Chapter - 3

Review of Literature

Introduction

3.1 Major and Important Review of Literature

3.1.1 Reports of Various Committees on Agricultural Credit

3.1.2 Research Papers, Articles and Lectures

3.1.3 Doctoral Thesis

3.1.4 Book Review

Summary
Introduction

Agricultural growth has a multi-faceted dimension which involves a change in structure of production, allocation of resources, changes in process of production, changes in cropping pattern etc. which is not possible without affordable and sufficient credit. Indian farmers have no sufficient income to undertake modern farm activities which resulted in technological backwardness and low rate of income. Hence, a famous economist, Ragnar Nurkse described the vicious circle of low income. He stated that low income leads to, low saving. Afterwards low saving results in low investment. And finally, low investment causes decline in income. This vicious circle of poverty can be rightly applied to Indian farmers. To break this vicious circle guaranteed supply of agricultural credit is of increasing importance.

Agriculture is the foundation of the Indian economy. Hence, development of this sector is essential for placing the economy on a sound footing. Indian agriculture helps to satisfy three basic needs viz. food, shelter and clothing. So, wide application of new technologies is essential for boosting up the yield per acre. The response of farmers to new technology is considered as a function of the availability of financial resources. Therefore, a shortage of finance has been identified as the major constraint in case of marginal farmers and small farmers in adopting the new methods of cultivation. Agriculture has been always the backbone of the Indian economy. It still occupies a place of pride. Although, since the acceptance of the New Economic Policy, the share of agricultural sector in the Gross Domestic Product is continuously declining but agriculture still provides employment to 66 per cent of total work force. The need of further strengthening of formal credit arises due to the deficient supply of credit to farmers by informal agencies. In 1950, institutional sources met no more than three percent credit requirements of the farmers but today due to the progressive institutionalization of farm credit, 70 percent need of the short term production credit is fulfilled by the institutional sources. The expansive progress of the Indian economy especially depends on the rapid growth of agriculture sector. Today, mounting inflationary pressure on the economy has created the necessity of more speedy growth in agriculture. It has also felt an urgent need for formulating and implementing the suitable credit policies for the growth of agriculture sector.

A review of literature includes the extensive survey of literature. The availability literature depends upon the secondary sources of information. It is written by somebody else and includes reference books, research papers, speeches of eminent
persons, previous Ph.D. thesis etc. Current knowledge, findings, suggestions as well as hypothetical assistance to a particular topic are surveyed from such literature. Although, it does not show any new or original experimental work but it helps the researcher for avoiding duplication. Its main aim is to fit the current study to the given context of research. The collection of information as a secondary data related to the research is essential for the research. So, literature review is called a readymade and comprehensive knowledge of a particular topic that provides a solid background for a research topic.

In this chapter a review of available literature has been done for obtaining a perception on the current study. In this chapter, the review of literature is presented in four sections. In the first section, the review the reports of various committees formed by the Central Government, RBI and NABARD on agricultural credit are made in detail. The second section deals with a review of research papers, articles and speeches. This review helped in obtaining recent knowledge of the topic selected. Further, the third section is devoted to the thesis submitted for doctoral degree. This section made the researcher familiar to the objectives, hypothesis, methodology, findings and suggestions. He learned how to avoid duplication while writing his thesis. The fourth and last section of this topic consists of other literature review especially related to the reference books selected.

3.1. Major and Important Reviews of Literature-

Literature that reviewed is classified as under

3.1.1. Reports of Various Committees of Agricultural Credit:

**Agricultural Finance Sub-Committee (1945)** – The Chairman Prof. D.R. Gadgil, in his report, stated that the increase of co-operation itself would provide the best and more permanent answer for problems of rural economy and agricultural credit. But, it was considered that it would not be possible for the co-operative institutions to supply the credit for satisfying the whole credit requirements of the farmers. Therefore, the committee recommended extending the state aid in a larger amount, so that these co-operatives could provide better credit facilities. While examining the role of non-institutional sources, he stated that money lenders, land lords, traders and commission agents usually adopt various objectionable practices while supplying credit to farmers. Money lenders act as a serious drag on agricultural development instead of contributing to the development of agriculture.

