit have not been wiped out completely though their share in total credit has declined considerably over time.

## **STRUCTURE OF INSTITUTIONAL SOURCE OF CREDIT**

There are multiple agencies which are active under institutional flow of credit. At the national level they are Reserve Bank of India (RBI), NABARD (National Bank for Agriculture Credit and Rural development) and IDBI (Industrial Development Bank of India ). At the same time, at the state level they are SLDB (State Land Development Bank), commercial banks, state co-operative Banks (SCB), state government and cooperatives. Agencies like RRB, CCB (Central Co-operative Bank) are playing their roles at the district level. PLDB (Primary Land Development Bank), commercial Bank branches, RRBs branches PACS (Primary Agriculture Credit Society) and Industrial cooperatives are popular at the primary level. Among major borrowers are farmers, artisans, agricultural labourers, rural entrepreneurs and rural households.

**NABARD** was Founded in July 1982. It is an apex national institution empowered to act in all matters concerning policy, planning and operation in the field of credit for agricultural and other activities of the rural areas. The National Bank for Agriculture and Rural Development has made a good progress to finance the farming and non-farming sectors covering artisans, agricultural labourers cottage industries and small rural enterprise. The authorized share of **NABARD** is Rs. 500 cr. and paid-up capital is Rs. 100 cr. (equally shared by Government of India and the RBI). It provides credit to **SCB**, **RRB** and other financial institutions approved by the **RBI**. The State government can take long term loan from it to subscribe to the share capital of cooperative credit societies. It coordinates and inspects central & state co-operatives and RBI. Its major role is to promote agricultural investment in the less developed States of the country.

Regional Rural Bank (**RRB**) was founded in September 1975 with a paid up capital Rs. 25 Lakhs. The share capital is raised by the central Government, the state government concerned and the sponsoring bank in the ratio of 50,15 and 35. There is no participation of other institutions and individuals in the equity of the **RRB**. It combines the good features of both cooperative and commercial banks and exclusively provides credit to small and marginal farmers, agricultural labourers and rural artisans.

## **STRUCTURE : INSTIUTIONAL CREDIT SOURCE**

RRB is basically a scheduled commercial bank but it is different from existing commercial banks in the following respects:

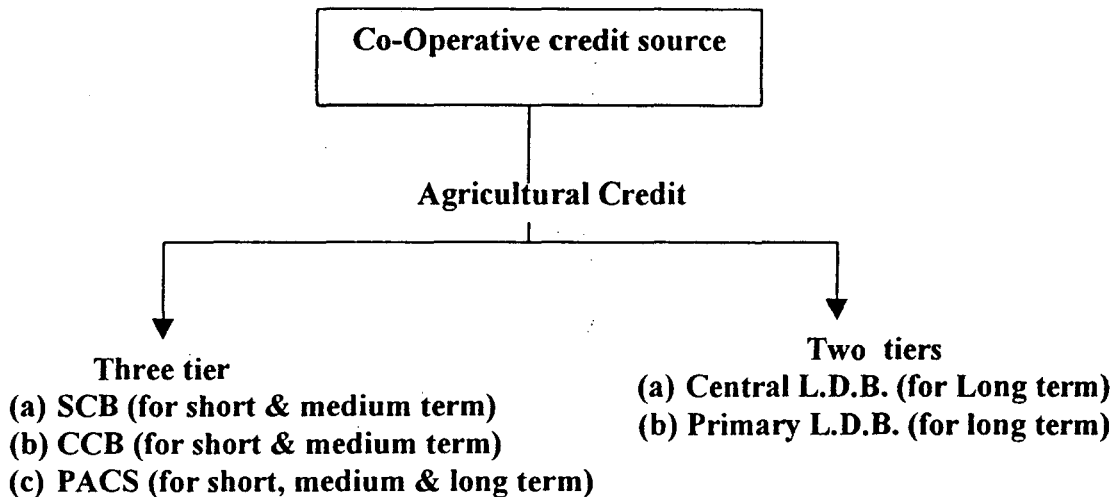
1. The lending rates of the bank are not higher than the prevailing lending rates of co-operative societies in any particular state.
2. Their main aim is to grant loans and advances particularly to small and marginal farmers, agricultural Labourers rural artisans, s mall entrepreneurs and persons of small means engaged in trade and other productive activities in the area of operation.
3. RRB'S areas of operation is limited to a particular region comprising one or more districts in any state.

RRB grants loans mostly for productive purposes. But a small proportion may be earmarked for consumption purposes such as educational or medical expenditure. The interest rate charged by it is the same as charged by the cooperative society.

## **AGRICULTURE CREDIT BY CO-OPERATIVES:-**

These have been divided into two groups (1) The three tier system and (2) The two tier system. Under the Two tier system, the following agencies operate (a) Central land Development Bank and the (b) primary Land Development Bank. These two agencies provide loans for long-term. Under the Three tier system, the agencies are (a) state co-operative bank

(SCB) (b) Central co-operative bank (CCB) (b) Central co-operative bank and (c) primary Agricultural credit society (PACS). Which provides credit for short, medium and long terms while SCB & CCB provide credit for short term & medium term only.



Here we should know that the three tier system is hierarchical in nature. If a borrower in a village needs credit, he applies to the PACS. If this society has no funds at its disposal it applies to the CCB and if the C.C.B. is in need of funds it applies to the SCB. That is why it is said that the cooperative movement links the farmers in the remote villages with the money market of the country, these institutions assist in supplying agricultural credit in the quantity required, supervise its use and effect its recovery on due dates. The study Group of the National credit council headed by Dr. Gadgil (1974). stated : “The Co-Operative banking system is an integrated one and, because of its three-tier structure, has been

enabled to extend credit to agriculturist, artisans etc. The three tier system also allows a rationalized flow of resources from metropolitan centers to villages and combines this with fairly low costs of operations.”<sup>1</sup>

**Function of PACS** : According to the committee on cooperative credit (1960) the PACS should render the following functions:-

- (a) To supply certain consumer goods in common demand such as kerosene, sugar etc.
- (b) To distribute Fertilizers, seeds, insecticides, agricultural implements etc. either on its own behalf or as through agent.
- (c) To supervise use of loans and to see that they are paid back punctually.
- (d) To attract local savings in the form of fixed deposit to be kept aside as.
- (e) To borrow adequate funds from the central financial agencies for helping the members adequately for their agricultural and consumption purposes limited to their paying capacity.
- (f) To store the produce of the members till it is sold. It takes the form of **GRAIN BANKS** in Andhra pradesh, Maharashtra, Orissa and Karnataka. The objective of this bank is to provide loan to members

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<sup>1</sup> EPW, June 1984.



in kind & to recover them with interest in kind (under the SAWAI basis, at the next harvest season).

## **THE FUNCTION OF C.C.B.**

The main functions of the central co-operative Banks are :-

- (a) To provide for the investment of the resources of primary societies.
  - (b) To supervise the primary societies and ensure a satisfactory performance of the recognized credit societies.
  - (c) To maintain close and continuous contact with the primary societies and provide leadership to them.
  - (d) To undertake non-credit activities, such as the supply of seeds, manures, foodstuffs and consumer goods.
  - (e) To act as balancing centers for the primary societies, by making available the surplus of some societies to those which face shortage of funds and thus equalize the flow of capital. Their own resources are intended to serve as a cushion to absorb the impact of the defaults and arrears arising at the primary level.
  - (f) To undertake ordinary commercial banking business. It accepts the deposits from the public collecting bills, cheques, hundies, safe custody of valuable, purchase and sale of securities and advancing loans to individual members against fixed deposit receipts, government paper, gold, Silver and agricultural produce in rural areas.
- .....

To meet the credit requirements of primary member societies for production, marketing and supply operations by arranging a regular flow of credit to them.

## **FUNCTIONS OF S.C.B.**

- (a) They act as banker's bank to the C.C.B in the districts. These banks not only mobilize the financial resources needed by the societies but they also deploy them properly among the various sectors of the movement.
- (b) They co-ordinate their own policies with those of the cooperative movement and the government.
- (c) They form a connecting link between the cooperative credit societies, the commercial money market and the RBI.
- (d) They formulate and execute uniform credit policies for the cooperative movement as a whole.
- (e) They promote the cause of co-operation in general by granting subsidies to the ccb for the development of co-operative activities.
- (f) They act as a clearing house for capital i.e. money flows from the Banks to the central banks and from the central banks to the rural societies and from them to individual borrowers. They supervise, control and guide the activities of the CCB through regular

inspections by their inspection staff and rectify the effects in their work.

- (g) They also perform general utility functions such as issuing drafts, cheques and letters of credit on various centers and thereby help remittance of funds.
- (h) They collect and discount bills with the permission of the Registrar.
- (i) In certain places they also provide safe deposit lockers and facilities for safe custody of valuables.

### **FUNCTIONS OF LAND DEVELOPMENT BANK:-**

It provides long term finance either to the primary Land development banks affiliated to them or finances directly through their branches. It renders following functions :-

- (a) To grant loans to primary Land Development banks or to individual through their branches on the mortgage of un-encumbered property to which the borrower member has a clear title.
- (b) To float debentures for raising necessary funds for which the state governments guarantee for the repayment of principal and interest.
- (c) To establish branches / sub-offices or new primary L.D. Banks to facilitate its business.
- (d) To acquire immovable properties and construct buildings.

- (e) To encourage the spirit and practice of thrift, mutual help and self help in the members.
- (f) To act as a link between the long term banking, the RBI and the government.
- (g) To mobilize rural savings and to stimulate capital formulation in the agricultural sectors by the issue of debentures.
- (h) To protect the farmers from the atrocities of the money lenders and from the alienation of land to help them in effecting permanent improvement on their land .
- (i) On the recommendations of the Rural credit survey committee, greater emphasis has begun to be given on reorienting their loaning policies and to encourage loans for productive purposes. Hence, the original name “Land Mortgage Banks” was changed to “Land Development Banks.

## **RURAL INDEBTEDNESS AND ROLE OF MONEY LENDERS**

In the absence of institutional source of credit the money lenders have played an important role from time to time in the allocation of credit for productive purposes i.e. buying seeds, manures, irrigation etc. Money lenders are easily accessible by all segments of population compared to the credit because it has minimum procedural formalities, prompt disversal and exercises flexibility in terms and conditions of loans. A personal

relationship exists between the two parties. But the money lenders exploit the farmers by charging high interest rate. Due to high and long unrepaid debts, land was transferred to money lenders. Farmers also took loans for acquiring ownership rights. The following estimates of agricultural indebtedness were carried on by :

- (a) The Central Banking Enquiry committee in 1929 which put the estimate at **Rs. 900 crores.**
- (b) M.L. Darling in 1925 put it at **Rs. 600 crores.**
- (c) Sir Edward Maclagan in 1911 put it at **Rs. 300 crores.**

In the early 1940's the Financial institutions were not developed as they are today. The rate of interest was high. They were confined to the financing of trade in agricultural commodities. The Report on Rural credit survey (RBI) 1951-52<sup>2</sup> stated that the money lenders supplied 70% of the total agricultural loans while friends, relatives, landlords supplied 23% of the total credit required. The remaining 7% credit was supplied by the government, co-operatives and commercial banks. But in 1981-92, the role of money lenders declined to 23%, while the role of relatives, friends & land Lord was constant at 23%.<sup>3</sup> During this period, the report stated that the share of government, commercial banks and co-operatives increased to 54% of total credit. The cultivators borrow loans more

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<sup>2</sup> Report of the Rural credit survey Committee, RBI, 1956.

than their repaying capacity. This helped the lenders in charging high interest rate. Finally the land is mortgaged to the money lender for security. This results in a decreased productivity. Not only this, a large proportion of borrowing is spent for unproductive purposes. For example 50% of cultivators borrowing were for family expenditure and such borrowings were used for marriage ceremonies, for death ceremonies, for medical purposes and for repair of houses<sup>4</sup> resulting in a decline in repaying capacity. Therefore interest of credit agencies declined to provide new debts.

The government felt a need for the registration of money lenders. For this purpose Royal Commissions of Punjab, Bengal, Madhya Pradesh, Bihar, Orissa and Bombay in 1930, 1933, 1934, 1935, 1939 respectively started registration of the money lenders. In actual sense the farmers paid higher rates than the maximum specified under the legislation.<sup>5</sup> Therefore RBI implemented rules/regulations for<sup>6</sup> (a) provision of production oriented short-term credit called the “crop loan system”, (b) promotion of warehousing corporation in order to promote storage, processing and marketing facility (c) formation of co-operative credit institutions. (d) Establishment of SBI in 1955. Both the Venkatappiah Committee and All

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<sup>3</sup> All India Rural debt and investment Survey, 1981-82.

<sup>4</sup> All India Rural credit survey Report, 1951-52.

<sup>5</sup> All India Rural credit Survey, 1954.

<sup>6</sup> Gorwala Report, 1954.

India Rural Debt & Investment Survey (1989) on financial system and credit for agricultural) said that the non-institutional sources of credit are –pre- dominant in India. They focussed on the establishment of “CROP LOAN SCHEME”. In 1969, the LEAD BANK SCHEME was framed to make a survey of resources and of marketing facilities.

SIVARAMAN Committee to Review Arrangements of Institutional credit for Agriculture and Rural Development (CRAFICARD) recommended the establishment of NABARD. It recommended that “the development agencies including the credit institutions have to plan and progress together and ensure that credit is tied up with the development programs and supported by appropriate backward and forward non-credit linkage.

