CHAPTER I

STATEMENT OF THE PROBLEM
The object of this introductory chapter is to state the problem attempted to be tackled in this work and provide the appropriate background information. The topics discussed in this chapter include the need for irrigation, place of wells in Indian agriculture, need for long-term finance for wells, genesis of Land Development Banks, progress of long-term finance for wells in India and Maharashtra State, object and significance of the present study.

1.1 Need for Irrigation

In a country like India, with several pockets of low and precarious rainfall, the need for irrigation is obvious. Although the area under irrigation expanded greatly since the Irrigation Commission of 1901-03 reported, there are still numerous tracts in which the agriculturists' greatest need is an assured water supply, and in which water is the most potent agent for increasing the yield of crops. ¹ Although India has large acreage under irrigation, the proportion of irrigated to cropped area was 24 percent in undivided India; while in the post-partition India, the corresponding figure was only 19 percent. ² The unequal distribution of irrigation facilities and allocation of some food surplus areas to Pakistan aggravated the food shortage which India had been experiencing for some years.

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prior to the Partition. At present irrigation is required in India not only for rendering agriculture in vast areas secure against frequent droughts but also for generating a surplus in the agricultural sector for financing plans of economic development. The irrigation policy of the first three Five Year Plans was, accordingly, oriented at a cost of Rs. 511 crores in the First Five Year Plan, Rs. 515 crores in the Second Five Year Plan and Rs. 827 crores in the Third Five Year Plan. The Draft Fourth Plan also envisaged an outlay of Rs. 1369 crores for the development of irrigation. Out of Rs. 827 crores in the Third Five Year Plan, Rs. 177 crores were proposed for minor irrigation and of Rs. 1369 crores in the Fourth Five Year Plan, Rs. 520 crores were meant for minor irrigation. Targets for the acreage that would be brought under irrigation in the Third and Fourth Five Year Plans were 25.60 million acres (of which 50% under minor irrigation) and 26.00 million acres (of which 17.00 million acres under

3 Ibid.

4 The First Five Year Plan, Government of India, Planning Commission, New Delhi, 1953, p. 44.

5 The Third Five Year Plan, Government of India, Planning Commission, New Delhi, 1961, pp. 59 and 85.

minor irrigation) respectively. The problem of achieving full utilization of facilities generated by minor irrigation works assumes importance, because minor works have been assigned a special role in the Five Year Plans in view of the capacity of such works to yield quicker and diffused results. Never before, in the history of development of irrigation in the Country, has Government’s attention been so much focussed on the construction and improvement of minor irrigation works as it is today. Increased food production through a large-scale intensive agricultural programme has become crucial and irrigation occupies the most important place in the programme.

1.2 Place of Wells in Indian Agriculture

The dependence on well irrigation (which is a part of minor irrigation) in the Country will ever continue to remain for various factors. The Indian Irrigation Commission of 1901-03 observed in regard to irrigation from wells: “It has been shown that well-irrigation varies in

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7 Ibid., p. 185. (The figure for minor irrigation for the Fourth plan includes 12.0 million acres of newly irrigated area besides area under drainage, flood control, etc.)

8 Ibid., p. 185. (The importance of the minor irrigation works is also clear from the fact that more than fifty percent of the area proposed to be brought under irrigation, is expected to be irrigated under minor works.


10 Ibid.
extent to an extraordinary degree in the different provinces and the variation is presumably due to immutable differences of physical conditions. It is, however, certain that there is no single province in which this form of irrigation might not be very largely extended with advantage. Wells are so essential to successful cultivation, and to the maintenance of a dense population, that endeavours to multiply them should be maintained and sustained until the very maximum numbers have been reached which can profitably be employed. There are also tracts in which water lies so close to the surface that canal irrigation may be not only unnecessary but actually harmful, but in which, nevertheless, irrigation of some kind is urgently required in order to get full production in ordinary years and to save the crops in times of drought. For such tracts wells are a necessity. In other tracts... wells are of immense service in supplementing deficiencies in supply. In all such places the construction of wells should be liberally encouraged.\textsuperscript{11}

The Famine Inquiry Commission of 1945 has also observed that "Wells are a most important source of irrigation and if the area under irrigation is to expand to the full extent, a large increase in the numbers of wells is imperative."\textsuperscript{12}

\textsuperscript{11}The Indian Irrigation Commission of 1901-03, Report, p. 52.

\textsuperscript{12}The Famine Inquiry Commission of 1945, Final Report, p. 135.
1.3 **Need For Long Term Finance for Wells**

The construction of a well involves considerable capital outlay and there is little chance of an appreciable acceleration in the rate of construction of wells, unless funds in the way of loans and grants are provided by Government. The Irrigation Commission of 1901-03 expressed the opinion that the chief way in which Government can assist in extending well irrigation, is by liberal advances (takavi loans) under the Land Improvement Loans Act (XII of 1883). The Famine Inquiry Commission has also endorsed this view and also suggested an alternative procedure for advances to be made by Land Mortgage Banks.

In view of an urgent and important need of irrigational wells in Indian agriculture, as a result of realisation at various levels the need for increased agricultural production to meet the Country’s growing requirements of food products, long-term credit for new wells by Land Development Banks in the Country has gained momentum in recent years. While the Nation expects that the cultivator should bring out as much produce as possible from his

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13 Report on Minor Irrigation Works (Maharashtra State), Committee of Plan Projects (Irrigation Team), New Delhi, 1963, p. 39. (Cost of sinking of wells in the Deccan varies from Rs. 3000 to Rs. 5000, and normal total well is about 40 to 50 feet deep.


15 Ibid., p. 137.

16 The Government of Maharashtra has transferred the entire Taccavi business to Land Development Banks from 1962.
land, it also becomes the responsibility of the Nation as a whole to provide all the facilities including adequate and timely long-term credit, for construction of new wells at cheaper rate of interest, the farming community requires. The economic conditions of the farmers are such that they are not in a position to make capital investment on land from out of their own resources. The primary need is, therefore, to provide long-term credit to the farmer in such a way as to make the capital, thus, provided available to him for a duration long enough to enable repayment out of the income earned over the years. If on the other hand he is compelled to repay the loan early, and if the time of repayment happens to coincide with the period in which little credit would be available, the cultivator will have to face the problem of getting the loan renewed again and again; and exhorbitant rates of interest will be charged for this. Capital costs can, therefore, be recovered over a number of years.

17 The Reserve Bank of India, Preliminary Report, 1936, p. 14. The pressing need of the farmer is the provision of long-term credit and the same is not readily available to the farmer in most of the underdeveloped countries. This has been very emphatically stated by the Reserve Bank of India as early as 1936, in their note known as the Preliminary Report. The note states: "The long-term credit is more important and if any steps are to be taken to make the agriculturists creditworthy, this is the first problem which is to be tackled?"