48
Co-operative Planning Committee (1945) – This committee was formed under the Chairman R.G.Saraiya in 1945. This committee recommended that the primary agricultural co-operatives should be converted into multi-purpose societies and efforts should be made for bringing 30 per cent of the rural population and 50 per cent of villages within the domain of the these societies within a period of 10 years, The Committee further suggested that the Reserve Bank of India should provide greater financial assistance to co-operatives.

All India Rural Credit Survey Committee (1954) - In its report, the committee commented that money lenders have not only an opportunity of grabbing wealth mainly through the financial benefits, but acquiring grip over the life of the peasants. This committee further concluded that the co-operative movement had been proved most useful in achieving social justice, equality and healthy competition in all the member citizens. After examining the whole issue of rural credit, the committee remarked that there was no real alternative to the co-operative form of association in the village for the promotion of agricultural credit and development. Therefore this committee, strongly advocated that although co-operation has remained unsuccessful but it must be successful. On the recommendations of this committee, RBI took a series of measures to strengthen the co-operative movement.

Law Committee (1956) –This Committee was formed by the Government of India, under the Chairmanship of S.T.Raja for giving suggestions to simplify and liberalize the provisions in co-operative laws and procedures. The committee submitted its report in 1957. This committee prepared and forwarded a draft bill to all the State Governments for giving suggestions regarding simplifying and liberalizing the provisions in co-operative laws and procedures suitable to their local conditions. As a result, many state governments modified the co-operative laws.

Policy Resolution of National Development Council (1958) - In its policy resolution, the council recommended fundamental reforms in the organizational pattern of co-operative societies at village level. Later on, as per the recommendations of the council, the Government of India, informed to all the State Governments, the broad outlines of the policy to be followed in respect of co-operative reorganization. Accordingly, the policy of reorganizing large-sized societies was introduced with the object of helping the members to increase their agriculture production. This resolution emphasized on linking credit with marketing. It was also decided that every farmer and rural worker should get benefits of co-operative credit facilities.
Mehta Committee on Co-operative Credit (1959) – This committee was appointed to give suggestions on the question of viability of co-operatives for supplying adequate finance and state’s participation at the primary level. The committee recommended that to enable the co-operatives to expand adequate credit facilities for agricultural production the state governments should make necessary arrangements for providing capital to these credit societies. This committee further suggested that the service co-operatives should be reorganized on the basis of the village community as the primary unit and if villages are too small the number of villages to be covered by a society might be increased in the interest of viability. This committee also suggested to encourage members to subscribe sufficient share capital in the society as well as the Government also contributes to the capital of co-operatives. The committee also emphasized to encourage the co-operative societies to expand their internal resources by making sound management. The village level societies not only extend credit to the worthy people but marginal and sub-marginal cultivators, landless tenants etc also be given adequate credit on the basis of their production requirements and paying capacity.

Committee on Taccavi Loans (1961) - The Government of India’s Ministry of Community Development and Co-operation, appointed the committee on taccavi loans in July 1961. Mr. B.P. Patel was the Chairman of this committee. The committee examined the existing arrangements for the supply of taccavi loans to farmers and suggested measures for effective implementation of taccavi loans through co-operatives. The committee submitted its report in August 1962. This committee suggested that if every farmer and worker is benefited in joining the village co-operatives, then Tackvi loans and other facilities should be made available to them through the co-operatives. As a result, the Government of India requested all the State Governments to disburse takavi loans through co-operatives. There were so many organizational and administrative difficulties in the implementation of this policy; hence, the progress of implementation was not satisfactory. The committee further added that the co-operatives should keep their rate of interest within limits depending upon the stage of development of the co-operative movement in the area concerned. The committee also felt that there was very limited scope for the expansion of taccavi loans. Moreover, co-operative methods of advancing loans were advantageous as it could grasp the local services and savings and allow opportunities for direct participation of beneficiaries. On the recommendation of the committee, the
Government of India decided to disburse taccavi loans through the rural co-operatives.