In August 1991, the Narsimhan Committee recommended deregulation of interest rate, a reduction in **SLR** (Statutory Liquidity Ratio), **CRR** (Cash Reserve Ratio) and an increase in the interest rate on deposit, elimination of concessional lending rate. **Khusro Committee** (1978) had suggested the merging of **RRB** with the sponsored commercial banks however Narsimhan committee has suggested setting up of rural banking subsidiaries by the public sector commercial banks, which should combine the local character of **RRB**'s and the resources skill and

organizational abilities of commercial banks, to take over the rural branches of commercial banks.

### **Review of past Empirical studies :**

**Mohnan (1981)** In a study showed that the commercial banks lagged behind the cooperatives in terms of population coverage and area spread. This study indicated a positive co-relation between investment and production credit in respect of overall situation (in Coimbatore). He suggested advancing medium term loans and providing dry farming technology for marginal and small farmers. The dry farming technology for marginal and small farmers should be improved upon.

**Shukla (1970)** - said that the credit provided to the farmers was inadequate for purchasing modern technology. The farmers could progress only when the price of modern technology is abridged.

**Dhawan and Kahlon (1978)** : revealed that the flow of institutional credit was low even at the then existing level of technology. Small farmers were rational in making investment on implements and machinery, seeds, manures, fertilizers because marginal value productivities of these resources to their cost were significantly greater than unity. Therefore they could increase their income by curtailing expenses on labour and draught animals.



Basu's (1979) : Study tried to show that agricultural credit advanced by the commercial banks is not equal. The level of agricultural credit per hectare of net sown area was determined by per capita bank credit, central co-operative banks outstanding credit per hectare of net sown area, no. of bank offices per lakh population.

Pandey (1972) : said that the credit & technology combined was more productive. Use of credit increased the income of farmer even at the existing level of technology. Technology without credit would not have any significant impact on the income of the farmer.

Patel and Patel (1980) : said that the credit has been repaid on time regularly. His studies related with borrowing and repayment during May and June which indicates that there was a regular practice of existing loan repayment from fresh borrowing in the case institutional credit.

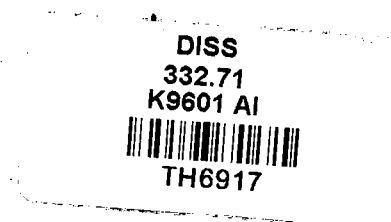
Singh & Jha (1972) : showed that capital availability and credit enhancement increased the income of Delhi's farmers. He found that additional credit helped augmenting farm incomes and that shortage of credit caused loss of potential income to the progressive farmers. This study differs from these studies in the sense that it talks of availability and utilization of credit at regional level and according to purpose, which was not probed into previously.

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13. Report of the National Commission on Agriculture, GOI, 1976.
14. All India Rural credit Review committee, 1966, RBI.

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**Table-3.1**

Percentage share of REGIONS in Institutional flow of credit (Constant Price)

Regions	Com Bank	SCB	CCB	PACS	LDB	RRB	Total
1. Northern							
1963-66	6.2	6.0	9.8	14.0	4.0	-	8.6
1979-82	19.23	16.7	21.2	23.6	21.6	9.7	20.5
1993-96	16.4	19.0	17.4	33.1	25.5	11.3	18.2
2. North East							
1963-66	2.5	4.8	0.6	0.25	0.04	-	2.1
1979-82	0.8	1.12	0.01	0.32	0.7	2.1	0.7
1993-96	06.1	1.1	-	0.3	0.09	3.0	3.1
3. Eastern							
1963-66	18.7	18.4	5.0	6.8	3.7	-	12.3
1979-82	11.0	6.0	74.7	7.9	9.0	20.0	8.5
1993-96	13.0	1.63	3.4	2.9	1.7	14.8	7.5
4. Central							
1963-66	16.3	16.9	18.8	29.9	6.2	-	19.5
1979-82	16.4	23.5	12.9	22.2	24.2	16.0	18.0
1993-96	14.5	25.0	15.4	-	20.7	28.8	16.5
5. Western							
1963-66	27.9	28.9	5.3	36.7	67.36	-	38.8
1979-82	17.26	15.56	39.7	20.8	14.5	02.0	24.8
1993-96	16.7	25.27	42.0	36.0	17.0	7.8	23.8
6. Southern							
1963-66	33.32	32.8	18.48	20.12	26.6	-	26.5
1979-82	35.4	21.5	21.3	26.7	30.0	51.0	37.1
1993-96	31.7	26.8	32.5	27.0	33.7	32.6	47.5
7. All India							
1963-66	100	100	100	100	100	100	100
1979-82	100	100	100	100	100	100	100
1993-96	100	100	100	100	100	100	100

**SOURCE**

1. Statistical Statements Relating to co-operative movements in India. NABARD. 1979-1997.
2. Statistical Statement Relating to cooperative movements in India RBI 1963-66.
3. REPORT on currency and Finance : RBI 1963-97.

**Table-3-1**  
**Institutional Flow of credit/hectare To agriculture (Rs. Cr. ) at constant Price**

Regions	1963-66						Total
	Com Bank	SCB	CCB	PACS	LDB	RRB	
1. Northern							
1963-66	32.0	32.56	61.21	49.51	1.4	-	177.1
1979-82	284.5	148.9	206.9	160.66	27.7	20.08	848.8
1993-96	691.7	359.7	385.6	215.82	44.13	42.4	1738.4
2. North East							
1963-66	81.9	164.7	25.2	5.4	0.1	-	277.46
1979-82	80.55	67.0	11.1	14.6	6.1	28.8	195.0
1993-96	1857.6	149.5	-	15.3	1.16	102.5	2107.7
3. Eastern							
1963-66	140.2	143.9	43.9	37.6	1.84	-	364.5
1979-82	205.7	68.5	59.4	68.9	14.7	51.8	469.1
1993-96	712.0	40.0	82.79	24.0	4.18	71.6	934.1
4. Central							
1963-66	52.92	57.0	37.3	66.0	1.35	-	250.3
1979-82	163.0	140.2	85.0	93.4	20.75	22.41	524.9
1993-96	435.5	337.6	243.3	-	25.7	76.9	1119.7
5. Western							
1963-66	123.0	133.0	291.2	109.9	19.66	-	676.9
1979-82	241.4	259.7	365.2	133.5	17.7	3.67	1022.5
1993-96	668.2	257.6	760.7	224.5	28.0	28.1	2174.8
6. Southern							
1963-66	130.4	134.2	86.7	53.5	69.35	-	411.6
1979-82	422.6	154.3	167.5	146.6	30.76	85.4	1307.4
1993-96	1200	455.7	550.6	158.0	51.6	109.6	2525.4
7. All India							
1963-66	87.18	90.84	104.3	59.13	5.77	-	344.9
1979-82	258.67	155.0	170.6	118.6	22.1	36.48	761.92
1993-96	766.5	344.2	403.0	118.5	31.21	68.0	171.35

**SOURCE**

1. Statistical Statements Relating to co-operative movements in India, NABARD, 1979-1997, RBI-1963-82.
3. REPORT on currency and Finance : RBI 1963-97.

**Table-3**

Institutional flow of credit at constant price (1979-82=100) in Rs. Crores to different regions.

Regions	1963-66						Total
	Com Bank	SCB	CCB	PACS	LDB	RRB	
1. Northern							
1963-66	60.68	60.89	114.48	92.61	2.64	-	331.3
1979-82	688.5	360.4	500.8	388.8	67.2	48.6	2044.3
1993-96	1923.0	1000.2	1071.9	600.0	122.7	117.1	4833.9
2. North East							
1963-66	24.57	49.41	7.56	1.67	0.03	-	83.24
1979-82	27.8	24.15	0.4	5.26	2.2	10.4	70.2
1993-96	724.5	59.2	-	6.0	0.45	31.9	822.0
3. Eastern							
1963-66	182.25	187.11	57.13	45.09	2.4	-	473.9
1979-82	391.0	129.7	113.1	130.9	28.0	98.6	891.3
1993-96	1530.7	85.7	178.1	51.7	8.4	153.6	2008.5
4. Central							
1963-66	158.76	171.18	219.5	197.6	4.05	-	751.0
1979-82	587.0	505.0	36306.0	336.4	74.7	80.7	1889.8
1993-96	1703.4	1319.4	948.9	-	99.2	299.4	4367.3
5. Western							
1963-66	272.1	293.7	643.68	242.7	43.47	-	1496.6
1979-82	618.0	664.1	439.4	341.2	45.3	9.4	2617.7
1993-96	1958.0	1327.4	2206.5	651.0	80.6	81.5	6306.0
6. Southern							
1963-66	323.4	332.6	214.9	132.8	17.2	-	1020.9
1979-82	1268.0	463.2	502.7	439.8	92.3	256.33	3922.33
1993-96	3719.5	1412.3	1707.7	489.5	160.4	339.6	7829.3
7. All India							
1963-66	972.7	1013.8	1164.15	660.0	64.5	-	3850
1979-82	3580.3	2146.3	2362.4	1642.36	309.7	504.03	10545.3
1993-96	11713.5	5259.6	6157.5	1810.7	477	1039.8	26458.2

**SOURCE**

1. Statistical Statements Relating to co-operative movements in India, NABARD, 1979-1997.
2. Statistical Statement Relating to cooperative movements in India RBI 1963-66.
3. REPORT on currency and Finance : RBI 1963-97.

**Table-2**

Percentage share of each institution in regional flow of credit(At current price)

Regions	1963-66						Total
	Com Bank	SCB	CCB	PACS	LDB	RRB	
1. Northern							
1963-66	18.26	18.38	34.74	28.22	0.80	-	100
1979-82	33.5	17.5	24.3	20.0	3.7	2.3	100
1993-96	40.0	20.6	22.1	12.4	2.5	2.4	100
2. North East							
1963-66	24.44	58.69	9.0	2.6	0.27	0.0	100
1979-82	35.5	38.5	0.5	7.5	3.1	14.8	100
1993-96	88.1	7.1	-	.72	0.05	4.03	100
3. Eastern							
1963-66	38.45	39.47	12.05	9.5	0.53	-	100
1979-82	43.5	15.8	12.5	14.3	3.7	10.2	100
1993-96	76.2	4.2	8.7	2.57	0.73	7.6	100
4. Central							
1963-66	21.1	32.7	29.2	26.2	0.8	-	100
1979-82	31.0	26.7	16.1	17.8	4.0	4.4	100
1993-96	39.0	30.3	21.7	-	2.2	6.80	100
5. Western							
1963-66	18.0	19.6	43.0	16.6	2.8	-	100
1979-82	23.6	25.3	35.8	13.0	1.7	0.6	100
1993-96	31.0	21.0	35.0	10.3	1.20	1.5	100
6. Southern							
1963-66	31.7	32.5	21.0	13.2	1.6	0.0	100
1979-82	32.3	11.8	12.7	11.2	2.3	6.5	100
1993-96	47.5	18.0	21.8	6.25	2.0	4.3	100
7. All India							
1963-66	25.0	26.3	30.2	17.2	1.7	-	100
1979-82	34.0	20.3	22.3	15.5	2.9	4.7	100
1993-96	44.4	19.8	23.30	6.8	1.8	3.9	100

**SOURCE**

1. Statistical Statements Relating to co-operative movements in India. BABARD, 1979-1997.
2. Statistical Statement Relating to cooperative movements in India RBI 1963-66.
3. REPORT on currency and Finance : RBI 1963-97.

**Table 1.2****Total flow of credit to agriculture ( Rs. Cr., curent price )**

Regions	1993 - 96						Total
	Com Bank	SCB	CCB	PACS	LDB	RRB	
1. Northern	6410.0	334.0	3570.3	2000.3	409.0	390.3	16113.2
Haryana	1275.0	981.7	1283.5	739.8	134.0	113.4	4527.4
Himachal	125.0	584.4	128.8	58.3	10.7	07.0	9142.0
J & K	260.0	-	53.8	-	5.5	12.3	331.6
Punjab	2544.6	1382.6	1509.6	586.3	153.9	60.0	6507.0
Raj	2210.0	425.6	594.6	345.9	104.9	197.6	6513.6
2. North East	2414.0	197.3	-	19.9	1.5	106.48	2740.18
Assam	395.0	149.5	-	-	-	68.3	612.8
Manipur	15.0	3.8	-	-	-	1.7	20.5
Meghalaya	70.0	12.1	-	3.8	-	7.4	93.3
Nagaland	95.0	-	-	-	-	0.08	95.08
Tripura	45.0	18.2	-	1.3	1.6	23.6	89.7
Arunchal	1765.0	7.9	-	-	-	2.3	1775.2
Mizoram	30.0	5.8	-	14.8	-	3.1	53.7
3. Eastern	4938.0	276.6	574.8	166.8	27.3	495.6	6479.1
Bihar	2292.0	90.0	118.0	57.0	8.9	214	2779.9
Orissa	893.0	186.6	283.2	109.8	18.4	167	1658.0
W.B.	1585.7	-	173.6	-	-	114.6	1873.9
4. Central	5678.3	4398.3	3163.3	-	319.8	998.0	14557.7
M.P.	23.12.3	1368.3	1353.4	-	63.20	265.6	5362.8
U.P.	3328.7	3030.0	1809.4	-	256.6	732.4	9157.6
5. Western	6318.9	4282.3	7117.8	2100.9	259.79	263.0	20342.7
Gujarat	3640.7	982.5	1628.5	662.9	123.19	116.4	7154.2
Maharashtra	2678.2	3298.8	5489.3	1438.0	136.6	146.6	13188.1
6. Southern	13284.5	5044.3	6099.7	1747.8	573.1	1213	27962.4
Andhra	4474.8	2399.8	1183.5	1.6	198.5	521	8778.2
Karnataka	3095.8	532.9	920.7	453.8	109.1	491	5603.4
Kerala	2196.3	478.8	1011.8	325.38	114.3	152.00	4198.58
Tamilnadu	3598.6	1632.8	2983.7	967.7	151.2	488	9822.0
7. All India	39045.2	17532.8	20525.9	6035.7	1590.5	3466.3	88194.9

**SOURCE**

1. Statistical Statements Relating to co-operative movements in India, NABARD, 1979-1997.
2. Statistical Statement Relating to cooperative movements in India RBI 1963-66.
3. REPORT on currency and Finance : RBI 1963-97.