18 Third Five Year Plan, Maharashtra State 1961, p.37. It was proposed to finance 64,000 new wells at a cost of Rs. 39.40 lakhs under the State Plan Outlay and Rs. 847.00

Contd./.
1.4 Genesis of Land Development Banks

Finding credit for the farmer suffers from three basic difficulties. Firstly, the return on investment is neither so high nor quick as in commerce and industry; secondly, the repayment has to be over a long period, and thirdly, the security offered is legally complex and difficult to realise. Agriculture is, therefore, totally excluded from the normal financial facilities available to commerce and industry. Hence, the legendary stranglehold which the moneylender had over the peasant. Where the security is uncertain, resources meagre and repayment slow, credit becomes costly. Instead of being an instrument for the peasant's prosperity, it was the instrument of his ruin.

The cultivators were often at the mercy of moneylenders and suffered heavily under the impact of natural calamities, a fact which did not escape notice of the then Indian rulers. This led to the system of Government advances as an ameliorative measure. In this connection, the Royal Commission on Agriculture observed: "In normal

lakhs outlay by Land Development Banks during the Third Five Year Plan.

19 M.G. Mehkri, Deputy Governor, Reserve Bank of India, Land Mortgage Banks, 1951, p. 1.


21 Dr. S. N. Ghosal, Agricultural Financing in India, 1963, p. 15.
times, the village money-lender seems to have met the
normal needs but in times of severe drought or widespread
calamity, his resources proved unequal to the strain upon
them and long before the British acquired control, the
rulers of the day were accustomed to grant loans to the
cultivators of the soil."  

The British Administrators continued the system of
making advances to agriculturists. In 1793, various regu-
lations were issued providing for advances by Government
to cultivators for agricultural purposes. These regula-
tions were followed by a series of enactments such as
Northern India Taccavi Act, 1879 and Land Improvement Act,
1871, which was amended by the Act of 1876. Ultimately
they were replaced by the Land Improvement Loans Act, 1883
and the Agriculturists' Loans Act, 1884. The Land Improve-
ment Loans Act empowered local Governments to issue loans
for the purpose of making any improvement on land, to any
person having a right to make that improvement. The Agri-
culturists Loans Act empowered State Governments to make
loans to owners and occupiers of arable land for the relief
of distress, purchase of seed, cattle or any other purpose
connected with agricultural objects but not specified in the
Land Improvement Loans Act. Thus, local Governments were
empowered by the two Acts to issue loans to cultivators for

22 The Royal Commission on Agriculture, 1928, p. 417.
all purposes of agriculture and relief of distress.

"In spite of the rapid growth of commerce and improvements in communication, the Committee on Taccavi Loans and Cooperative Credit observed: "in the latter half of the 19th century, the economic conditions of the peasants did not improve. Their indebtedness increased, usury was still rampant, agricultural methods did not change and the old unsatisfactory features of the backward rural economy seemed destined to remain." A few years later the Madras Government thought of introducing Cooperative Movement in India as an effective measure to improve the conditions of agriculturists and deputed Sir Frederick Nicholson to study the Cooperative Movement in foreign countries, who in 1895 reported that the future of rural credit lies with those who being of the people, live among the people and yet by their intelligence, prescience and energy are above the people. 

Following the inauguration of the Cooperative Movement in 1904, Credit Societies were encouraged to advance long-term loans along with short-term loans subject to certain limitations. It was, however, soon realised that this type


of mixed business had landed the societies into difficulties on account of the special features of long-term loans as given below:

1. The long-term loans are to be repaid over a period of more than five years. The deposits of cooperative societies and banks are for short periods. Thus, if the overdue installments are accumulated for a number of years, the resources of the cooperative banks would be locked up. It is, therefore, unsound to utilize the short-term funds of such institutions for long-term needs. The period of repayment of such loans should necessarily be linked up with the period of borrowings of the bank.

2. Long-term loans are advanced out of the funds raised by way of floating debentures for which Sinking Fund is required to be created unlike short or medium-term loans.

3. Long-term loans are advanced against the landed property. It is quite essential that the ownership rights and title to the lands are proved by verification of the records of rights, etc. Such technical job has to be carried through technically trained staff.

4. The inquiry into the processing of loan application viz. valuation of lands, arriving at the repaying capacity of the borrower, feasibility of the scheme of land improvement, etc. is a specialised job and has, therefore, to be entrusted

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to specially trained officers.

(5) The execution of important documents such as mortgage deeds, rent notes, etc. and their maintenance together with title deeds of lands, etc. cannot be entrusted to the secretary of the ordinary society.

(6) When defaults occur in the repayment of mortgage loans, the assets of the financing agency are frozen and the obtaining and execution of decrees for the recovery of overdue loans becomes an extremely difficult operation.

The above features of long-term loans being of specialised and technical nature, the long-term loans should necessarily be channelised through a separate agency. The question was examined at high level during the thirties. The Royal Commission on Agriculture states that a distinction between a long and short-term credit is made in the Acts which regulate the grant of loans by the State and they hoped that, in future, the cooperative movement will be able to separate the two types into land mortgage banks and village society business. The Bihar and Orissa Banking Enquiry Committee (1931) later reiterated this view by observing that "it would be most unsafe for the existing Central Cooperative Banks to take up this business since it would mean locking up a large part of their working capital in a few transactions. Consequently, if the work

26 The Royal Commission on Agriculture, 1928, p. 463.
is to be done at all, it will have to be done by a new agency. The raising of necessary funds and the management of the sinking fund could be adequately done by a central agency for the whole province, while the detailed work of examining applications for loans, testing the security offered and enforcing repayments require local knowledge." The Assam Banking Committee thought that "there would be a danger of mixing up long-term loans from the land mortgage banks with short-term loans from societies." At the same time there was a school of thought in favour of mixed banking, which was of the opinion that by channelising long as well as short-term loans through one and the same institution, the management expenses are much reduced than those in a specialised one. The sponsors of the mixed banking further advocated that in mixed banking, a bank can work economically with a smaller area of operation, and that smaller the area of operation, the closer the supervision over utilization and recovery of loan instalments. Apparently, this system seemed to be more useful and economical. With this principle some State Cooperative Banks started financing long-term loans through the district central and primary land mortgage banks with a separate department at the apex level. Similarly, wherever it was

27 The Bihar and Orissa Banking Enquiry Committee, 1939, p.
28 The Assam Banking Committee, Report
not possible to open separate primary land mortgage banks, they started advancing of such loans through district central cooperative banks only. The State Cooperative Banks were empowered to float debentures for collecting funds for the purpose. It was, however, later on noticed that all the technicalities which are required to be observed while advancing long-term loans, were not seen. This was because they had no staff specially trained for the purpose. At times, they were tempted to advance long-term loans out of their surplus funds of short-term deposits. This endangered them owing to the locking up of their short-term resources as the overdues percentage rose too high. On account of the fact that many of the technical requirements were not seen, a huge amount of the loans was defaulted and frozen and was, therefore, required to be written off. The banks suffered heavy losses in these transactions. The very principle that mixed banking can work more efficiently and economically, proved a failure.