**Study Group on Panchayats and Co-operatives (1962)** – The Government of India appointed this study group under the chairmanship of Dr. Misra to suggest measures to achieve maximum co-ordination between the co-operatives and Panchayats. The committee felt that the panchayats should play a significant role in the promotion and development of the co-operatives in their areas.

**Committee on Co-operative Administration (1963)** - This committee was appointed under the Chairmanship of V.L.Mehta to examine the departmental set up for recommending suggestions to make the departmental administrative staffs stronger at various levels. The committee further suggested that the Registrar of co-operative societies should be an IAS officer along with two years of training. There should be orientation training for the staff of co-operatives after every five to seven years.

**R.N. Mirdha Committee (1964)** – The Government of India appointed this committee to suggest measures for proper development of the co-operative movement by eliminating non-genuine societies and vested interests. After examining the problem of non-genuineness in the co-operative movement, the committee came to the conclusion that the movement was moving in the right direction and it would be wrong to overstate a few malpractices and come to a conclusion that the movement was full with non-genuine societies. To overcome the wrong type of tendencies, the committee however, gave certain suggestions like co-operative training and education, regular audit of societies by an independent agency, Government assistance etc. The committee also assessed the factors affecting badly on self-reliance and self regulation of the co-operative societies. After examining all the issues, the committee made an important recommendation for setting up National Co-operative Bank.

**Report of the Informal Group on Institutional Arrangement for Agricultural Credit (1965)** - This group stated ‘One cannot look only to the commercial banks for providing satisfactory, complementary and transactional system for the cultivating population in India’ Therefore; the government adopted the multy-agency approach for agricultural credit.

**All India Rural Credit Review Committee (1966)** – This committee was constituted under the chairmanship of B.Vendatappiah which submitted its report in 1969. The committee described the entry of commercial banks into the rural credit system as
'supplement' and not 'supplant' to the co-operative credit structure. This committee observed that a large number of Primary Agricultural Credit Societies were neither viable nor even potentially viable and must be considered as inadequate and unsatisfactory for providing production credit. In its report, further the committee gave more emphasis on integrity, efficiency, the sense of dedication, democratic functioning and effective supervision. The committee emphasized that these co-operatives should collect large resources by the way of deposits. The co-operatives should expand their area of working through growing diversification. This committee also focused on a multi-agency approach for agricultural credit.

All India Rural Credit Review Committee (1969) – Under the chairmanship of B.Venkatappiah, the Government of India appointed this committee with the chief objective of suggesting measures for the reorganization of rural credit. The Committee observed that although there was appreciable increase in overall co-operative credit from Rs.24 crore to Rs.500 crore during 1951-52 to 1967-68, but there was also an underperformance in dispersal of co-operative credit in the backward states like Orissa, West Bengal, Assam, Bihar, Rajasthan and Jammu & Kashmir. The committee also found the weaknesses such as low deposits, high overdue, general lack of business, inefficient management etc. in the co-operative banking system. For removing such weaknesses, the committee suggested the following measures- a) Establishment of Agricultural Credit Board, b) Formation of Small Farmers Development Agency, c) Setting up of Electrification Corporation for the benefit of underdeveloped areas, d) Assigning more active and much bigger role for ARDC, e) Adoption of various measures for ensuring the timely and adequate flow of credit for agriculture through co-operatives and commercial banks. As per recommendations of the committee, Small Farmers’ Development Agency and Rural Electrification Corporation were set up in selected districts in 1969. The government accepted most of the recommendations of the committee and included them in the Fourth Five Year Plan. The SFDA and MFAL were established with active involvement of institutional credit agencies.

P.R. Dubhashi Committee (1972) – This committee was appointed to examine the issues like- a) Adoption of professional management, b) Extension of deposits and insurance, c) Quality of working staff, d) Pending litigations, e) Hundred percent audit, f) Security of loan proposals and documentation, g) Loan recovery, h) Grant of membership, i) Maintenance of records, j) Revision of bye-laws, k) Power of
Registrars l) Court procedures and nature of appeals in the court and m) Making a common law for all types of Co-operative Societies.