## Total flow of credit to agriculture ( Rs. Cr.,current price )

Table-1.1

Regions	1979 - 82						Total
	Com Bank	SCB	CCB	PACS	LDB	RRB	
1. Northern	688.5	360.4	500.8	388.8	67.2	48.6	2054.3
Haryana	141.2	112.5	123.5	92.5	25.6	12.7	508.0
Himachal	11.5	4.4	2.9	6.2	0.2	2.5	27.7
J & K	117	4.8	9.4	4.68	0.4	3.0	139.2
Punjab	217.9	162.7	282	198	23	-	939.6
*	143.9	77.0	83	87.5	18	30.4	439.8
2. North East	27.8	24.15	0.4	5.26	2.2	10.4	70.2
Assam	21.0	16.1	0.4	1.26	2	3.9	45.36
Manipur	1.1	1.9	-	1.7	-	0.0	4.7
Meghalaya	1.0	3.2	-	1.0	-	0.0	5.2
Nagaland	0.5	0.3	-	0.3	-	0.0	1.1
Tripura	3.1	2.2	-	0.3	0.2	7.0	12.8
Arunchal	0.5	0.4	-	-	-	-	0.9
Mizoram	0.6	0.05	-	-	-	-	0.65
3. Eastern	391	129.7	113.1	130.9	28.0	98.6	891.3
Bihar	174	11.5	15.4	24.8	8.5	44.7	278.9
Orrisa	76	66	54	64.1	11.7	38.13	309.73
W.B.	141	52.2	43.7	42	7.8	15.8	302.5
4. Central	587	505	306	336.4	74.7	80.7	1889.8
M.P.	175	107	112	117.9	16.5	20.7	549.1
U.P.	412	398	194	218.5	58.2	60.0	1340.7
5. Western	618	664.1	939.4	341.2	45.3	9.4	2617.7
Gujarat	228.3	212.3	26.3	155.63	4.0	1.2	858.9
Maharashtra	395	45.1	676.4	185.8	41.3	8.2	1758.5
6. Southern	1268	463.2	502.7	439.8	92.3	256.33	3922.33
Andhra	455	140	119	109.8	58.5	67.5	949.8
Karnataka	290	70	124.7	92	8.6	38.3	623.6
Kerala	163	93.2	95.4	170	17.4	34.9	573.9
Tamilnadu	360	160	163.6	68	7.8	117	776.4
7. All India	358.3	2146.5	2362.4	1642.36	309.7	504.03	10545.3

### SOURCE

1. Statistical Statements Relating to co-operative movements in India, BABARD, 1979-1997.
2. Statistical Statement Relating to cooperative movements in India RBI 1963-66.
3. REPORT on currency and Finance : RBI 1963-97.

**Table -1**  
**Total flow of credit to agriculture (Rs Crore , current price)**

Regions	1963-66						Total
	Com Bank	SCB	CCB	PACS	LDB	RRB	
1. Northern	22.4	22.54	42.4	34.3	0.98	-	122.62
Haryana	-	-	-	-	-	-	-
Himachal	1.8	2.54	-	1.8	0.03	-	06.17
J & K	06.1	3.20	15.4	8.8	0.05	-	33.55
Punjab	09.6	12.1	20.9	18.7	0.8	-	62.10
Raj	4.9	4.7	6.1	5.0	0.1	-	20.80
2. North East	09.1	18.3	2.8	0.63	0.014	-	30.8
Assam	6.6	12.1	2.8	0.17	0.01	-	06.68
Manipur	01.9	2.20	-	0.06	-	-	3.16
Meghalaya	-	-	-	-	-	-	-
Nagaland	-	-	-	-	-	-	-
Tripura	02.5	4.0	-	0.4	0.04	-	6.904
Arunchal	-	-	-	-	-	-	-
Mizoram	-	-	-	-	-	-	-
3. Eastern	67.5	69.3	21.16	16.7	0.89	-	175.55
Bihar	04.3	4.8	4.86	5.3	0.09	-	19.35
Orrisa	56.9	58.7	8.6	5.0	0.5	-	129.7
W.B.	06.3	5.8	7.7	6.4	0.3	-	26.5
4. Central	58.8	63.4	81.3	73.2	1.5	-	278.2
M.P.	23.6	25.8	31.9	25.0	0.8	-	107.1
U.P.	35.2	37.6	49.4	48.2	0.7	-	171.1
5. Western	100.8	108.8	238.4	89.9	16.1	-	554.0
Gujarat	29.5	31.6	94.4	33.0	6.3	-	194.8
Maharashtra	71.3	77.2	144.0	56.9	9.8	-	359.2
6. Southern	119.8	123.2	79.6	49.2	6.4	-	378.2
Andhra	27.3	25.2	30.5	25.0	4.0	-	112.0
Karnataka	16.9	18.0	35.6	15.1	1.9	-	87.5
Kerala	75.6	80	13.5	9.1	0.5	-	178.7
Tamilnadu	-	-	-	-	-	-	-
7. All India	386.4	405.54	465.66	263.93	25.88	-	1534.4

**SOURCE**

1. Statistical Statements Relating to co-operative movements in India, BABARD, 1979-1997.
2. Statistical Statement Relating to cooperative movements in India RBI 1963-66.
3. REPORT on currency and Finance : RBI 1963-97.

## **CHAPTER -II**

### **REGIONAL DISTRIBUTION OF INSTITUTIONAL CREDIT**

In this chapter we shall discuss about the institutional flow of credit to agriculture. We shall see the flow of credit in both the current and the constant terms.

#### **NORTHERN REGION**

In the Northern Region, the total flow of credit to the agricultural sector in 1963-66, on an average, was Rs. 122.62 crores. The share of the commercial Bank was 18.26%, SCB's 18.38%, CCB's 34.74%, PACS share was 28.22%, LDB's 0.8%. The total credit at current price increased to Rs. 2054.3 crores in 1979-82 and the share of contribution of the various financial institutions changed in 1979-82 when compared to 1963-66. The share of commercial Banks increased from 18.26% in 1963-66 to 40% in 1993-96 for example, the share of SCB'S decreased from 18.38% in 1963-66 to 17.55% in 1979-82 but it increased to 20.6% in 1993-96. There was a continuous decline in the share of CCB from 34.75% in 1963-66 to 24.3% in 1979-82 to 22.1% in 1993-96. The share of PACS decreased from 20.0% in 1979-82 to 12.45% in 1993-96 due to emergence of cooperatives and commercial banks.

**Institutional flow of credit (Rs. Crore) to Agriculture for  
1963-66 to 1993-96 for NORTHERN REGION : Table no.**

**II: 1**

Period	At current price		At constant price	
	Credit Rs.Cr.	Growth Rate P.a.	Credit Rs. Cr.	Growth rate P.a.
1963-66	122.62	-	331.3	-
1979-82	2054.3	19.26	2054.3	12.08
1993-96	11611.32	33.40	4833.9	6.30

In absolute terms, the institutional flow of credit to agriculture has increased over the period irrespective of price changes. But the growth rate of credit flow to this sector is different.

In this region, upto 1979-82, the highest credit was given to Punjab. This trend changed during liberalization period. Himachal Pradesh was given the highest credit. Punjab was allocated 50.6% of total institutional flow credit in the Northern Region during 1963-66. This figure decreased to 45.73% in 1979-82 and further to 40.38 % in 1993-96. The share of Himachal Pradesh increased from 5.0% in 1963-66 to 56.73 % in 1993-96. Its reasons are (1) Punjab farmers took Loan for fertilizer and seeds which increased the productivity and hence the

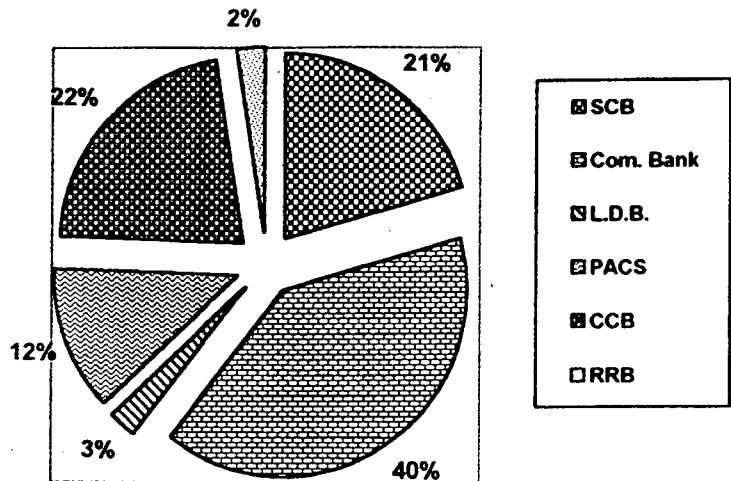
farmers of Punjab took less amount of loan while other Northern states were still more dependent on the credit to agriculture. Punjab was financed a substantial proportion of its requirement by own products and Marketing the crops during the post Green revolution period.

From table-3 we can infer that the Northern region received only 8.6% in 1963-66 of the total institutional flow of credit to agriculture in India. This figure increased to 18.2% in 1993-96.

From table-4 we can see that the contribution of commercial bank has increased from 18.2% in 1963-66 to 40% in 1993-1996. The price has increased more in liberalization period in the comparison of pre and post Green Revolution period. The volume of credit has increased from Rs. 60.68cr. in 1963-66 to Rs. 1923 cr. in 1993-96 for commercial bank. The share of the state cooperative Bank has increased at both the current and constant price. The share of central co-operative Bank has decreased. The share of PACS has decreased. The share of Land Development Bank has increased. The share of RRB has also increased. We can show it by **PIE- DIAGRAM** in next page:

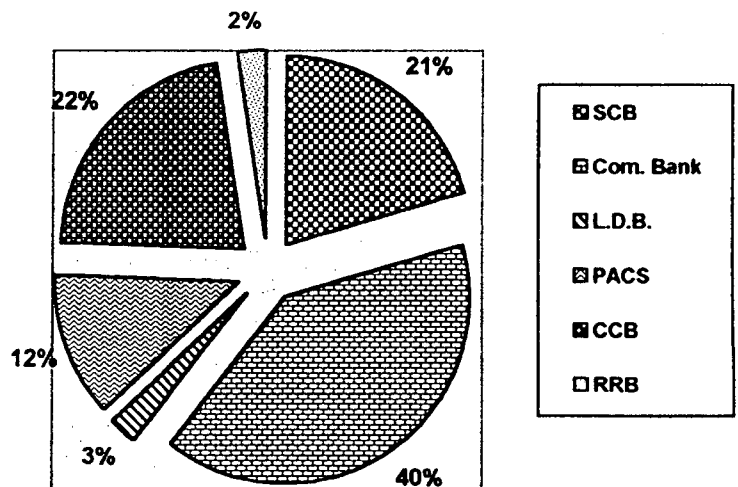
**Share of agencies in the flow of Institutional credit in the Northern Regions :**

1963-66 (At constant price)



**Share of agencies in the flow of Institutional credit in the Northern Regions :**

1993-96 (At Constant Price)

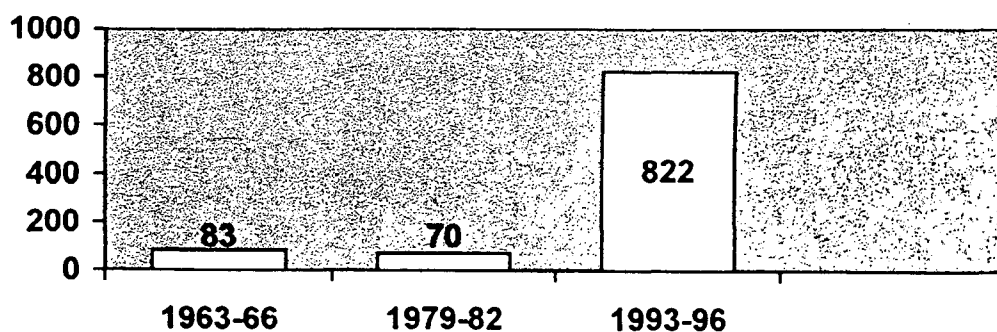


## NORTHERN-EASTERN REGION

From table – 1, we can infer that the North- Eastern region received Rs. 30.84 (2.1%) in 1963-66 in total institutional credit flow to Agriculture in India. This amount increased to Rs. 2740.18 crore (3.1%) in 1993-96. Tripura was given the highest credit in 1963-66. Its share 5% in 1963-96. This figure decrease to 18.25% in 1993-96. In 1993-66, the highest credit was given to Arunachal Pradesh which was 64.78% of total institutional flow credit to Agriculture in the North-Eastern region in 1993-66.