The Bombay Provincial Cooperative Conference of 1914 was of the view that "immediate redemption of old debts on a large scale is impracticable. The need for starting separate land mortgage banks has become increasingly obvious in view of the special difficulties which confronted the

agencies mainly handling short-term credit but simultaneously interested in making long-term loans. The initiative to start the first land mortgage bank was, however, taken by Punjab State and the first land mortgage bank was started at Jhang in 1920.

At the same time discussions were being held to organise an independent channel to advance long-term loans in Bombay State. The Gujarat Divisional Cooperative Conference held in 1923 also favoured the proposal. A Committee was, therefore, appointed under the Chairmanship of Diwan Bahadur Malji to examine this question, which recommended formation of a separate agency for long-term loans. The Registrars' Conference held in 1926 passed with the concurrence of non-officials, comprehensive resolution for organisation of land mortgage banks on cooperative principles. After the Conference, Sir J.A. Madan, I.C.S., the then Registrar of Cooperative Societies, Bombay State submitted a scheme to Government for organisation of land mortgage banks and the same was approved in 1926 by Government and accordingly, three primary land mortgage banks were organised namely at Pachora, Broach and Bharvar in 1929 and the Bombay Provincial Cooperative Bank undertook financing them out of the funds raised by way of floating debentures guaranteed by Government. The primary

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30 The Bombay Provincial Cooperative Conference, 1914.
land mortgage banks were organised as per the recommendations of the Royal Commission on Agriculture\textsuperscript{32} and the Central Banking Enquiry Committee as follows\textsuperscript{33}:

(1) The Land Mortgage Banks should be organised on cooperative principles with a district as the area of operation.

(2) The loans shall be advanced for the purposes of (a) redemption of old debt, (b) land improvements and (c) purchase of land.

(3) Loans shall be granted by land mortgage banks upto an amount of 50\% of the value of the land offered as security.

(4) Only such loans should be granted as would be beneficial to the borrowers.

(5) The period of repayment of loans should be correlated to the repaying capacity and the purpose for which the loan is given.

(6) The maximum period should not be more than 20 years.

(7) Debentures should be issued by the Central Land Mortgage Banks to be guaranteed by Government for both principal and interest.

\textsuperscript{32} The Royal Commission on Agriculture, 1928, p.462.

(8) Government should provide management subsidy in the initial stages. Concessions viz. exemption from payment of stamp duty and registration fees should be granted.

(9) Powers for the closures and sale of lands without the intervention of the Court should be given to the primary banks.

(10) State Cooperative Banks should work as Central Land Mortgage Banks till separate Central Land Mortgage Banks are organised.

According to the then pattern in the Bombay State, the primary land mortgage banks were functioning without any profit margin in the rate of interest to be charged to the ultimate borrowers. The main source of their income was entrance fees, inquiry fees and interest earned on investments other than loan. They were allowed grants for meeting their deficits from the Bombay Provincial Cooperative Bank. The primaries could, therefore, never realise the necessity of strengthening their business. The goal of reducing the indebtedness of agriculturists, could not, therefore, be reached.\(^{34}\) At the same time agricultural depression set in, which had the effect of increasing the burden of agricultural indebtedness very

\(^{34}\) The Bombay State Cooperative Land Mortgage Bank, Ltd., Souvenir, 1965, p. 7.
considerably. The question was, therefore, discussed in the Round Table Conference in 1933 and a Committee was appointed by the Government to examine the question of development of land mortgage banking in the State for relief of agricultural indebtedness. The Committee under the Chairmanship of Shri K. L. Punjabi, Registrar, Cooperative Societies, Bombay State, observed that the burden of debt was becoming heavier due to high rate of interest on the one hand and low repaying capacity on the other hand. The Committee noticed that the Bombay Provincial Cooperative Bank would not be in a position to make available sufficient advances and unless and until such a machinery is established through which arrangements could be made to meet the long-term loans to be repaid in sizeable yearly instalments, the agriculturists would not be relieved from their indebtedness. The Committee made several recommendations amongst which the formation of primary land mortgage banks in all compact areas of the Province with stable agricultural conditions and the establishment of a central land mortgage bank to finance the primary banks from the funds to be raised mainly by issue of long-term debentures guaranteed by Government both in respect of principal and interest were the most

Important. A number of primary land mortgage banks, with a number of modifications in their constitution, management, etc. were formed and the Provincial Cooperative Land Mortgage Bank was registered on 7-12-1935.

The Madras and Mysore States Cooperative Land Development Banks were registered in 1929, followed by the Bombay and Orissa States Cooperative Land Development Banks in the thirties. During the forties no other State Cooperative Banks were organized due to decline in the land mortgage banking. In the fifties, the Gujarat, Kerala, Assam, Rajasthan, Punjab and West Bengal States Cooperative Land Development Banks were registered, followed by the Bihar, Uttar Pradesh, Pondichery, Himachal Pradesh, Madhya Pradesh, Andhra Pradesh and Jammu and Kashmir States Cooperative Land Development Banks during 1960 to 1962. At present, seventeen State Cooperative Land Development Banks are functioning in India. Table 1.1 reveals the progress made by the State Cooperative Land Development Banks since 1950-51.

The Owned Funds (Share Capital plus the Reserve Fund) of the State Cooperative Land Development Banks in India at the end of 1950-51 stood at Rs. 64.83 lakhs while the same at the end of 1965-66 stood at Rs. 1725.36 lakhs. The rise of Owned Funds was of the order of Rs. 1660.53 lakhs during the decade and a half. Debentures in circulation at the end of 1950-51, floated by the State
TABLE 1:1: SHOWING THE PROGRESS OF STATES COOPERATIVE
LAND DEVELOPMENT BANKS IN RESPECT OF OWNED
FUNDS, FRESH ADVANCES, RECOVERIES, OUT-
STANDINGS AND OVERTURNES

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1950-51</th>
<th>1960-61</th>
<th>1965-66</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of State Cooperative Land Development Banks</td>
<td>4</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Owned Funds (Share Capital + Reserve Fund)</td>
<td>Rs. 64.83</td>
<td>497.88</td>
<td>1725.36</td>
</tr>
<tr>
<td>Debentures in Circulation at the end of the year</td>
<td>Rs. 674.76</td>
<td>3652.90</td>
<td>13924.74</td>
</tr>
<tr>
<td>Fresh advances during the year</td>
<td>Rs. 132.92</td>
<td>1162.09</td>
<td>5582.12</td>
</tr>
<tr>
<td>Recoveries during the year</td>
<td>Rs. 45.69</td>
<td>303.23</td>
<td>1601.62</td>
</tr>
<tr>
<td>Outstandings at the end of the year</td>
<td>Rs. 597.77</td>
<td>3661.22</td>
<td>16320.54</td>
</tr>
<tr>
<td>Overdues</td>
<td>Rs. 0.88</td>
<td>121.92</td>
<td>334.81</td>
</tr>
</tbody>
</table>