**Report of the Banking Commission (1972)** - in its report the banking commission explained the attitude of commercial banks as urban oriented with the limited objective of catering the needs of trade, commerce and industry. This committee further observed that wide variations in the income, absence of suitable security except land and complicated legal procedure have made agricultural finance more risky for commercial banks. All the committees and commissions during the post nationalization period were of the view that Indian farmers required not only credit but also other inputs like marketing facilities and extension services in order to obtain the full benefits of modern technology. The commission was of the view that under such circumstances the base level organization should be such that it could satisfy all the requirements of the cultivators at a single contact point. In view of this, the Banking Commission recommended the establishment of Rural Banks. With some changes in the basic concept of the Rural Banks, the commission afterwards suggested the establishment of Regional Rural Banks.

**Committee on Organization of Co-operatives for Rural Poor (1990)** – This committee, under the chairmanship of S.R. Sankam, was formed in October, 1990 to examine the organization of co-operatives. The committee submitted its report in June, 1991. This committee observed that a large number of rural poor populations were still dependent on private moneylenders. Hence, the committee suggested that the cooperatives should be developed as a simple system of providing credit to the poor people based on their repaying capacity. The rural co-operatives also help women, rural labors and tribal in organizing their self-help groups.

**Brahm Prakash Committee (1991)** – This committee was constituted to revise the existing co-operative laws. The committee suggested a ‘Model Co-operative Law’ ensuring more power and more participation to the members in the working of co-operatives. It also recommended less government intervention in the working of co-operatives. This Model Co-operative Law was then circulated to all the state governments for incorporation. However, due to the states’ unwillingness only nine states namely Orissa, Bihar, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Chhattisgarh, Uttarakhand, Karnataka and Andhra Pradesh incorporated the Model Co-operative Law. Then in 2002, the Central Government also enacted the Multi-State Co-operative Societies Act, 2002. The salient objectives of the Multi-State Co-
operative Societies Act were- i) To serve the interest of members in more than one state, ii) To ensure the social and economical betterment of its members iii) Self-help and mutual aid in accordance with the co-operative principles.

The Narasimham Committee Report (1991) - The first Narasimham Committee known as the ‘Committee on the Financial System (CFS)’ was appointed on 14th August 1991. The objectives of this committee were-

a. To examine all the aspects concerning to the procedure, functions, structure and organization of the financial system and
b. To make suggestions for the improvement in their efficiency and productivity.

This committee submitted its report to the Union Finance Minister in November, 1991 which was tabled in Parliament on 17th December, 1991. Afterwards, this Committee widely came to be known as the Narasimham Committee-I (1991). The committee recommended that the SLR should be reduced from 38.5 percent to 25 percent and CRR from 15 percent to 3 to 5 percent gradually. This committee also suggested that the local banks should concentrate only on specific region for providing credit to agriculture and rural development. Further, this committee firmly stated that instead of dual control of RBI and the Government, RBI should be only agency to regulate banking in India. Likewise, the public sector banks should be free and autonomous.

The Narsimham Committee Report-II (1998) - This committee was appointed in December 1997. It was also known as the ‘Committee on Banking Sector Reforms’. This committee was asked to study-

a. The progress of the banking reforms since 1992
b. Suggest measures for further strengthening of the financial institution.
c. Among other things to focus more on issues like size of banks and capital adequacy.

The committee submitted its report on April 24, 1998. It widely came to be known as the Narasimham Committee-II (1998). The committee recommended greater autonomy for the public sector banks in order to enable them to function with equivalent professionalism. For greater autonomy of the public sector banks, this committee suggested that the recruitment procedures, training policies and payments of these banks should be brought consistent to the practices of other professional banks. This committee identified seventeen banks eligible for autonomy by March
1999. But this committee’s recommendations like reduction in Government equity to 33%, the issue of greater professionalism and greater autonomy of the board of directors of public sector banks is still to be implemented. The committee also suggested closing up of the branches which are under heavy losses having NPA over 2%.