Table 4 shows that out of all the financial Institutions, the state cooperative banks provided 58.69% credit in 1963-66. Its share decreased to 7.1% in 1993-66. But the importance of the commercial

**Flow of Institutional credit (At Constant Price) to North-Eastern Region**



Source Tabl-2

bank increased very much. Its share increased from 24.44% in 1963-66 to 88.1% in 1993-96. Its reasons are as follows 1) no. of commercial bank increased due to the soft policy of the government of India 2) Share of the State cooperative bank decreased because of the lack of funds 3) Infra structure has not developed as much as it has been developed in other regions.

From the above we can conclude that the role of commercial bank has increased significantly in North-Eastern region state over the period. The role of Land Development Bank is almost negligible. It shows that the long term borrowing is less in the North-Eastern region due to 1) high demand for collateral 2) less infra structural development.

### **EASTERN REGION :**

Table -1 shows that the Eastern region was allocated Rs. 175.55 cr. out of the total institutional flow of credit in 1963-66. But in 1993-96 this figure increased to Rs. 6479.8 cr. From Table -3 one can infer that the share of the Eastern region decreased from 12.3% in 1963-66 to 7.5% in 1993-96 in total institutional flow of credit to agriculture India. The state cooperative bank provided the highest share 39.47% in 1963-66. Its share decreased to 4.2% in 1993-96, while the share of the commercial bank increased from 38.45% in 1963-66 to 76.2% in 1993-96. The Land Development banks had a low role to play. Its contribution was only 0.73% in 1993-96.



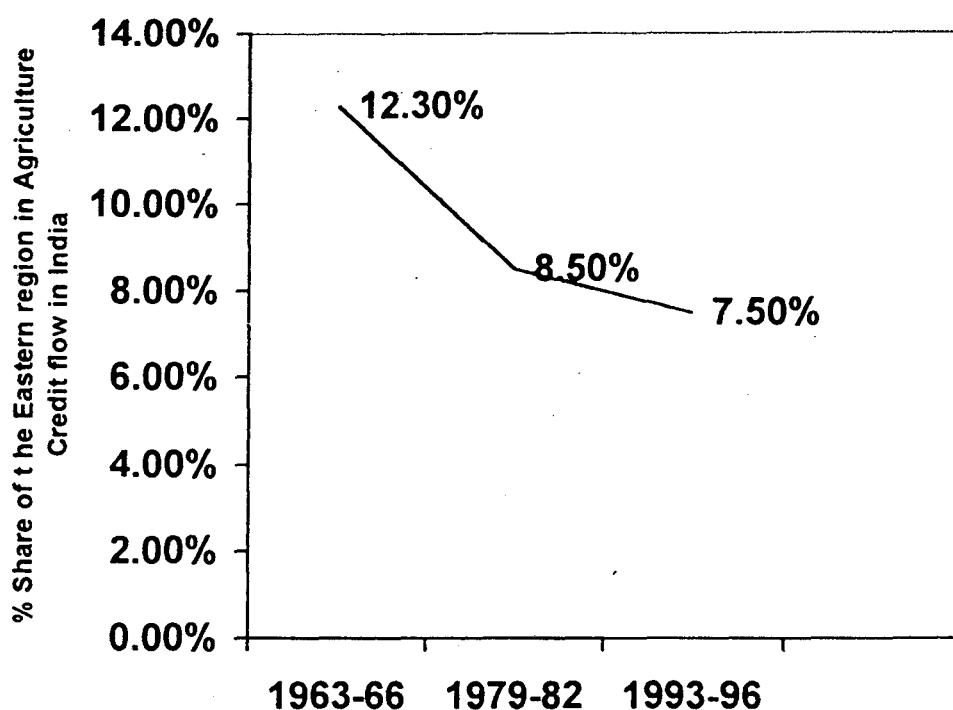
bank increased very much. Its share increased from 24.44% in 1963-66 to 88.1% in 1993-96. Its reasons are as follows 1) no. of commercial bank increased due to the soft policy of the government of India 2) Share of the State cooperative bank decreased because of the lack of funds 3) Infra structure has not developed as much as it has been developed in other regions.

From the above we can conclude that the role of commercial bank has increased significantly in North-Eastern region state over the period. The role of Land Development Bank is almost negligible. It shows that the long term borrowing is less in the North-Eastern region due to 1) high demand for collateral 2) less infra structural development.

### **EASTERN REGION :**

Table -1 shows that the Eastern region was allocated Rs. 175.55 cr. out of the total institutional flow of credit in 1963-66. But in 1993-96 this figure increased to Rs. 6479.8 cr. From Table -3 one can infer that the share of the Eastern region decreased from 12.3% in 1963-66 to 7.5% in 1993-96 in total institutional flow of credit to agriculture India. The state cooperative bank provided the highest share 39.47% in 1963-66. Its share decreased to 4.2% in 1993-96, while the share of the commercial bank increased from 38.45% in 1963-66 to 76.2% in 1993-96. The Land Development banks had a low role to play. Its contribution was only 0.73% in 1993-96.

Orissa was given 83.4% share in the total institutional credit flow



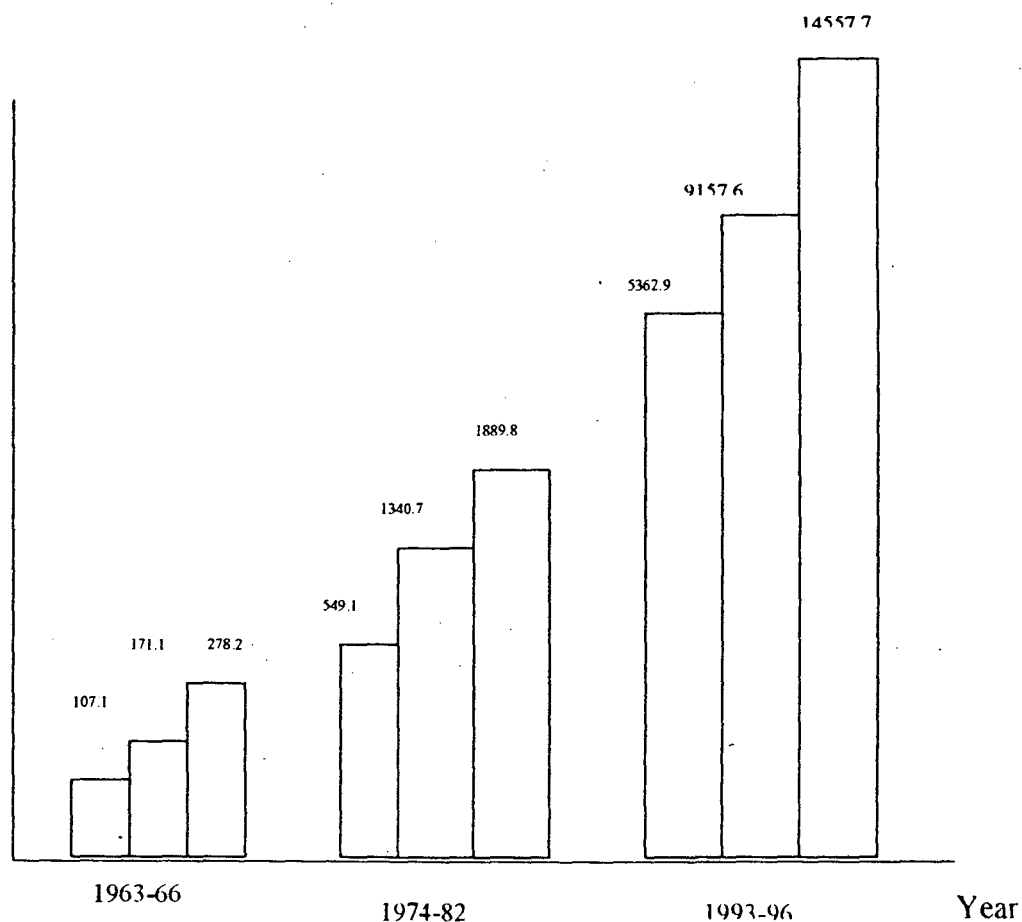
Source : Table -3

to the central region. This figure declined to 25.5% in 1993-96. Bihar was given the highest share (42.8) in 1993-96. Bihar's share increased despite high interest rate and collateral value because of crops failure in the previous year.

The share of the commercial bank has increased significantly at both the current and the constant price in the flow of credit. At the constant price the share of the Land Development bank has decreased in both the cases. The share of the state cooperative bank has decreased significantly.

## CENTRAL REGION :

The Central region was allocated 19.5% of the total institution flow of credit to agriculture in India in 1963-66. Its share came down to 18% in 1979-82 and 16.5% in 1993-96 of the share of the U.P. was 61.4% of the total institutional flow of credit to the Central region in 1963-66. It changed to 70.9% in 1979-82 to 62.9% in 1993-96. The share of the State cooperative bank was 32.7% out of total institutional credit flow to the central region in 1963-66. This figure was the highest during this period. It came down to 30.3%. The share of the commercial banks increased from 21.1% in 1963-66 to 39.0% in 1993-96. The share of the Land Development bank was 2.2% in 1993-96, which was the lowest.



Source : Table - 1

## **WESTERN REGION :**

Out of total institutional flow of credit in the western Region the share of the commercial bank is the highest throughout the period. It increased from 18% in 1963-66 to 31% in 1993-96. The share of the state cooperative bank increased from 19.7% in the 1963-66 to 21.0% in the 1993-96. Maharashtra's share was 64.8% in 1963-66 out of the total institutional flow of credit in the western region. This figure changed to 67.1% in 1979-82 and to 64.83% in 1993-96. It shows that Maharashtra's share has decreased over the period. Its reason could be the increase in productivity and productions which was reused for Fertilizer and seeds and marketing the crops. The share of the SCB, CCB and the PACS has increased in 1993-96 over 1963-66 however it has decreased in 1979-82 in the comparison of 1963-66. The share of the RRB has increased but the share of the Land Development Bank has decreased over the period.

## **Southern Region : Credit Flow**

Table 4 reveals that the percentage share of the commercial banks in the Southern region in credit flow has increased from 31.7% in 1963-66 to 47.5% in the 1993-96. The share SCB and PACS has decreased while the share of CCB has decreased in 1979-82 and then again increased to

21.8%. The share of LDB & RRB has decreased in the liberalization period in the comparison of the post Green-Revolution period.

This table states that the percentage share of the Eastern, the central and the western regions has declined consecutively. While the percentage share of the Northern, North East and the Southern region has increased consecutively.

In 1963-66, the highest share went to the western region (35.9%) while the Southern region was on the second position (24.7%). The lowest share went to the North-East state. But the trend changed in 1979-82. During this period (post Green-Revolution) the highest share went into the favour of the Southern region and the western region took the place of the Southern region as it was in 1963-66. In this period also, the North-Eastern state shared lowest part of the credit. This trend was continued upto the liberalization period. (1993-96). During this period the Southern region share 47.5%, which was the highest. The North-Eastern region shared only 3.1% in 1993-96.

From above, we can state that the trends in the credit flow, according to the ranks, was same for the post green revolution period and for the liberalization period. The southern region took the highest loans while the North-Eastern region is took the lowest loan, its reason are :

- 1) The cooperative banks are least in no-in the North-Eastern region due to the lack of the infrastructure. While the cooperative banks are more in no. in the southern region due to high facility of transportation and literacy.
- 2) Commercial banks are also operating in the southern region. The credits are provided according to the re-paying capacity. It is more in the southern region than that of the North-East region.
- 3) Infrastructure has developed more in the southern region.

In the Southern region the share of the Kerala was 47.2% in 1963-66 out of the total institutional flow of the credit in the Southern region. This figure was the highest, while the highest share went to the Andhra Pradesh in 1979-82. It was 24%. The share of the Tamilnadu was 35.1% in 1993-96. It was the highest

### Co-efficient of variation of credit flow to Indian Ag.

	States	1963-66	1979-82	1993-96
Agriculturally Developed States	Punjab, Haryana, U.P., Maharashtra	0.62	0.41	0.37
Agriculturally Less Developed States	Rajasthan, Assam, Manipur, Kerala	2.73	1.33	0.72
All regions	Northern North-Eastern Eastern Central Western Southern	0.71	0.46	0.32

Source : Table -1, 1.1, 1.2

Here Agriculturally developed and less developed states are taken based on the productivity per hectare. Punjab, Haryana, U.P. and Maharashtra are considered as developed states. Rajasthan Assam, Manipur and Kerala are considered as agriculturally less developed states. The co-efficient of variation in developed states has declined from 0.62 to 0.37 which shows that disparity is decreasing. The same

opinion can be drawn in the less developed states. But disparity in these states is more than that of developed states. Disparity across the region has decreased from 0.71 in 1963-66 to 0.32 in 1993-96. The reason behind it is (1) Governments's policy for foodgrain self-sufficiency (2) development of infra-structure (3) decrease in interest rate (4) increase in literacy (v) Increase in productivity.

From this graph we can infer that the rate of decreasing the C.V. is the highest in the less agriculturally developed states. The decreasing rate of the variation of institutional flow of credit across the regions is higher than that of agriculturally developed states. Its reason could be (i) higher infrastructure development in the rich states in, the comparison of poor states (ii) the interest rate and collateral varies across the states.