Source: Cooperative Maharashtra, 1963, Land Development
Banking Bureau. Third Five Year Plan Resources
of the Movement by G.S. Joshi, Principal, National
Cooperative College and Research Centre, Poona.
Figures for 1965-66 were supplied by the Bombay
State Coop. Land Mortgage Bank.
Cooperative Land Development banks, which stood at Rs. 674.76 lakhs increased to Rs. 13924.74 lakhs at the end of 1965-66. Fresh advances made in 1950-51 were only of the order of Rs. 132.92 lakhs while the same made in 1965-66 stood at Rs. 5582.12 lakhs, indicating a remarkable progress in respect of fresh advances of the State Cooperative Land Development Banks after one decade and a half. The outstanding loans of these Banks with the Primary Land Development Banks and the individuals, which stood at Rs. 597.77 lakhs at the end of 1950-51, increased to Rs. 16320.54 lakhs at the end of 1965-66. The rise in outstanding loans was of the order of Rs.15,722.77 lakhs during the said period.

1.5 Progress of Long-term Finance for New Wells in India

The long-term loans advanced by the State Cooperative Land Development Banks for various purposes during the three years from 1963-64 to 1965-66 could be viewed from Table 1.2.

It would be seen that 93 percent of the loans advanced during 1965-66 were for productive purposes. Loans advanced for sinking of new wells and repairs to old wells were about one-third of the total loans advanced. They increased from Rs. 842.25 lakhs in 1963-64 to Rs. 1773.59 lakhs in 1965-66 i.e. more than doubled. The rise in the total
### TABLE 1.2: SHOWING PURPOSE-WISE CLASSIFICATION OF LOANS ADVANCED BY THE STATE COOPERATIVE LAND DEVELOPMENT BANKS DURING 1963-64 TO 1965-66

(Figures in brackets indicate percentages to the total loans)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of State Cooperative Land Development Banks</th>
<th>Construction of new wells (including repairs to old wells) Rs.</th>
<th>Rs.</th>
<th>Purchase of Agri. machinery, Tractors, pump-seto, oil engines, etc. Rs.</th>
<th>Rs.</th>
<th>Land Improvement purposes Rs.</th>
<th>Rs.</th>
<th>Debt redemption Rs.</th>
<th>Rs.</th>
<th>Purchase of land and tenancy rights Rs.</th>
<th>Rs.</th>
<th>Total Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963-64</td>
<td>17</td>
<td>842.25</td>
<td>(30.32)</td>
<td>829.94</td>
<td>(29.67)</td>
<td>786.19</td>
<td>(10.86)</td>
<td>302.22</td>
<td>(1.08)</td>
<td>17.55</td>
<td>(0.65)</td>
<td>2778.15</td>
</tr>
<tr>
<td>1964-65</td>
<td>17</td>
<td>1155.34</td>
<td>(30.67)</td>
<td>1130.81</td>
<td>(30.01)</td>
<td>999.00</td>
<td>(26.52)</td>
<td>457.14</td>
<td>(12.13)</td>
<td>25.31</td>
<td>(0.67)</td>
<td>3767.60</td>
</tr>
<tr>
<td>1965-66</td>
<td>17</td>
<td>1773.59</td>
<td>(33.75)</td>
<td>1579.33</td>
<td>(33.05)</td>
<td>1532.81</td>
<td>(29.17)</td>
<td>342.48</td>
<td>(6.52)</td>
<td>27.20</td>
<td>(5.11)</td>
<td>5255.41</td>
</tr>
</tbody>
</table>

Source: Supplied by the All-India Central Land Development Banks' Cooperative Union, Ltd., Hyderabad, Andhra Pradesh.
loans advanced was of the order of Rs. 2477.26 lakhs in 1965-66 over those of 1963-64. Loans advanced for redemption of old debts were about 6.52 percent of the total loans in 1965-66 as against 12.13 percent in the preceding year.

The total loans advanced by the State Cooperative Land Development Banks and of which loans advanced for sinking of new wells and repairs to old wells* during the years 1963-64, 1964-65 and 1965-66 are given in Table 1.3.

The total loans advanced by the Bombay (Maharashtra) State Cooperative Land Development Bank in 1963-64 and 1964-65 were more than one-third of the total loans advanced by all the State Cooperative Land Development Banks in India; while in 1965-66, they were less than one-third. The Bombay State and the Andhra Pradesh Cooperative Land Development Banks alone constituted about 50 percent of the total loans in 1965-66. The Andhra Pradesh Central Cooperative Land Development Bank made a remarkable progress in advancing loans to the tune of Rs. 1,122 lakhs in 1965-66 as against Rs. 446 lakhs in the preceding year. The Uttar Pradesh Central Cooperative Land Development Bank also made a good progress whose advances increased to Rs. 461 lakhs in 1965-66 from Rs. 126 lakhs in 1964-65. The

* The figures of loans advanced for sinking of new wells and for repairs to old wells were not separately available as they were classified under one head being identical purposes.
<table>
<thead>
<tr>
<th>Name of the State Cooperative Land Development Bank</th>
<th>1963-64</th>
<th>1964-65</th>
<th>1965-66</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total loans advanced</td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>Of which for sinking of new wells and repairs to old wells</td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>Percent of total loans</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Percent of total loans</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of the State Cooperative Land Development Bank</th>
<th>1963-64</th>
<th>1964-65</th>
<th>1965-66</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>2778.15</td>
<td>3297.90</td>
<td>1773.69</td>
</tr>
<tr>
<td>% Maharaṇī Coop. Land Development Bank</td>
<td>1.09</td>
<td>1.09</td>
<td>1.09</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source: Supplied by the All-India Central Land Development Bank Union, Ltd., Hyderabad, Andhra Pradesh.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra State Cooperative Land Development Bank.</td>
</tr>
</tbody>
</table>
Gujarat State Cooperative Land Development Bank which was second to the Bombay State Cooperative Land Development Bank in respect of total advances in 1963-64 and 1964-65 stood third in 1965-66.

About 50 percent of the total loans advanced by the Bombay State Cooperative Land Development Bank were for the sinking of new wells and repairs to old wells. Jammu and Kashmir State Cooperative Land Development Bank advanced loans for the sinking of new wells and repairs to old wells to the extent of 84 percent of the total loans advanced. The Uttar Pradesh Cooperative Land Development Bank also made 77 percent loans for wells in 1965-66.