**Report of the Task Force to Study the Cooperative Credit System and Suggest Measures for Its Strengthening (2000)** - Under the chairmanship of Shri Jagdish Capoor, Deputy Governor, Reserve Bank of India, the Government of India appointed the Task Force for the revival/restructuring of cooperative banks on 9th April, 1999. This Task Force submitted its report on August 2, 2000. It was asked to make recommendations for the development of co-operatives as sovereign, self-sufficient, self-governing and member-driven institutions. Professionalization, diversification, recovery management, human resource development, mechanization and setting up of a co-operative rehabilitation and development fund were the measures suggested by this Task Force for the improvement in co-operative institutions. Further, this Task Force observed that the co-operatives lost their democratic character and became the government controlled bureaucratic organizations. Therefore, it suggested for minimizing excessive control and regulations for the sound development of the co-operatives. This Task Force also expected that the co-operatives should adopt the essential features of the Model Cooperative Societies Act. All the state governments bring necessary amendments in the State Cooperative Societies Act, so as to reflect the spirit of democratization and self-reliance enshrined in the Model Act.

**National Cooperative Policy (2002)** – This national policy on co-operatives was announced by the Government of India in April 2002. The objective of this Policy was to facilitate an overall development of cooperatives in the country. In this national policy it was stated that the cooperatives should work as independent, self-contained and democratically managed institutions accountable to their members so that they could make a notable contribution to the national economy. Several weaknesses in structure and working of the cooperatives required the formation of a clear cut national policy on cooperatives. The National Policy considered the co-operatives as the independent organization of persons united voluntarily to meet the common, social, economic, and cultural needs of their members.

**Report of the Advisory Committee on Flow of Credit to Agriculture and Related Activities (2003)** - The Reserve Bank of India constituted an advisory committee on
the supply of credit to agriculture and allied activities, under the chairmanship of Professor V S Vyas in December 2003. The committee submitted its report to the Reserve Bank of India in June 2004. This committee was asked

a. To examine the progress made in implementation of the recommendations of the Expert Committee on Rural Credit appointed by NABARD in August 2000.

b. To suggest measures to reduce the rate of interest on agricultural credit given by Commercial banks, Cooperative banks and Regional Rural Banks,

c. To examine the role of NABARD as the apex institution in providing and regulating credit for the development of agriculture.

d. To committee was suggested to identify the hurdles in the flow of credit to the disadvantaged sections viz. small and marginal farmers, tenants, and landless laborers and suggest measures to be taken by banks for providing financial assistance to them.

The committee noted the drawbacks such as higher transaction costs, complicated procedures, increasing documentation formalities, inability of borrowers to provide tangible collateral securities, negligence in linking loan account to interest subsidies under various poverty alleviation programs, loan waivers vitiating the recovery climate, legal difficulties in foreclosure of loans, non availability of tenancy agreements, lack of updated land records, inadequate risk mitigation mechanism etc. had become the obstacles in the expansion of credit to target groups. The committee further remarked that in the event of loan failures banking with the poor are not profitable.

**Task Force on Revival of Co-operative Credit Institutions (2004)** - on 30\(^{th}\) December 2004, the Government of India formed a committee under the Chairmanship of A.Vaidyanathan, a retired professor of the Madras Institute of Development Studies, Chennai for the revival of co-operative credit Institutions. The report on the short-run co-operative credit was submitted in February, 2005 and the report on the long-run co-operative credit was separately submitted in August, 2006.

This Task Force was asked to suggest-

1. An implemental action plan for revitalizing the rural co-operative banking institutions,

2. To suggest a suitable amendments in the co-operative laws.
3. To study the financial support required for revitalization of co-operatives.
4. To suggest measures required for improving the efficiency and feasibility of rural co-operative credit institutions.

The Task Force suggested that the co-operative credit societies and banks should be free from state control. The NABARD was nominated as the implementing agency for the Revival Package in all the states.