### **Regional Analysis of credit flow**

Table 3 reveals that commercial banks has provided highest loans in the southern region over the periods Northern region was V in ranks in 1963-66, It became II in 1979-82 and III in 1993-96. North-East was always in the last rank. The reason behind is the highproductive loan for fertilizer and seeds taken by the Punjab and the Haryana



**Percentage distribution of the credit by SCB in different regions:**

<b>Region</b>	<b>1963-66</b>	<b>1979-82</b>	<b>1993-96</b>
Northern.	6.0	16.7	19.0
N.East	VI 4.8	VI 1.12	vi 1.3
Eastern	18.4	6.0	2.63
Central	IV 16.9	I 23.5	III 25.0
Western	28.9	15.56	25.25
Southern	32.8	21.5	26.82
All India	100	100	100

Source table -3

Southern region was given the highest loans in 1963-66 and in 1993-96 by state cooperative bank. The central region was given highest loans in 1979-82. The north-eastern region was given the lowest credit throughout the period.

**Percentage distribution of the credit by C.C.B. in different regions:**

<b>Region</b>	<b>1963-66</b>	<b>1979-82</b>	<b>1993-96</b>
Northern.	9.8	21.2	17.4
N.East	0.6	0.01	--
Eastern	5.0	7.47	3.4
Central	18.8	12.9	15.4
Western	55.3	39.7	42.0
Southern	18.45	21.7	32.5
All India	100	100.0	100

**Table -3**

The CCB provided the highest loans in the western regions throughout the period. Eastern region is always ranked fifth position. North-Eastern the lowest in the rank.

**Percentage distribution of credit by PACS in different regions.**

<b>Region</b>	<b>1963-66</b>	<b>1979-82</b>	<b>1993-96</b>
Northern	14.0	23.6	33.1
N. East	8.2	0.32	0.3
Eastern	6.8	7.9	2.9
Central	29.9	22.2	--
Western	36.7	20.8	36.0
Southern	20.12	26.7	27.0
All India	100	100	100

Source table 4

Table 4 states that the PACS has provided credit highest (36.7%) in the western region in pre-green revolution period (1963-66). It has provided the highest credit to Southern region in post green revolution period (1979-82). It has provided the highest credit to western Region in liberalization period (1993-96). The range of percentage distribution of the credit is 29.9%, 26.38% and 33% for 1963-66, 1979-82 and 1993-96 respectively. It shows that variation coefficient is high and increasing over the period. The North East State is given lowest credit.

**Percentage allocation of credit by L.D.B. in different regions:**

<b>Region</b>	<b>1963-66</b>	<b>1979-82</b>	<b>1993-96</b>
Northern.	12.19	21.6	25.5
N.East	0.04	0.7	0.09
Eastern	3.7	9.0	3.01
Central	22.20	24.2	20.7
Western	31.27	14.5	17.0
Southern	6	30.0	q33.7
All India	100	100	100

Table - 2

We can state that southern region was provided highest loans by land development Bank. The North -East state was given lowest credit. The difference between highest and lowest is 67.32, 29.3 and 333.6 for 1963-66, 1979-82 and 1993-96 respectively. It shows that the degree of variation is moving towards unity.

**Percentage distribution of credit by RRB in different region.**

Region	1963-66	1979-82	1993-96
Northern.	--	9.00	11.30
N.East	--	2.00	3.70
Eastern	--	20.00	11.80
Central	--	16.00	28.8
Western	--	2.00	7.80
Southern	--	51.00	32.60
All India	--	100	100

Table 2

1. Statistical Statement Relating co-operative movements in India  
BABARD, 1979-1997.

2. Statistical statement Relating to cooperative movements in India RBI  
1963-66.

3. Report on currency and Finance : RBI 1963-97.

This table states that southern region is given the highest share of credit allocated by regional rural banks (RRB). The North-Eastern region is given the lowest share in this allocation of the credit. The difference

between the highest and the lowest share declined from 49.0 to 29.6 which shows that the degree of variation is decreasing over the time.

**Per Hectare Credit allocation by Commercial bank in different region (In Rs. crore)**

Region	1963-66	1979-82	1993-96
Northern.	32.0	284.5	691.7
N.East	81.9	80.5	185.7
Eastern	140.2	205.7	712.0
Central	52.92	163.0	435.5
Western	123.0	241.4	668.2
Southern	130	427.6	1200
All India	87.18	258.67	766.5

Table 2

1. Statistical Statement Relating co-operative movements in India BABARD, 1979-1997.

2. Statistical statement Relating to cooperative movements in India RBI 1963-66.

3. Report on currency and Finance : RBI 1963-97.

This table states that per hectare credit allocation is the highest in the Eastern region in the pre-green revolution period. During this

period the lowest credit was given to the Northern region in 1979-82, during the post green the highest credit was given to the Southern region and the lowest credit was given to the North-Eastern region. In 1993-96, the liberalization period, the highest credit was given to the southern region while the lost credit was given to the North - Eastern region. The range of variation increased from Rs. 198.2 per hectare in 1963-66 to Rs. 346.93 per hectare in 1979-82 to Rs. 1014.3 per hectare in 1993-96 per hectare credit allocation by the Commercial banks at all India level increased from Rs. 87.18 in 1963-66 to Rs. 258.6 in 1979 to Rs. 766.5 in 1993-96.

**PER HECTARE CREDIT ALLOCATION BY SCB IN DIFFERENT REGIONS (RS. crore)**

<b>Region</b>	<b>1963-66</b>	<b>1979-82</b>	<b>1993-96</b>
Northern.	32.56	148.9	359.7
N. East	164.7	67.0	149.0
Eastern	143.9	68.5	40.0
Central	57.0	140.2	337.6
Western	133.0	259.7	457.6
Southern	134.0	154.3	455.5
All India	90.8	155.0	344.2

Table -2

This table states that the per hectare credit allocation had varied over the period and region. The North-Eastern region shared the lowest in 1979-82 but its position came to fifth in 1993-96. It shows that net sown area has changed less than total credit allocated to this region. Southern region has improved its position in net sowing area.

**Per hectare credit allocation by CCB in different regions**

**(Rs.) Table II : 21**

<b>Region</b>	<b>1963-66</b>	<b>1979-82</b>	<b>1993-96</b>
Northern.	61.21	206.9	38.5.6
N. East	25.2	11.1	--
Eastern	43.9	59.4	82.79
Central	37.3	85.0	243.3
Western	291.22	365.2	760.7
Southern	86.7	167.5	550.6
All India	104.3	170.6	403.0

Source Table -2

This table states that the per hectare credit given by CCB is the highest in the western region. The lowest per hectare credit is given to the North East. It shows that (i) price has changed significantly over the



period (ii) Net sown area has decreased in western region (iii) Net area has increased in southern region.

**Per hectare credit allocation by PACS in different regions**

**(Rs.)**

<b>Region</b>	<b>1963-66</b>	<b>1979-82</b>	<b>1993-96</b>
Northern.	49.52	160.66	215.8
N.East	5.4	14.6	15.3
Eastern	34.68	68.9	24.0
Central	66.0	93.9	--
Western	109.9	133.5	224.5
Southern	53.5	146.6	158.0
All India	59.13	118.6	118.5

Source Table-2

Western region is almost constant in ranking in getting credits by PACS. North Eastern region is improving because its rank has decreased from VI to V. In the Southern region the credit allocation had increased from Rs. 53.5 in 1963-66 to Rs. 158.0 in 1993-96 but its rank has decreased from IV to III. The range of credit allocation has

increased from Rs. 104.0 per hectare to s. 209.2 per hectare. This shows that variations has increased over the period.

**Per hectare credit allocation by L.D.B. in different regions  
(Rs.)**

<b>Region</b>	<b>1963-66</b>	<b>1979-82</b>	<b>1993-96</b>
Northern.	1.4	27.7	44.13
N. East	0.1	6.11	1.16
Eastern	1.84	14.7	4.18
Central	1.35	2.07	25.8
Western	19.66	17.7	28.0
Southern	69.35	30.7 1	51.6
All India	5.77	22.4	31.2

Source : Table 2

Per hectare credit allocation to the N. Eastern region has decreased in 1993-96 over 1979-82. But its rank is almost constant. The ranks of the Southern region is highest in all periods. But per hectare credit allocated to this region has decreased in 1993-96 over 1963-66. The range of the credit allocation has decreased from Rs. 69.25 per hectare in 1963-66 to Rs. 50.5 in 1993-96. It shows that the variations is

moving towards unity. In this chapter we can conclude that (1) Southern region took highest amount of loans (2) The North-Eastern region took the lowest amount of institutional credit (3) The commercial bank played a major role in credit distribution for agricultural activities (4) The co-efficient of variation of the institutional flow of credit decreased across the regions over the period (5) The Western region is allocated the highest per hectare institutional credit for the agricultural activities by the land co-operative Bank. While the Land Development bank gave the highest per hectare credit to the Southern region.

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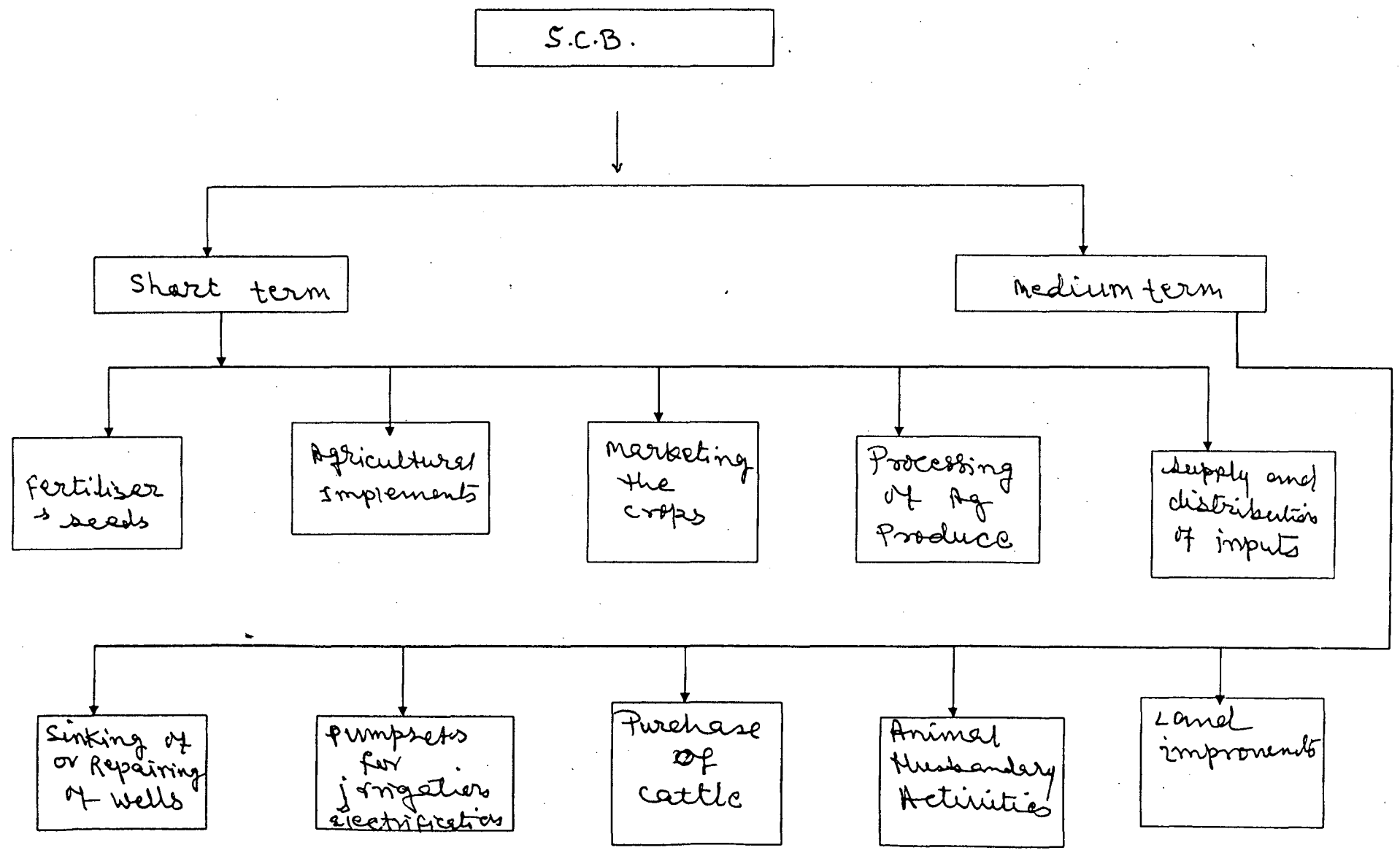
## CHAPTER III

### DISPARITIES IN PURPOSE WISE CREDIT ALLOCATION

In this chapter we shall discuss in details about the purpose wise credit allocated by different institutions. The Land Development Banks provide loans for long terms for (a) land improvement, (b) Pumpset and electrification, (c) cattles, (d) Agricultural implements, (e) ownership right and, (f) Debt redemption. The co-operative banks provide credits for short term, medium term and for the long terms. It provides credit for the purpose of (a) Fertilizers and seeds, (b) Agricultural implements, (c) Marketing the crops, (d) Wells, (e) Pumpset and electrification and (f) cattles and so on. Similarly the commercial banks and the regional rural banks provide credit for short, medium and long terms.