Out of the total loans of Rs. 2,778 lakhs advanced by the State Cooperative Land Development Banks in 1963-64, Rs. 342 lakhs i.e. 30 percent were for wells, and in 1965-66, out of Rs. 5,255 lakhs, Rs. 1,774 lakhs were advanced for wells i.e. one-third of the total advances.

1.6 Progress of Long-Term Finance in Maharashtra State

Insipite of the rise in the number of primary land mortgage banks in the State, which stood at 13 as on 30-6-1939, they could not meet the long-term requirements of agriculturists substantially. During the period of 10 years ending 1939, loans to the extent of Rs. 21.34 lakhs could only be advanced. These loans were advanced exclusively
for redemption of debts. In this behalf, the Reserve Bank of India in its statutory report of 1937 observed:

"Our investigations into the working of the land mortgage banks in India reveal that in liquidation of old debts to which they are, at present, devoting their almost exclusive attention, they are running the risk of falling into the same error which was committed by Cooperative Credit Societies in the past, and which is, to a large extent, responsible for the present plight of the movement, and that there is a danger of land mortgage banks finding themselves ultimately in the same position as some of the banks with their assets frozen. A cultivator who is habitually running into debt cannot be saved merely by the grant of longer instalments with lower rates of interest. He must be trained and disciplined in the use of money and if he is living on a deficit economy, attempts must be made to increase his margin. Taking up debtors without any previous knowledge and looking only to the security offered by them, can hardly be said to have any cooperative element in it. The security of land, as has been demonstrated more than once, proves more an embarrassment than an asset when it has to be realised on a large-scale so that even a land mortgage bank must look more to the repaying capacity of the debtor than to the mere value of his assets."^36

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The process of debt relief through land mortgage banks was deemed to be inadequate as the agricultural depression which set in the early 'thirties' showed no signs of dying out. The Bombay Agricultural Debtors Relief Act was, therefore, enacted for providing relief to agriculturists who were carrying heavy debts. The Act provided compulsory scaling down and adjustment of debts of agriculturists, who were not free to alienate or mortgage their lands or crops until the adjusted debts were cleared. The immediate effect of this legislation was the considerable curtailment of the land mortgage banks' business which till 1958 consisted mainly of grant of loans for redemption of old debts. In 1942 the prices of all the commodities witnessed a sharp rise. With the increase in the prices of agricultural produce, there was also an increase in the value of lands and hence by sale of a portion of their lands, they could repay their entire debts. This led to the decline in the volume of business of land mortgage banks. The other reason which adversely affected the working of the land mortgage banks was that the Government started providing long-term loans for the purposes of land improvement in accordance with the 'Grow More Food' Campaign.

Ideas were taking shape to consider the undertaking of financing for land improvement purposes. The State Cooperative Land Mortgage Bank, therefore, appointed Land
Improvement Loans Sub-Committee, on the recommendations of which the Bank submitted the scheme to Government to enable it to grant loans for land improvement purposes. While approving the scheme, Government also agreed to subsidise the Bank, for taking over financing of land improvement schemes, to the extent of the difference between the economic lending rate of the Bank and the rate of interest of Government on such loans. Under this scheme the Bank started advancing loans at 3 1/4 percent for wells and 5 1/2 percent for bunding and purchase of agricultural machinery.

The decade 1956-57 to 1965-66 is momentous in the history of the land mortgage banking in the State as it witnessed a very bold step taken by the Bank in undertaking financing Taccavi loans. The Committee of Direction, appointed by the Reserve Bank of India to undertake Rural Credit Survey observed: "In practice, Taccavi is apt to be little else than the ill-performed disbursement of inadequate moneys by an ill-suited agency. It would not be far from truth to say that the record of Taccavi is the record of inadequacies. These may be considered in their different aspects which are (i) inadequacy of amount, inequality of distributions and inappropriateness of basis of security, (ii) inconvenience of timings, incidental delays and impositions of various kinds on the borrower and (iii) inefficiency of supervision and incompleteness of co-
By this time, the Bank had already laid emphasis on advancing of loans for productive purposes. During 1957-58, about 65% of the total loans were advanced for productive purposes. Simultaneously Government was also thinking of channelling Taccavi finance through the Land Mortgage Banks. Government had sanctioned a scheme of construction of 35,000 new wells and 28,000 old wells during the remaining period of 3 1/2 years of the 2nd Five Year Plan and for this purpose allotted a target of Rs. 112.99 lakhs for undertaking construction of 1979 new wells and repairs to about 4,000 old wells during 1957-58. The response was so encouraging that the Government decided to continue and to implement the scheme through the Bombay State Cooperative Land Mortgage Bank. The scheme was approved by the Government of Bombay under their resolution No. W&L,1058-L dated 20-11-1958.

The salient features of the scheme were as under:

The maximum limits which the Land Mortgage Banks may advance loans will be Rs. 2500/- (subsequently raised to Rs. 4000/-) in the case of new wells. The loan will be repayable in 10 annual instalments at the rate of interest of 4 1/2 percent. A subsidy at the rate of 25 percent of the total cost of the well subject to a maximum of Rs. 500/- per well and in the case of Backward Class cultivators

30 percent of the cost (subject to a maximum of Rs. 600/- per well) will be payable by way of remission on the usual condition that the well should be constructed within two working seasons from the payment of first instalment of the loan and that the borrower should grow food crops in at least 2/3 of the area under command of the well water for a period of three consecutive years. The lands offered as security shall be valued at 180 times of the assessment of the land. In addition to the valuation arrived at as stated above, full cost of the improvement should be added to such valuation if the assessment of the land offered as security is less than Rs. 1.50 per acre and half the cost of improvement should be added if the assessment is more than Rs. 1.50 per acre. The amount of loan sanctioned shall not exceed fifty percent of the total valuation arrived at as above. The scheme was kept under the direct control of the Director of Agriculture, Government agreed to subsidise the Bank to the extent of the difference between the economic lending rate of the Bank i.e. 7 1/4 percent and the concessional lending rate of Government i.e. 4 1/2 percent."

By implementing this scheme, the Bank could disburse loans for sinking of new wells to the extent of about Rs. one crore during the Cooperative Year 1959-60.

With a view to implement the above scheme, Government also sanctioned the scheme of grant of subsidy to uneconomic
branches of Land Mortgage Banks for expansion of agricultural credit. The scheme contemplated opening of new branches by Primary Land Mortgage Banks and also the Apex Land Mortgage Bank, under which Government proposed to sanction subsidy equal to 50 percent of the expenditure actually incurred on staff, establishment, and other expenses subject to a maximum of Rs. 3000/- per year to each branch for a period of three years.

With a view to achieving expeditious disposal of loan applications, the Primaries were delegated with powers of sanction of loans to agriculturists up to a financial limit of Rs. 4000/- in each case.