**Report on Suicide of Farmers in Maharashtra (2006)** - For preparing this report, Indira Gandhi Institute of Development and Research interviewed 116 suicide cases throughout 109 villages in Vardha, Vashim and Yavatmal districts of Vardarbha. The institute observed that the most significant reason for the suicides of farmers was heavy indebtedness from both institutional and non-institutional sources. The institute further experienced heavy and increasing dependence of farmers (particularly small and marginal farmers) on non-institutional sources like moneylenders. It also found that the agricultural credit disbursed by the co-operative banks declined as a proportion of total credit. Similarly, the loan disbursed per hectare of gross cropped area by the PACS was the lowest in the Vidarbha region. The institute concluded that the breakdown of formal credit structure led to increased dependence on informal private sources for credit. The institute also investigated that the interest charged by private moneylenders was around Rs.25 or Rs.50 for a loan of Rs.100 for the loan repaid in 4-6 months.

**Report of the Expert Group on Agricultural Indebtedness (2006)** - This expert group was constituted under the chairmanship of R. Radhakrishana in July 2007 by the Banking Division of Department of Economic Affairs, Ministry of Finance, of the Government of India. This expert group observed that though agricultural credit increased manifold, but most of the farmers still depend fully/ partly on non-institutional sources where the rates of interest are quite high and the terms and conditions often exploitive. Hence, this group suggested that the creation of 'Debt Redemption Fund' as well as timely and hassle free delivery of credit will certainly help in reducing farmers suicides.

**Report of the Working Group to Examine the Procedures and Processes of Agricultural Loans (2007)** - This Working Group was formed under the chairmanship of C.P.Swarnakar, CMD, Syndicate Bank to examine the procedures and processes of agricultural loans. The Group studied the ground realities of procedures related to
agricultural loans and suggested measures for easing the hardships faced by the farmers particularly the small and marginal farmers and borrowers with small loans. The working group observed that no detailed guidelines were provided by the banks regarding procedures and documents required for processing loan applications. During the visits, it was also observed that the branches did not stick to the laid down norms. The applications were not introduced or if introduced, not properly registered at the branches. These registers were not updated regularly. Loan applications received other than the government sponsored schemes were generally not entered in these registers. Loan applications were entered in the register only at the time of sanction or disbursement of the loan. The group found that the entries in the 'Loans Receipt and Disposal Register' were not monitored timely. In general no details were available at the branches for the rejected applications. This group discovered that the loan applications were not promptly dealt and the farmers had to make several rounds to the branch for sanction of loan. During the course of interaction with farmers, the group experienced that the farmers had to spend considerable efforts, time and money to obtain No-Dues Certificates from the banks operating in the area and the Search report from the advocate approved by the bank. It was also noted that the requirements of various documents were intimated to the borrower farmers in a piecemeal manner resulting in excessive delay. The working group opined that in spite of a number of measures taken by the RBI and the Government, a number of problems continued to trouble the farmers, especially the small and marginal farmers.

Therefore, the working group suggested the following measures-

a. The loan application forms should be simple and uniform across the banks.

b. The NABARD should prescribe and circulate the uniform loan application forms amongst the banks for mandatory use.

c. Seeking of additional information by the banks should be discouraged.

d. The Group further suggested that the use of local language in loan application forms should be made mandatory.

e. One uniform set of documents consisting of DP note and security documents like hypothecation agreement, mortgage deed and guarantee deed as applicable, may be prescribed by NABARD and circulated among the banks.
f. The Group suggested that the practice of obtaining and retaining land documents for loans up to Rs. 50,000/- should be restricted.

g. To make the procedure simple, for small loans up to Rs. 50,000/- sanctioned to small and marginal farmers and share croppers, instead of depending on a self-declaration from the borrower the bank might discuss with the NDC.