C.S.R.D.

The purposes for which the state co-operative banks provide loans.



**Table 3.1 Purpose –Wise allocated by LDB at constant Price (Rs. Crore)**

**PURPOSE COISE CREDIT DISTRIBUTION BYLDB, CONSTANT PRICE**

Statistical Statement Relating to Cooperative movement in Indian, NABARAD, 1979-1997.

Statistical Statement in India, RMI, 1963-66

Report on currency and Finance : RBI, 1963-97

LI = Land improvement

PE = Pumpset & Electrification

AI= Agricultural Implements

OR= Ownership Right

DR= = Debt Redemption

This table III : 1, states that in the Northern region, highest credit was given for debt redemption in 1963-64. In the same region highest credit was given for the implements in 1979-82 and in 1993-96. In the North Eastern region, highest credit was given for land improvement in 1963-66, for Agricultural implements in 1979-82 and 1993-96. In the eastern region, highest credit was given for land improvement in 1963-66, for pumpset's electrification in 1979-82 and 1993-96.

In the central region, highest credit was given for the land improvement in 1963-

66, for pumpset's and electrification in 1979-82 and 1993-96. In the western region, highest credit was given for land improvements in 1963-66, for Agricultural implements in 1979-82 and 1993-96. The trend in the Southern region is slightly different from the others. In 1963-66, highest credit was given for the land improvement. While in 1979-82 it went for pumpset's and electrification and in 1993-96 it went for agricultural implements. At all India level the trend is the same as it is in the Southern region.

For land improvement the maximum loan went to the southern Region in 1963-66 and in 1979-82. But for this purpose the maximum loan is given to the central region in 1993-96. For the pumpset and electrification the maximum loan is given to the central region throughout the period. For cattle, the maximum loan is given to the southern region throughout the period. For Agricultural implement the maximum loans is given to the western region in 1963-66 and 1993-96. While in 1979-82, it went to the Northern region. For the ownership right the maxim loan is given to the central and the western regions. For the Debt reademption the maximum loan is given to the Southern region (1963-66) the Northern region (1979-82), the western region (1993-96).

The range of credit for land improvement decreased from Rs. 20.63 in 1963-66 to Rs. 10.56 in 1979-82 to Rs. 2.49 in 1993-96. This shows that credit for land improvement has decreased over time and its degree of variation has moved towards unity. But the range of credit allocation for the pumpset and electrification has increased over time. It increased from 0.21 in 1963-66 to Rs. 31.63 in 1979-82 to Rs. 51.0 in 1993-96, it shows highly unequal distribution of credit.

We can see that the highest share of credit in 1963-66 went to the Eastern region and the lowest share went to the N.Eastern region. In 1979-82, the highest share went to



the Southern region and the lowest the north-eastern region. In 1993-96, the highest share went to the central region. It clearly shows, unequal distribution of credit.

This table states that the highest credit allocation went to the central region during the pre green revolution period while the lowest credit went to the eastern region. The range between maximum and lowest share is 50.54% at shows highly unequal share to regions. Similarly during post green revolution period the highest share went to the central region while the lowest share went to the eastern region. This shows that credit allocation discrimination among regions decreased from 1963-66 to 1979-82. During liberalization period the highest credit went to the central region and the lowest to the Eastern region. The range became 57.1 here discrimination again increased. It shows unequal distribution of credit.

This table states that the southern region has been allocated highest share of credit by land development Bank for cattle purchase. The North-Eastern region has been allocated lowest share since beginning. But range of the credit allocation has decreased over the time. The range decreased from 92.5 in 1963-66 to 70.4 in 1979-82 to 57.8 in 1993-96 it shows that the inequality in the credit allocation for the cattle purchase tends to equality.

Here in this table, we can see that the highest share for the credit allocation went to the western region in during pre-green revolution period. The lowest share went to the North - Eastern region. During the post green revolution the highest share went to the North-Eastern region. During post-green revolution the highest share went to the Northern region while the North Eastern states. During liberalization period the highest share went to the western region while the lowest share went to the North - Eastern region. The

range of variation decreased from 93.5 to 43.6 to 26.8 in the liberalization period. This shows that the regional variation is decreasing over the period.

This table states that the north east and the eastern regions are not given credit. The highest share went to the western region in 1963-66, to the southern region in 1979-82, to the western/central regions in 1993-96. The variations range has decreased over the period. This shows the credit allocation is moving toward equality.

This table states that the highest credit for debt redemption has been allocated to the central / Eastern region, while the lowest credit has been allocated to the North Eastern region in 1963-66. The Northern region shared the highest and the central region lowest in 1979-82. The western region has been allocated the highest amount in 1993-96. The degree of variation has increased over the period. This shows unequal distribution of the credit among different regions.

### **Table 3.2**

Now we should see the purpose wise credit allocation by the co-operative banks SCB, CCBs PACS. These institutions provide credit for the short, medium and the long (PACS only) term. They provide credit for marketing the crops, fertilizer and seeds, cattle, wells etc.

This table states that the Northern region took highest loans for fertilizer and seeds from the S.C.B. in 1963-66, pre green revolution period. This trend is continued for the other region till 1993-96. Loan imbursement to the Northern region for this purpose increased from Rs. 42.5 cr in 1963-66 to Rs. 267. cr in 1979-82 to Rs. 531.9 cr. The

Northern region took the lowest loan for the cattle from SCB. The North-Eastern region took highest loan for marketing the crops. The eastern region took highest loan for fertilizer and seeds. The central, western and southern region took highest loan for fertilizer and seeds. It also shows that loan is concentrated for fertilizer and seeds.

The state co-operative banks provide loans for short term, and medium term only. The amount of loan varied in different regions because of (i) variations in the interest rates, (ii) variations in the farmers income across the regions, (iii) variation in the rainfall over the period and regions.

This table states that the western region was given the highest loan (29.5%) in 1963-66. The north east and region was given less than one percent. The variations range across the region for the loans distribution by the state co-operative banks is 29.32%. This shows a high degree of inequality across the region in 1963-66.

In the 1979-82, the highest loan was given to the Northern region. The lowest loans during the post green revolution period was given to the North Eastern region. The variation range is 27.5% which shows high inequality across the region.

In 1993-96, during the liberalization period, the highest loan was given to the Northern Region. The lowest loan was given to the Northern Region. The lowest loan was given to the North-Eastern Region. The range of variation is 30.48%. This shows high variation.

The S.C.B. has distributed the loans across the region but not equally. The range (between highest - & Lowest) increased from 29.32% to 30.48 % in 1993-96.

The percentage loan distribution by the state co-operative banks for Agricultural Implements across the Regions :

This table states that the contribution of the S.C.B. for the agricultural implements is negligible across the regions. Only Southern Region was given Loan in 1963-66 and the Central Region in 1979-82, while this institution did not provide any loan for the agricultural implements in 1993-96.

The percentage loan distribution by the SCB for "Marketing the crops" across the Region. This table states that the highest loan for "Marketing the crops" was given to the Southern Region in 1963-66. While the lowest loan was given to the Northern Region. The North East, the Western and the Southern Regions are quite close to one another in sharing the loans by SCB for the purpose of marketing the crops. The variation range is 26.6%. It is too high.

The western Region was given the highest loan for marketing the crops in 1978-82. While the North Eastern Region was given the lowest loan. The variation range increased to 80.5%. It shows inequality in sharing the loans across the region.

The Southern Region was given the highest loan in 1993-96. While the central Region was given the lowest Loan. The variation range again increased to 97.1%. It clearly shows that the all regions shared unequally of the loans.

This table reveals that the western region shared the highest portion in the loan disbursed by the state co-operative banks for "wells". The Eastern Region was provided the lowest loan in 1963-66. The difference between maximum and minimum is 85.3%. It clearly shows unequal distribution of credit across the region.

During post Green revolution, the loans for the "Wells" were mostly concentrated to the Eastern region. The North Eastern Region shared only 1.0% of total credit given by SCB. It clearly shows unequal distribution of credit across the region.

This table states that the western region shared highest credit for the pumpset & electrification during 1963-66, pre-Green Revolution period. The Northern region shared lowest part of the total credit. The difference between the highest and the lowest credit allocated across the regions 46.5%. During post-Green Revolution period, 1979-82, the highest share went to the central region while the lowest share went to Southern region.

During Liberalization period the highest share went to the central region while the lowest credit distributed by the SCB for pumpset & Electrification, went to the North-Eastern Region. The difference between maximum & minimum share increased to 39%.

It clearly shows that the during Post Green Revolution the credit for pumpset is Electrification was highly unequally distributed.

This table states that the Eastern Region shared highest credit disbursed by the state cooperative Bank for "Cattle purchasing" in 1963-66. The Northern Region the lowest share of it. The range of the shared amount among different region during Pre-Green Revolution was 54.8%.

The central Region shared highest proportion of credit distributed by the state cooperative Banks during Post-Green Revolution period. The Northern Region was given the lowest credit. The range decreased to 50%.

During Liberalization period the Central Region was given the highest share in the credit disbursed by the state co-operative bank while the Southern Region was given the lowest credit. The range increased to 97.5%.

From above we can infer that the credit was allocated unequally across the region and over the period in the pre-Green Revolution, Post-Green Revolution and the liberalization period.

&&&&

This table states that the Central Cooperative Banks provide credit for many purposes- Fertilizers & seeds, Agricultural Implements, Marketing the crops, processing the Agricultural produce, supply of inputs, pumpset is electrification, purchase of cattle, Animal husbandry, Land Improvement and repairs of wells. During pre-Green Revolution, the highest loan was provided for the Fertilizers and seeds and this trend was continued for the period of the post Green Revolutions and the liberalization period also. The CCB provided Rs. 603.4 crores for Fertilizers & seeds in 1963-66, Rs. 710 cr in 1979-82, Rs. 1299.3 cr. in 1993-96.

In 1963-66, the lowest credit was provided for pumpset & electrification. But during the

The purpose for which the Central Banks provide Loans

&&&&

Short period = upto 15 months

Medium term = 0.15 months

SS = SUPPLY

C.C.B. = Central Cooperative Banks

SOURCE : Same as Table : III : 1

post - Green Revolution, the credit for this purpose went up to Rs. 13.5 crores. During liberalization period credit for this purpose went up to Rs. 44 cr. It shows that the demand for pumpset and Electrification increases over the period.

The credit for the Agricultural implements decreases over the period. It decreased from Rs. 13.5cr. in 1963-66 to Rs. 4.1 cr. in 1993-96.

The credit for the Agricultural implements decreases over the period. It decreased from Fr. 13.5 cr. in 1963-66 to Rs. 4.1 cr. 1993-96.

The credit for Marketing of crops increased from Rs. 146 cr. in 1963-66 to Rs. 232 cr. in 1979-82. Similarly for repairs & sinking of wells, the credit increased from Rs. 5.1 crores in 1963-66 to Rs. 11.2 crores in 1993-96. The loan for the purchase of cattles decreased from Rs. 29 cr. in 1963-66 to Rs. 11 cr. in 1993-96.

### **Table 3.2, CCB**

This table states that the western Region was given the highest share in the credit allocated by the C.C.B. in 1963-66 for the Fertilizer & seeds. The North East region was given the lowest share (0.08%). The difference between the highest and lowest credit given across the region is 34%.

The Western region was given the highest share in the credit allocated by the CCB during the Post Green Revolution period. The North East state was allocated lowest share (0.067). The range of share across the region came down to 25.3%.

During the Green-revolution period the southern region was allocated the highest share (29.2%) while the Eastern Region was allocated the lowest share (3.6%). The range of share, went up to 26%.

It clearly indicates the variation in the credit allocation across the region has decreased to 26% in 1993-96 over the period of the pre Green Revolution period, when it was 34%.

This table states that the highest credit for the Agricultural implements by the central cooperative Banks was provided to the Central Region during pre-Green Revolution period the lowest credit was given to the western Region. The range of the

share was 63%.

But during the post Green Revolution period the credit allocation for the Agricultural implements was concentrated to the Southern Region. Only 1.2% of the credit allocated by the C.C.B. was given to the central region. The range of the share allocation is almost 97%.

The same trend is continued during the liberalization period as it was during the post Green Revolution period. The Southern region was provided the highest credit of 84.3% & the central region only 1.2% during the liberalization period. Here range of the share allocation is 83%.

It clearly shows that the credit allocated for the agricultural implements by the central co-operative banks is unequal and concentrated towards the Southern region during the post Green Revolution and the liberalization period.

This table states that the Western region was allocated the highest credit for "marketing the crops" by the central co-operative banks during the pre Green revolution period shared the lowest credit (0.7%) The range of the allocation of credit across the region was the almost 67%. It shows highly unequal distribution of credit.

During the post-Green revolution period the trend was continued as it was during the pre-Green revolution period the trend was continued as it was during the pre-Green revolution. The credit -for "Marketing of crops" was highest to the western region (79%) and the lowest for the Eastern region. (1.2%). The range across the regions increased to 78%.

During the Liberalization period, the trend was continued, as it was during the pre & post Green revolution period. The Western region was given the highest credit



(74.6%) while the Eastern Region was allocated only 1.7%.

It clearly shows that the western region took loan more for marketing of crops throughout the period.