One of the chief drawbacks which accounted for the slow growth of the land mortgage banking movement in the State was the considerable delay in sanctioning loans. That was mainly because of the considerable time required for examining the titles of intending borrowers to the lands offered as security. Long-term loans are now required mainly for undertaking development works and it is essential that these loans are disbursed in time. If, therefore, the land mortgage banks, now called as land development banks, to emphasise their new creative role, are to play their role effectively as suppliers of long-term credit to the farmers, it is necessary both to eliminate procedural delay in their working and also to give maximum security for the loans advanced by them. With a view to achieving
these objects, a separate chapter on land mortgage banks had been introduced in the Maharashtra Cooperative Societies Act, 1960. The specific provisions in the Act constitute an important landmark in the growth of land mortgage banking in the State. The old Bombay Cooperative Societies Act, 1925 did not contain any specific provisions in regard to the working of land mortgage banks except Section 59B for recovery of defaulted instalments of land mortgage banks. The other features of their working were governed by their byelaws and the provisions in the Act relating to Cooperative Societies in general.

The Act has come into force from 26-1-1962. The Act made an important departure in the nomenclature of these banks by changing the name from land mortgage banks to land development banks. This emphasises the modern conception of their scope and activities and the role which they have to play in the development of the agricultural economy of the country as a whole. The land mortgage banks were started in the State with the main object of reducing the indebtedness of the agriculturists. Gradually, however, it was realized that they can play an important role in increasing agricultural production by granting loans for productive purposes. Such types of loans if, at all, they are to serve their purpose should be paid to the borrowers as and when required.

Now under the new Act the statutory inquiry (called
Public Inquiry) provides for inviting objections from the parties interested in the lands which are proposed to be offered as security by the Public Inquiry Officer who has to conduct a summary inquiry into the objections if any, received to the loan and make an order in writing either upholding or rejecting the objections. The Rules further provide that if any interested party does not come forward with his objections before the Public Inquiry Officer on the fixed date, his claim if any on the land shall be postponed till after the loan granted to the borrower is paid in full. The Act has also prescribed a time limit of four months within which the loan applications should be disposed of.

The second important reason which used to cause delay in disbursement of loans was the execution of mortgage deed in the presence of the registering officer after which only loans were disbursed. Now, according to the new provisions of the Act, it is not necessary to register the mortgage deed executed in favour of the land development bank by the borrowers. It is sufficient if a copy of the mortgage deed executed is sent to the registering officer for record.

The interests of the land development banks have also been protected in as much as Section 120 of the Act provides that a mortgage executed in favour of a land development bank, shall have priority over the claim of the Government in respect of any loan granted after the mortgage. Section
48 of the new Act has also been amended as to provide priority to the previous loans granted by the land development banks over the loans given by cooperative societies for production of crops.

The new Act further includes provisions for facilitating speedy recovery of the dues of the land development banks, amongst which mention can be made of sale of the mortgage property without the intervention of the court.

Thus, while the provisions of sections 118 and 122 have helped to cut down substantially the delay involved in scrutinising titles, encumbrances, etc. and in registration of mortgages, the provisions of the remaining sections have offered sufficient inducements to land development banks to adopt bolder lending policies.

In 1958, Government allowed the Bank to undertake the financing of taccavi loans for construction of wells and purchase of oil engines, on the basis of the formula for valuation of lands stated earlier. In 1962, Government revised the formula in the light of the steep rise in the commodity prices and the prices of lands, under their resolution No. WEL-1961/33485-(iv)-F. dated 24-11-1962. According to the revised formula, the lands are, at present, valued at 300 times the assessment subject to a minimum of Rs. 300/- per acre. The full cost of the proposed improvement is added to the valuation so arrived at and loan can be sanctioned to the extent of 50 percent of the total valuation.
In the meanwhile the question of complete transfer of the function of financing under Taccavi schemes to the Bank was under active consideration of the Government of Maharashtra. Looking to the achievements of the Bank in advancing loans for wells and oil engines to the extent of Rs. 1.70 crores in 8721 cases during 1959-60 and Rs. 2.05 crores in 10,026 cases during 1960-61, the Government thought, the bank (and its auxiliaries - primary and land development banks) was the most suitable agency for channelizing Taccavi loans. Accordingly, Government accepted land development banks as the institutional agency for advancing long-term loans for productive purposes of construction of new wells, purchase of oil engines, etc. under Government Resolution No. WEL-1062/F dated 28-12-1962. While its other salient features remained the same as those of the previous scheme which was undertaken by the Bank in 1959; this scheme contained the detailed procedure for speedy disposal of loan applications as laid down in the Maharashtra Cooperative Societies Act, 1960. After introducing this scheme, Government of Maharashtra has completely stopped issuing Taccavi loans for land improvement purposes and are utilizing the land development banking organisation as the sole agency for long-term credit with a great deal of success. The Bank could further attract sizeable business on account of the outstanding advantages of the scheme viz. concessional rate of interest at 4 1/2 percent, 25 percent subsidy in the loan amount itself, easy instalments,
and relatively quick payment of loans. The Government of Maharashtra are subsidising the Bank to the extent of 3 1/2 percent being the difference between the concessional lending rate of 4 1/2 percent and the normal economic lending rate of the Bank. With these services, it has been possible for the Bank to make good progress in respect of advancing long-term loans in the State in recent years as could be seen from Table 1.4.

The paid-up share capital of the Apex Mortgage Bank has substantially increased from Rs. 50.40 lakhs in 1960-61 to Rs. 372.30 lakhs in 1965-66 i.e. more than seven times during the six years. There has also been remarkable increase in the loans advanced. Loans advanced to Primary Land Development Banks during 1965-66 stood at Rs. 1520.36 lakhs as against Rs. 214.61 in 1960-61, showing the progress by more than seven times over a period of six years. Debentures floated to raise funds to meet the requirements of loaning programmes have also considerably increased i.e. from Rs. 536.31 lakhs in 1960-61 to Rs. 4996.12 lakhs (debentures in circulation) at the end of 1965-66. The percentage of recovery to demand (for recovery) from primary land mortgage banks shows an improving tendency till 1964-65 but in 1965-66, it has declined. There has also been a spectacular rise in the net profit of the Bank. Net profit that was Rs. 0.52 lakh in 1960-61 has gone upto Rs. 23.53 lakhs in 1965-66. Loans outstanding at the end
### Table 1.4: Showing Progress of the Maharashtra State Cooperative Land Development Bank in Paid-Up Share Capital, Loans Advanced, Debentures Floated, Loans Outstanding, Total Demand and Recovery and Net Profit During 1960-61 to 1965-66