From this table we can infer that the central region was allocated highest credit for sinkings/repairing wells by the central co-operative Banks during the pre-Green revolution. While the lowest credit was given to the Northern Region. The range of credit allocation is 50%.

The post Green revolution witnesses that the highest credit was given to the Eastern region (49.4%) for the sinking & repairing wells by the central co-operative banks. While the lowest credit was provided to the Northern region. The range of the credit allocation was 49.34%.

During the liberalization period the highest amount of the credit for sinking & repairing wells by the central co-operative Banks was provided to the Southern region. While the lowest amount of the credit was provided to the Eastern region. The range between the highest and the lowest went down to the 25%.

It clearly indicated that the central cooperative Banks tried to reduce inter-regional disparities in the credit allocation.

This table states that the Southern region shared highest proportion of the credit distributed by the central co-operative banks during the pre-green revolution period. The Northern and the Eastern regions shared equal parts (6.9%). The range of the share across the region is 21.3%.

During the post Green revolution, the Eastern region took the highest credit for “pumpset & electrification “. The Northern region was given the lowest credit the range

of the variation is 41.6%.

But the Southern region took the highest loan during the liberalization period, for the pumpset & Electrification. The Eastern region was given the lowest share (only 2.0%) The ranges of the credit distributed by the central cooperative banks for this purpose became 52.2 %

It clearly shows that the disparity among the regions for the credit is increasing over time from pre-Green revolution to the liberalization period.

During the period of pre-Green revolution period the central co-operative bank provided the highest credit for the purchasing of cattles to the central region. While the lowest credit for this purpose was given to the Northern region. The range of the credit distribution across the region is 44%.

The central region was given the highest share (36.2%) in the credit allocated by the C.C.B. for the purchasing of cattle in the post-Green revolution. The western region was given the lowest amount of credit.

Similarly the southern region was given 40.2 % while the Eastern region was given only 2.7%. This clearly shows disparities among the regions for credit allocation.

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Regions	1963-66								1979-82								1993-96							
	FS	AI	MC	Wells	PE	Cattles	Others	Total	FS	AI	MC	Wells	PE	Cattles	Others	Total	FS	AI	MC	Wells	PE	Cattles	Others	Total
Northern	39.2	0.9	2.8	0.2	0.4	0.6	60.38	114.48	179	0	11.7	0.09	0.09	2	306.8	5008	429	0	5	0.3	1.2	1.5	635	1078
North East	0.5	0	0	0	0	0.9	6.1	7.56	0.4	0	0	0	0	0	0.4	0	0	0	0	0	0	0	0	0
Eastern	40.4	1	0.9	0.4	0.4	5.3	8.73	57.13	68.1	0	2.8	7.55	5.7	1.48	0	13.1	46	0.6	2.6	0.2	0.9	0.3	127.4	178
Central	143.3	9.3	9.3	3.5	1.4	13.5	39.2	219.5	117.4	0.006	9.4	5.78	2.8	4.49	27.4	306	131.8	0.05	7.5	0.7	2	1.9	805	949
Western	206	0.6	99	0.5	1.6	3.5	332.1	643.7	180	0	181.4	0.74	3.54	1.16	569	939.4	312	0	115	3	16	3	1801	2206
Southern	164	2	34	2	2	5.5	5.4	214.9	165	0.51	23.8	1.14	1.1	3.24	307	509.7	380.5	3.5	24.5	7	2.1	4.5	1263	1707
All India	603.4	13.8	146	6.6	5.8	29.3	451.8	1256.7	10	0.55	232	15.3	13.5	12.4	1212	2362	1299.3	4.15	154.6	11.2	11.1	11.2	4631.4	6157

Source - same as Table III.1  
 FS= Fertilizer and seeds, AI=Agricultural Implements  
 MC= Marketing the crops, PE= Pumps & Electrification

Regions	1963-66								1979-82								1993-96								
	FS	AI	MC	Wells	PE	Cattles	Others	Total	FS	AI	MC	Wells	PE	Cattles	Others	Total	FS	AI	MC	Wells	PE	Cattles	Others	Total	
Northern	42.5	0	3.67	0	2.43	0.3	12	60.89	267	0	1.6	0	0	0.06	91.8	360.4	531.9	0	0	0	0	0	0	468.3	1000.2
North East	0.9	0	19	0	0	0	29.4	49.41	2.8	0	1.44	0.006	0.46	0.42	19	24.15	0.5	0	0.38	0	0.05	0.09	58.2	59.2	
Eastern	36.9	0	0	0.3	8.4	40.4	100.5	187.11	80.8	0	2.05	5	1.16	0.42	40.25	129.7	19.32	0	0	0	0	0	66.36	85.7	
Central	136.25	0	0	2.67	0.5	10.5	21.18	171.18	197.8	0	18.6	1.4	3.4	1.93	281.8	505	470.7	0	0.13	0	0.9	5.7	1142	1319.4	
Western	147.5	0	20.25	20.9	20.9	0	84.1	293.7	206	0	181.3	0	0	0	273.8	664.1	318.6	0	0.5	0	0.5	0	1008	1327.4	
Southern	135.4	20.9	20.8	0.3	7.6	21.3	159	332.6	206.1	0	17.48	0.7	0.43	0.9	237.6	463.2	397.2	0	40.5	0.56	0.73	0.01	993.1	1412.3	
All India	499.4	20.9	63.7	24.17	39.8	72.5	293.3	1013.8	960.5	0.06	225.4	7.1	5.45	3.73	944.25	2146.5	1738.4	0	41.43	0.56	1.85	5.8	3471.6	5259.6	

Regions	1963-66								1979-82								1993-96							
	LI	PE	CATTLE	AI	OR	DR	Others	Total	LI	PE	CATTLE	AI	OR	DR	Others	Total	LI	PE	CATTLE	AI	OR	DR	Others	Total
Northern	0.09	0.122	0.03	0.31	0	0.41	1.68	2.64	1.2	18.7	0.6	21.1	0.93	2.8	21.84	67.2	0.52	6.18	0.06	32.18	0.22	0.27	82	122.7
North East	0.007	0	0.001	0	0	0.006	0.016	0.03	0.04	0.063	0	0.4	0	0	1.7	2.2	0	0	0.12	0	0	0	0.33	0.45
Eastern	1.8	0.002	0	0.002	0	0.56	0.006	2.4	0.47	7.9	0.17	2.75	0	0.08	16.55	28	0.02	2.9	0.3	2.1	0	0	3.1	8.4
Central	2.58	0.22	0	0.56	0	0.56	0.13	4.05	0.11	31.5	0	1.72	0.004	0.0004	41.17	74.7	2.96	53	3.11	19.3	0.4	1.2	20	99.2
Western	20.62	0.01	0.02	20.6	0.01	0.02	2.15	43.45	0.66	10	0	11.69	0	2.25	20.7	45.3	0.18	3.09	3.4	34.1	0.4	7.1	32.4	80.6
Southern	15.18	0.079	0.63	0.5	0.001	0.74	0.2	17.43	10.62	12.3	2.25	9.9	1.79	0.26	57.18	92.3	1.79	19.7	7.7	31.2	0.16	0	99.5	160.4
All India	40.6	0.13	0.68	21.9	0.011	2.3	0.5	0.66	13.13	0.7	30.3	17.3	2.7	5.1	159.12	309.7	5.79	87.9	12.8	123	1.2	8.6	238	477

Source - 1. Statistical statement Relating to Co-operative Movement in India, NARAD, 1979-1997  
 2. Statistical statement Relating to Co-operative Movement in India, RBI, 1963-66  
 3. Report on Currency and Finance: RBI, 1963-97  
 LI- Land Improvement - OR- Ownership right  
 DR- Debt Redemption

## CHAPTER IV

### CREDIT ALLOCATION AMONG FARMERS

Credit is provided to the farmers according to their collateral, small farmers do not have as much amount in the collateral large farmers. Therefore the large farmers are able to get more loan. But this trend has changed our time. Now small farmers are taking loans for (a) debt redemption (b) purchasing of cattle (c) Sinking or repairing wells (d) animal husbandry (e) marketing the crops (f) to get ownership rights (g) for buying agricultural implements. There are several disparities; in the distribution of credit, prime among which is the farm size holding.

Credit data for two Farmsize holding is available i.e. (a) upto farms of 02 acres (b) for farms larger than two acres. Currently in India, 74.5% of operational holdings belong to small farmers. Its development depends on the public expenditure and the government policy intervention on which the flow of credit depends. Here Tara Shukla,<sup>1</sup> says that Institutional credit can act as a pull effect, becoming a catalyst in the development process.

The Report of the Banking commission, RBI, 1972, has stated that there was a gap in institutional credit arrangements for small, marginal, and large farmers. While the policy makers in India have always tried to give more preference to small farmers and to marginal farmers and agricultural labourers in providing institutional credit, we should mind here that the financial institutions are not in a position to provide interest free credit. Both the co-operatives and the commercial banks lacked the ability to tackle the special needs of small & marginal farmers.<sup>2</sup> We have already shown that the a large proportion

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<sup>1</sup> An overview of Agricultural Credit, Bombay, 1988.

<sup>2</sup> Report of the National Commission on Agriculture, New Delhi, 1976.

of the farmers belong to small marginal farmers.

Their position is improving for the better. SFDA and RRB have been set up to give special directives to provide credit, subsidies to the small marginal farmers. SFDA, which has been merged with IRDP, deals with the credit requirements to the small and marginal farmers.

#### **Table 4.1**

This table states that in 1979-82 the small farmers took more loans than large farmers from all the institutions except the PACS. The total loan disbursed by PACS to the small Farmers was Rs. 1055 per hectare while it was Rs. 1195 per hectare to the large farmers. In the Northern region, the small farmers received Rs. 1185 while the large farmers received Rs. 591.7. This trend continued for all the regions except the western regions where the small farmers received Rs. 405 per hectare while the large farmers received Rs. 442.4 per hectare.

During the liberalization period (1991-98) also the small farmers took more loans than the large farmers. In the Northern region the small farmers received Rs. 3327.2 per hectare while the large farmers received Rs. 487 per hectare during 1993-96.

Not only this, there was disparity in the credit allocation across the regions. The highest credit (Rs. 1288 per hectare) went into the favour of small farmer in the southern region in 1979-82.

This table states that the total loans disbursed to the small or to the big farmers are shared by different regions. The Southern region shared 45.7% for the small farmers while big farmers shared 33.9% in this region. The lowest loan was shared by the North-Eastern region in 1979-82. The Southern region was provided highest loan for both the

small and big farmers during the liberalization period. The North Eastern region provided lowest share for the big farmers.

The percentage of the small & large farmers in total credit distributed by the commercial banks:

Table 4.1 states that in all the regions except the central and the western regions, the small farmers were given high share of credit distributed by the commercial bank in 1979-82. In the central region the small farmers were given 40.00 % of the total credit distributed in this region during 1979-82 while the big farmers were given 60.00 %. Almost same trend was seen in the western region, where the small farmers were given 41.00% of the total Loan.

But during the liberalization period, the small farmers were given more credit than the big farmers in all the regions. In the central region, the small & marginal farmers got 56% and big farmers received 49% of the total credit disbursed by the commercial bank in this region. While it was just the reverse in 1979-82.

Table 4.1 also states that the small farmers took more loans than big farmers. In the North - East state the share of the small farmers in the credit allocated by the S.C.B., during the post Green revolution was 91.8%. In all the regions the small farmers were given high credit. In the Northern region, the share of small farmer was 65% in 1979-82. While their share in 1993-96 increased to 90%. In the Eastern region the share for small farmers decreased from 57.8% in 1979-82 to 54% in 1993-96.

The co-efficient of variation for credit allocated among the small and big/large farmers has increased from 0.763 in 1979-82 to 0.978 in 1993-96 for small farmers. while

the coefficient of variation for large big farmers has increased from 0.63 in 1979-82 to 1.08 in 1993-96. It states that the disparity among the region for the sharing of credit has increased over the period, this is particularly so for the large farmer's group.

In this chapter we saw that the inter regional disparity has increased in credit allocation according to farm size holding. It also states that the small farmers took more loans from the commercial bank, land Development bank and the cooperative banks. We can incite regions for this trend as (i) policy measures adopted and implemented by the policy makers in the favour of small farmers. For example SFDA, IRDP, RRB, RBI DPAP permitted more loans to small marginal Farmers (ii) deregulation of interest rate in the favour of small and marginal farmers. NABARD has fixed 60% coverage of small farmers for which commercial bank, the Land Development Bank and PACS are to assign more loans to small farmers. In 1983-84, the Govt. of India had insisted NABARD to assist provide more to small farmers so that agricultural production can increase (ii) small farmers know that modern technology, HYV help in increasing production and take loan for cultivation purposes (iv) take loan for Debt. redemption (v) borrow money to acquire ownership rights.