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Paid-up share capital Rs.</th>
<th>Loans advanced during the year Rs.</th>
<th>Loans outstanding at the end of the year Rs.</th>
<th>Debentures floated during the year Rs.</th>
<th>Debentures in circulation at the end of the year Rs.</th>
<th>Total demand for recovery Rs.</th>
<th>Total recovery Rs.</th>
<th>Percentage of demand to recovery %</th>
<th>Net Profit Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>50.80</td>
<td>214.61</td>
<td>578.06</td>
<td>250.00</td>
<td>536.31</td>
<td>81.96</td>
<td>58.15</td>
<td>70.95</td>
<td>0.52</td>
</tr>
<tr>
<td>1961-62</td>
<td>75.38</td>
<td>300.85</td>
<td>821.59</td>
<td>200.00</td>
<td>736.31</td>
<td>107.41</td>
<td>75.63</td>
<td>70.41</td>
<td>2.37</td>
</tr>
<tr>
<td>1962-63</td>
<td>116.73</td>
<td>865.10</td>
<td>1583.44</td>
<td>605.00</td>
<td>1365.15</td>
<td>162.07</td>
<td>131.70</td>
<td>81.26</td>
<td>4.59</td>
</tr>
<tr>
<td>1963-64</td>
<td>119.90</td>
<td>984.44</td>
<td>2395.97</td>
<td>1044.50</td>
<td>2382.55</td>
<td>271.77</td>
<td>221.88</td>
<td>81.44</td>
<td>12.98</td>
</tr>
<tr>
<td>1964-65</td>
<td>293.96</td>
<td>1349.40</td>
<td>3654.82</td>
<td>781.50</td>
<td>3160.81</td>
<td>421.99</td>
<td>368.98</td>
<td>87.44</td>
<td>23.80</td>
</tr>
<tr>
<td>1965-66</td>
<td>372.30</td>
<td>1520.36</td>
<td>4605.84</td>
<td>1848.00</td>
<td>4996.12</td>
<td>605.87</td>
<td>480.85</td>
<td>79.70</td>
<td>23.53</td>
</tr>
</tbody>
</table>

Source: Annual Reports of the Bombay (Maharashtra) State Cooperative Land Mortgage Bank.
of 1960-61, at Rs. 578.06 lakhs have risen to Rs. 605.84 lakhs at the close of 1965-66. On the whole, the Apex Land Mortgage Bank's progress during the six years from 1960-61 onwards has been quite remarkable.

1.7 Progress of Long-Term Finance for New Wells in Maharashtra State

Table 1.5 gives the purposewise classification of loans advanced by the Maharashtra State Cooperative Land Development Bank to the Primary Land Development Banks during the six years from 1960-61 to 1965-66.

It will be seen that the Maharashtra State Cooperative Land Development Bank has discontinued to advance loans for redemption of old debts since 1964-65; and those advanced for this purpose during 1960-61 to 1963-64 were negligible when compared to the total loan advances. The Bank has been advancing loans purely for productive purposes. The amount of loan advanced to the Primary Land Development Banks for sinking of new wells in 1965-66 stood at Rs. 705.30 lakhs as against Rs. 102.80 lakhs in 1960-61, i.e. the loan advances for this purpose have increased to the extent of seven times in 1965-66 of those in 1960-61. The same case is in respect of oil engines and electric motors and there has also been substantial increase in respect of loans advanced for repairs to old wells, purchase of tractors, land improvement and purchase of lands.


<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking of new wells Rs.</th>
<th>Repairs to old wells Rs.</th>
<th>Purchase of oil engines and electric motors Rs.</th>
<th>Purchase of tractors Rs.</th>
<th>Land Improvement Rs.</th>
<th>Purchase of land Rs.</th>
<th>Redemption of old debts Rs.</th>
<th>Total Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>102.80</td>
<td>13.25</td>
<td>88.61</td>
<td>-</td>
<td>4.28</td>
<td>1.05</td>
<td>4.62</td>
<td>214.61</td>
</tr>
<tr>
<td>1961-62</td>
<td>175.63</td>
<td>8.31</td>
<td>104.61</td>
<td>-</td>
<td>9.51</td>
<td>0.90</td>
<td>1.89</td>
<td>300.85</td>
</tr>
<tr>
<td>1962-63</td>
<td>481.73</td>
<td>64.88</td>
<td>202.63</td>
<td>-</td>
<td>35.26</td>
<td>0.19</td>
<td>0.41</td>
<td>665.10</td>
</tr>
<tr>
<td>1963-64</td>
<td>423.98</td>
<td>50.63</td>
<td>442.48</td>
<td>5.06</td>
<td>61.98</td>
<td>0.29</td>
<td>0.02</td>
<td>984.44</td>
</tr>
<tr>
<td>1964-65</td>
<td>652.28</td>
<td>64.20</td>
<td>544.00</td>
<td>38.00</td>
<td>49.00</td>
<td>1.92</td>
<td>-</td>
<td>1349.40</td>
</tr>
<tr>
<td>1965-66</td>
<td>705.30</td>
<td>60.71</td>
<td>606.53</td>
<td>51.56</td>
<td>91.00</td>
<td>5.26</td>
<td>-</td>
<td>1520.36</td>
</tr>
</tbody>
</table>

**Total** | 2541.72 | 261.98 | 2068.86 | 94.62 | 251.03 | 9.61 | 6.94 | 5234.76 |

| Percent of the total | 48.56 | 5.00 | 39.52 | 1.81 | 4.80 | 0.18 | 0.13 | 100.00 |

Source: Annual Reports of the Maharashtra State Cooperative Land Development Bank.
Of the total advances made by the Maharashtra State Cooperative Land Development Bank to the primary land development banks in the state during the period of 6 years from 1960-61 to 1965-66, loans advanced for sinking of new wells accounted for 43.56 percent, and those for purchase of oil engines and electric motors constitute 39.52 percent, together they form 83.08 percent; while loans advanced for repairs to the old wells and for land improvement were 5 percent and 4.80 percent respectively. It is evident that the loan advanced for sinking of new wells forms the major portion of the total loans advanced in the Maharashtra State.

Table 1.6 gives the total loans advanced by the primary cooperative land development banks in the Maharashtra State and of which loans advanced for sinking of new wells during the year 1960-67.

The Aurangabad District Cooperative Land Development Bank advanced the largest quantum of loans i.e. Rs. 124 lakhs in 1966-67, closely followed by the Ahmednagar District Cooperative Land Development Bank i.e. Rs. 122 lakhs; the lowest quantum of loans was advanced by the Ratnagiri District Cooperative Land Development Bank i.e. Rs. 1.86 lakhs.

Out of the total loans advanced by the Aurangabad and the Ahmednagar District Cooperative Land Development Banks in 1966-67, loans advanced for sinking of new wells
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Primary Bank</th>
<th>Total loans advanced (Rs.)</th>
<th>Of which for sinking of new wells (Rs.)</th>
<th>Percent of total loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aurangabad</td>
<td>123.89</td>
<td>76.10</td>
<td>61.43</td>
</tr>
<tr>
<td>2</td>
<td>Ahmednagar</td>
<td>121.53</td>
<td>74.76</td>
<td>61.53</td>
</tr>
<tr>
<td>3</td>
<td>Sangli</td>
<td>100.54</td>
<td>39.59</td>
<td>39.36</td>
</tr>
<tr>
<td>4</td>
<td>Poona</td>
<td>98.23</td>
<td>62.04</td>
<td>63.16</td>
</tr>
<tr>
<td>5</td>
<td>Nasik</td>
<td>90.00</td>
<td>53.45</td>
<td>59.45</td>
</tr>
<tr>
<td>6</td>
<td>Kolhapur</td>
<td>88.24</td>
<td>51.71</td>
<td>58.54</td>
</tr>
<tr>
<td>7</td>
<td>Jalgaon</td>
<td>86.89</td>
<td>50.01</td>
<td>57.55</td>
</tr>
<tr>
<td>8</td>
<td>Kolhapur</td>
<td>83.64</td>
<td>21.33</td>
<td>25.56</td>
</tr>
<tr>
<td>9</td>
<td>Satara</td>
<td>77.73</td>
<td>26.55</td>
<td>24.16</td>
</tr>
<tr>
<td>10</td>
<td>Dauli</td>
<td>71.65</td>
<td>33.68</td>
<td>46.82</td>
</tr>
<tr>
<td>11</td>
<td>Akola</td>
<td>70.31</td>
<td>47.65</td>
<td>67.77</td>
</tr>
<tr>
<td>12</td>
<td>Amraoti</td>
<td>61.46</td>
<td>40.16</td>
<td>65.43</td>
</tr>
<tr>
<td>13</td>
<td>Yeotmal</td>
<td>52.72</td>
<td>32.66</td>
<td>61.95</td>
</tr>
<tr>
<td>14</td>
<td>Mir</td>
<td>51.23</td>
<td>23.94</td>
<td>46.73</td>
</tr>
<tr>
<td>15</td>
<td>Nagpur</td>
<td>49.18</td>
<td>31.02</td>
<td>63.07</td>
</tr>
<tr>
<td>16</td>
<td>Wardha</td>
<td>33.25</td>
<td>20.35</td>
<td>61.20</td>
</tr>
<tr>
<td>17</td>
<td>Udgaon</td>
<td>31.63</td>
<td>22.71</td>
<td>71.60</td>
</tr>
<tr>
<td>18</td>
<td>Osmanabad</td>
<td>31.34</td>
<td>16.87</td>
<td>53.83</td>
</tr>
<tr>
<td>19</td>
<td>Parbhani</td>
<td>30.78</td>
<td>16.43</td>
<td>53.38</td>
</tr>
<tr>
<td>20</td>
<td>Chausa</td>
<td>24.95</td>
<td>18.03</td>
<td>74.97</td>
</tr>
<tr>
<td>21</td>
<td>Buldhana</td>
<td>21.64</td>
<td>8.22</td>
<td>37.99</td>
</tr>
<tr>
<td>22</td>
<td>Chandrapur</td>
<td>20.58</td>
<td>12.81</td>
<td>62.24</td>
</tr>
<tr>
<td>23</td>
<td>Nanded</td>
<td>19.91</td>
<td>8.24</td>
<td>41.39</td>
</tr>
<tr>
<td>24</td>
<td>Kolaba</td>
<td>14.34</td>
<td>3.91</td>
<td>27.27</td>
</tr>
<tr>
<td>25</td>
<td>Thana</td>
<td>4.93</td>
<td>2.58</td>
<td>52.33</td>
</tr>
<tr>
<td>26</td>
<td>Ratnapuri</td>
<td>1.86</td>
<td>0.34</td>
<td>18.28</td>
</tr>
<tr>
<td></td>
<td><strong>Total of all Banks</strong></td>
<td><strong>1466.70</strong></td>
<td><strong>795.16</strong></td>
<td><strong>54.21</strong></td>
</tr>
</tbody>
</table>

Source: Supplied by the Maharashtra State Cooperative Land Development Bank, Bombay.

(Udgir town is in the Osmanabad District.)
were of the order of Rs. 76 lakhs and 75 lakhs i.e. 61.43 percent and 61.53 percent respectively.

Out of 26 Primary Land Development Banks, 17 advanced loans for sinking of new wells more than 50 percent of their total loans advanced in 1966-67.

Out of the total loans of Rs. 1466.70 lakhs in 1966-67, an amount of Rs. 795.16 lakhs was advanced for sinking of new wells, working out to 54.21 percent.

1.8 Object of Present Study

The land mortgage banks, as they were then called, came into existence for fulfilling a social purpose. Their main objective from the very beginning was to promote the development of agriculture and, thus, bring about an increase in agricultural production.

The loaning operation pursued by the banks over a period of years and other favourable circumstances made a pronounced impact on the indebtedness of the agriculturists and they were gradually being freed from the burden of debts. After this initial hurdle was, thus, crossed, the land mortgage banks, now, called land development banks, have now addressed themselves to their real objective viz. development of agriculture and increase in agricultural production. The loans granted by them are now more and more for productive purposes such as sinking of wells, installation of pump-sets for lifting of water, purchase of tractors and other allied agricultural implements,
bunding, construction of farm houses, etc. The percentage of productive loans is as high as 98% in respect of some of the states.

Land Development Banks are thus now playing a very significant role in the agricultural economy of the country by enabling the agriculturists to undertake capital investment on the land for increasing its productivity in the context of the present national food crisis. Because of this role which the banks are fulfilling, they are receiving great encouragement and substantial support from the State and Central Governments, Planning Commission, Reserve Bank of India and various institutional agencies.

In this context, it would be instructive to undertake evaluation of the loans which are being granted by them. With this objective in view, a problem on the "Utilization of long-term finance for new wells made by the Ahmednagar District Cooperative Land Development Bank, Ltd., Ahmednagar, in its famine liable Talukas, especially Ahmednagar, Parner, Shrigonda, Karjat and Jamkhed Talukas" is taken up for investigation for the thesis. The scope of inquiry is restricted only to the loans issued for new wells since the inception of the Bank in 1961 till June 1966, and only to the above referred to five famine liable

talukas where there is an obvious need for wells to ensure the agricultural crops against the failure of monsoons.

The field of inquiry will cover the following main points:

(i) Adequacy of loans for new wells.
(ii) Extent of utilization and misutilization of loans.
(iii) The increased return to the cultivator from irrigation from additional income from farm products.
(iv) Period of repayment of loan from the increased return.
(v) Defects in the loaning policies and practices.

1.9 Significance of Present Study

Evaluation of long-term finance for wells will serve important purposes. In the first place, it will be possible to have concrete facts and figures which will demonstrate the extent to which the land development banks are helping agricultural production. And, secondly, the loaning policies and practices being pursued, can be reviewed and made more effective in the light of observations. In view of these advantages, evaluation of loans granted, would prove to be very valuable. A project of such evaluation is, thus, valuable in the present circumstances.