### **Regression Analysis**

After developing time series analysis for 33 years (1963-96), between agricultural credit and productivity of foodgrain in kg per hectare we get the following regression equation.

$$Y_t = AX_{it}^{bt} E^{b2t}$$

Table - IV.2

Statewise Regression Co-efficient of credit and Productivity of foodgrain During 1963-1996

State	Intersept	X <sub>1</sub>	R <sup>2</sup>
Haryana	4.63	** 2.38	0.32
H.P.	1.3	** 2.60	0.36
J&K	-0.91	-0.56	0.03
Punjab	1.2	*** 9.2	0.88
Assam	2.45	1.01	0.08
Manipur	1.45	* 1.65	0.17
Meghalaya	-0.39	-0.58	0.03
Nagaland ]	0.62	* 1.78	0.19
Tripura	0.84	* 1.42	0.18
Bihar	1.35	*** 3.73	0.56
Orissa	0.35	0.23	0.003
W.B.	7.1	*** 4.85	0.65
M.P	7.5	*** 4.46	0.62
U.P	3.3	*** 5.33	0.62
Gūjarat	-0.04	-0.16	0.69
Maharashtra	0.14	1.08	0
Rajasthan	0.22	0.38	0.08
Andhra	0.68	*** 4.97	0.02
Karnataka	-0.13	-0.78	0.66
Kerala	0.07	*** 8.56	0.05
Tamilnadu	0.28	*** 6.28	0.86

Source:-Same as table III.1



where  $Y_t$  = Total productivity

food grain in kg per hectare

X=Amount of agricultural loans in Rs. per hectare

t= time period (Year)

Now let us see the state wise regression co-efficient. It is positive for Haryana, Himachal Pradesh, Punjab, Manipur, Nagaland, Tripura, Bihar, west Bengal, Madhya Pradesh, Uttar Pradesh, Andhra Pradesh, Kerala and Tamil Nadu. It is -ve for J & K , Meghalaya, Gujarat and Karnataka due to irregular use of credit.

We can see here that the  $R^2$  is high here for those states for which the regression co-efficient is high. It shows that the credit has high contribution to increase productivity per hectare.

Note :

1. denotes significance level at 10% ( \* )
2. denotes significance at 2.5% ( \* \* )
3. Significance at 0.5% ( \* \* \* )

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Co-relation co-efficient between productivity per hectare and per hectare credit (at constant price) given for different purposes (1933-66 to 1993-96)

States	FS	AI	MC	Wells	PE	Cattle
Haryana	0.2	0.43	0.31	0.12	0.35	0.20
Himachal	0.18	0.26	0.31	0.15	0.22	0.20
J and K	-0.11	0.13	-0.21	-0.18	0.13	-0.16
Punjab	0.31	0.32	0.49	0.28	0.46	0.11
Assam	0.02	0.03	0.08	0.10	-	0.16
Manipur	0.02	0.06	0.09	0.11	0.13	0.17
Meghalaya	-0.18	0.16	-0.23	0.19	-0.17	0.13
Nagaland	0.16	0.17	0.21	0.08	0.09	0.2
Tripura	0.08	0.05	0.11	0.13	0.08	0.13
Bihar	0.21	0.22	0.18	0.08	0.09	0.20
Orissa	0.22	0.21	0.08	0.18	0.20	0.09
W.B.	0.21	0.18	0.23	0.11	0.15	0.30
M.P.	0.31	0.42	0.36	0.28	0.16	0.15
U.P.	0.41	0.41	0.20	0.28	0.19	0.35
Gujarat	0.21	-0.40	-0.21	-0.16	0.01	0.28
Maharashtra	0.31	0.40	0.38	0.29	0.16	0.29
Rajasthan	0.21	0.25	0.18	0.23	0.19	0.31
Andhra	0.25	0.18	0.17	0.36	0.18	0.33
Karnataka	-0.33	-0.28	-0.16	0.11	0.26	-0.33
Kerala	0.35	0.26	0.39	0.40	0.26	0.18
Tamil Nadu	0.29	0.40	0.26	0.35	0.18	0.33

Source :-

- (1) Statistical statement Relating to co-operative movements in India, RBI, 1963-70.
- (2) Statistical statements, Relating to co-operative Movements in India, NABARD, 1971-1997.
- (3) Report on currency and Finance RBI, 1963-97.
- (4) Patterns in Indian Agricultural Development, G.S. Bhalla, D.S Tyagi.

Analysis of this table

The correlation co-efficient between productivity per hectare and credit (at constant price) 1979-82 – 0) per hectare for the period of 1963-66 to 1993-96 is negative in J and Fertilizers seeds (FS), Marketing the crops (MC), wells, and cattle. But it is positive for the purposes of Agricultural implements and pumpsets electrification



## CHAPTER -5

### CONCLUSION

Farmers need credit, which is supplied by financial institutions - commercial banks, SCB, CCB, PAS, LDB, RRB NABARD, etc. These institutions provide credit for short, medium and long terms. The state co-operative banks and the central cooperative banks provide credit for only short and medium terms. These two institutions don't provide credit for long term -They provide credit for (a) Agricultural implements (b) fertilizers and seeds (c) marketing the crops (d) sinking of or repairing of wells (e) purchase of cattle (f) pumpsets and electrification (g) land improvements (h) ownership rights (i) debt redemption (j) animal husbandry (k) Processing of produce (l) supply and distribution of inputs (m) Purchase of tractors (n) Purchase of diesel engines. But the distribution of credit in India for these purposes is not equal due to variation in the (i) degree of state administration (ii) credit absorption capacity of state (iii) productivity and fertility of land among the states (iv) infrastructure variations (v) unequal distribution of rainfall (vi) variation in the state's income (vii) awareness of people (viii) variation in the liberalization sector from one state to another (ix) availability of the financial institutions and its branches (x) Centre and state governments plan.

To decrease the disparity in the credit allocation across the regions the cooperative banks, the commercial banks, the land development banks and the regional rural banks have played a great role. Here the share of the commercial banks in the distribution of purposewise credit in India increased from 26% in the pre-green revolution period (1963-66), to 33.9% in the post-green revolution period (1979-82) to

44.2% during liberalization period (1993-96). The share of the land development Bank increased from 1.7% in 1963-66 to 2.9% in 1979-82, but the share of the S.C.B. decreased from 26.3% in 1963-96 to 20.3% in 1979-82 to 19.8% in 1993-96. The share of the Central cooperative banks increased to 23.27% in 1993-96 from 22.3% in 1979-82. the share of the RBI is almost constant at below 05.0%. Therefore we can say that the commercial banks played a better role in decreasing the inter-regional disparity in credit allocation.

The share of the southern region in credit increased from 26.5% in 1963-96 to 37.1% in 1979-82 to 47.5% in 1993-96. It is the highest loan taking region. In 1963-96, Kerala took highest loan (Rs. 178.7 crores). During 1979-82, Andhra Pradesh took the loan (Rs.49.8 crores). while the Kerala took Rs. 573.9 crores. Again in 1993-96, Kerala took the highest amount of loan (Rs 9822 crores). The North-East region took the lowest amount of credit. It took Rs. 30.84 crores in 1963-66. It increased to Rs. 70.2 crores in 1979-82 to Rs. 2740.8 crores in 1993-96. According to rankwise we can arrange them as

(a) 1963-66: I-Western, II-Southern, III-Central, IV-Eastern, V-Northern, VI-North-East.

(b) 1979-82: I-Southern, II-Western, III-Northern IV-Central, V-Eastern, VI-N.East, (c) I-Southern, II-Western, III Northern, IV-Central, V-Eastern and VI-N.East.

Disparity existed between the purpose of loan itself. The land development Bank provided the highest amount of credit for land improvement in 1963-66, for pumpset and electrification in 1979-82 and for Agricultural implements in 1993-96. The highest share was given to the southern region and the lowest share to the North Eastern region. The southern region took highest amount of Loan for (a) Land improvement (b) Cattle purchases (c) ownership rights etc. (d) Marketing of crops.

The credit allocation went more to small and marginal farmers. But here also disparity existed. The small farmers were provided Rs. 630.8 per hectare in India in 1979-82 while the large farmers took Rs. 449.6 per hectare during the same period during 1993-96 the small farmers were given Rs.2174.1 per hectare while the large farmers were given only Rs.526.7 per hectare.

There is a great degree of variations in total loans received per hectare for the states. States like Kerala, Tamilnadu received an amount of Rs. 850 per hectare of gross sown area whereas states like Assam, J&K, Meghalaya got less than Rs.50 per hectare of gross sown area. Its reasons are (i) variations in administration of institutions providing credit to the farmers, low absorbing capacity. During 1963-66, the Western Region was given Rs.676.9 per hectare of gross sown area while the Northern region was given Rs.250.3 per hectare of gross sown area. The southern region received Rs.1307.4 per hectare in 1979-82 while during the same period the North-Eastern region received Rs.195 per hectare of gross sown area. A similar trend was there in 1993-96 where the southern region received Rs.2525 per hectare and the central region received Rs.1119.7 per hectare of gross sown area. We also found that the major share of credit to small and marginal farmer came from Primary Agricultural credit societies. The commercial banks and the LDB have improved their performance. The share of small and marginal farmers was higher in all the regions. The reason behind it is the governments policy interventions, providing priority to small farmers, implementations of SFDA, MFAL, DPAP, IRDP etc.

We have also tried to show that there was a positive relationship between agricultural productivity and the agricultural credit. But one should note that the

agricultural credit alone is not sufficient to increase productivity. It must be accompanied by agricultural technology. This combination will increase not only agricultural productivity but also the country's development. This is the reason why the Indian states have used these credits for above mentioned agricultural technologies - fertilizer and seeds, agricultural implements, pumpset and electrification etc.

## SUGGESTIONS

We have already seen that the credit has been disbursed but not equally to all region. The southern region took highest loan while the North-East region took lowest loan. The ratio between the Southern and the North-Eastern region's share in 10.2:1.0 in 1993-96. It shows that the degree of variation is high. Therefore the credit allocation should be provided equally to all regions.

The credits are mostly provided for fertilizer and seeds by the co-operative banks and the commercial banks. while the credit for pumpsets and electrification shows a much lower, ratio between two in 1993-96. We know that Indian agriculture is highly dependent on rainfall. The importance of pumpset and electrification is therefore very too high. But credit for this purpose is too low because it is expensive which is beyond the pocket of the small and marginal farmers who borrow more than big and large farmers. The interest rate charged on the interest is high. Therefore, I would like to suggest that the credit should not be provided on the basis of collateral security or repaying capacity but according to needs.

The inter-regional disparity in the purpose-wise credit allocated should be minimized. It is good that the credit allocation has moved towards small and marginal farmers. But it is not good that they take loan far REDEMPTION of loan, marriage, to

acquire ownership right etc. Therefore I would like to suggest that all the loans disbursed to small and marginal farmers should be paid by the government and fresh loans should be provided for agricultural production, agricultural implements to save the small farmers from debt trap.

All the financial institutions have played a good role in decreasing the inter-state and the inter-regional disparities. But the role of the co-operative banks is too important. Especially the PACS has played a major role. The commercial banks are also playing good roles. Here I would like to suggest that the commercial banks should adopt a lenient view and should provide SOFT-LOANS to farmers because these banks passes high resource paid-up capital.<sup>3</sup>

There is high inter and intra-regional variation in the availability of credit. Perhaps this is the reason why the farmers from the remote regions, are not able to take loans in time. Their real loan, after deducting transportation cost, social cost, approach and source cost would be much lower than the large and big farmers. Therefore, I would like to suggest that financial institutions should have a system of "DOOR SCHEME"<sup>4</sup> to provide door to door credit at paying capacity and according to needs.

The government has taken many steps to decrease the disparity in credit allocation and to improve the farmers poor situation. For example (a) In 1993 the N.C.B. (National Co-operative Bank of India) was registered under the multi-state cooperative Societies Act. It is open to all commercial and cooperative banks to be its members except the urban cooperative banks which function in only one state, Maharashtra, (b) NABARD'S functional areas have been extended to Agricultural credit Development (ACD), Rural

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<sup>3</sup> EPW, June 19997.

<sup>4</sup> Yojana. Oct. 1996.



planning and credit cell (RPCC) of RBI and ARDC. (c) Crop insurance and credit linked schemes - wheat, paddy, millets, oilseeds and pulses. Its purposes are (i) to provide a measure of financial support to the farmers in the event of crop failure (ii) to restore the credit eligibility of farmers after a crop failure for the next crop season (iii) to support and stimulate production of cereals, pulses and oilseeds. The sum insured is equal to the crop loan disbursed maximum of Rs 10,000 per farmer having 02% premium for wheat, paddy, millets and 01% for oilseeds and pulses. The risk-premium and claims are shared between central and the respective state government in the ratio of 2:1. In India, GIC is engaged in crop insurance. (d) small farmers agri-business consortium (SFAC - 1994) - Autonomous body funded by the RBI, NABARD and IDBI - for rural employment with sound environment.

(e) RIDF (Rural Infra Structure Development Fund) having Rs.2,000 crores, was set up (f) Rs. 1000 crores to KVIC (Khadi Village and Industrial Corporation) (g) special loans to SC and ST through cooperative of Rs. 100 crores and Rs. 400 crores respectively (h) there was 40% loan relaxation by credit given by NABARD. (i) Ganga – Kalyan Yojna (1997).<sup>5</sup>

It shows that schemes are coming up one after the other. But despite having such schemes their economic situation is worsening continuously. Therefore, all schemes should be inter-linked to uplift their children's education, agricultural production, industrial development and for marketing to equalize the per capita income at national level. It should be revamped in favour of farmers.

I would also like to suggest that these institutions (especially L.D.B.) which are involved in agricultural credit should operate both for land based lending and also for

non-land based rural lending.

Today NGO's are Functioning very much closer to the farmers. They know their needs, purposes, problems and their solutions. Therefore these financial institutions should be in close contact with these non-government organizaitons to provide credits to farmers.

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<sup>5</sup> Kurukshetra, December 1997.

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