Report of the Farmers' Suicide and Debt Waiver: an Action Plan for Agricultural Development of Maharashtra (2008) - Dr. Narendra Jadhav, the Ex-Vice Chancellor, University of Pune, in his report of one man committee submitted to the Government of Maharashtra remarked that the debt-waiver could not be a permanent solution to the distress of the farmers, but under the existing circumstance, 'the debt-waiver is absolutely necessary but not sufficient'. He felt an urgent need to create an effective alternative to the existing system of agricultural credit for relieving the farmers from the clutches of moneylenders. In this regard, he further suggested the creation of ‘Moneylender-free Village’. For obtaining this, at least one member of each family in the village should become a member of the self-help group in the village for achieving a 100% financial inclusion.

Report on the Doubling of Agriculture Credit Program (2009) - As a part of its strategy to boost agriculture production, the Government of India, announced a package to double the flow of institutional credit to agriculture within three years from 2004-05 to 2006-07. Consequently, targets were set and the programs were implemented during the above mentioned period. NABARD and RBI were given the responsibility of regulate the implementation of the programme. On completion of the program, the NABARD carried out studies in select states like Rajasthan, Tamil Nadu, Madhya Pradesh, Maharashtra and Uttar Pradesh. These studies helped to get a feedback on the mechanisms and strategies adopted by banks in achieving the targets. The NABARD also carried out the studies to review the implementation of Kisan Credit Cards (KCC) introduced for ensuring hassle-free credit.

Task Force on Credit Related Issues of Farmers (2009) – This task force was formed by the Ministry of Agriculture, Government of India, under the chairmanship of Umesh Chandra Sarangi, to a glance of the issues of a large number of farmers, who took loans from moneylenders. He felt that non availability of finance from formal sources, especially in the case of small and marginal farmers, drives them to informal sources to borrow at a higher interest rate. The committee further clarified
that inadequate and untimely availability of credit along with procedural hassles from formal institutions compelled most of the farmers to borrow from moneylenders. Although, in recent years, policy makers declared doubling of agricultural credit, but the limited access of small and marginal farmers to institutional credit is still a matter of concern. What is worrying is that a number of such farmers are increasing and researched to 88% of the total cultivators.

**Report of the Working Group on Outreach of Institutional Finance: The 12th Five Year Plan (2012-17)**- In November, 2011, the Planning Commission of the Government of India formed above Working Group under the chairmanship of Dr. Y.S.P. Thorat, (the former chairman of NABARD) to review the flow of credit to agriculture and allied sectors during the 12th five year plan. This working group was also directed for giving subsector analysis and recommending measures to ease the flow of credit at reasonable rate of interest throughout the country with special reference to disadvantaged sections including small and marginal farmers, women farmers, tenant farmers, landless laborers etc. The working group was also asked assess the performance of credit cooperatives and suggest measures for their increased participation. The Group observed that after implementation of the Debt waiver Scheme, a large number of units providing short-term cooperative credit were in profit and as a result, their mounting losses started to decline. The group found that despite the better financial health of the STCCS, their share in agricultural credit continuously declined. According to this working group, poor resource base, poor management, inefficient governance and lack of active members were the significant barriers to credit flow.

**Report of the Expert Committee on Three-tier Short Term Cooperative Credit Structure (January 2013)** – This expert committee was nominated by the RBI under the chairmanship of Prakash Bakshi, the chairman of NABARD.

This expert committee on three tier short term cooperative credit structure was assigned the responsibility of-

- a. Examining the functioning of the short-term cooperative credit structure and
- b. Suggesting appropriate mechanism for consolidation of the STCCS and make recommendations for action to be taken by various stakeholders.
- c. The expert committee made following observations and suggestions:
d. This expert committee recognized that the share of short term cooperative societies in supplying agricultural credit declined to 14% at the aggregate. But, there were small pockets where its share was more than 50%.

e. The committee was of the view that STCCS constituted mainly for providing agricultural credit, must met at least 15% of the agriculture credit requirements and gradually increase it to 30%.

f. The committee also found that about 40% of the loans disbursed by PACS and almost half the loans supplied by the CCBs were for non-agricultural purposes.

g. The share of many of these PACS and CCBs in agricultural credit was less than 30% in their operational area. Hence, the committee remarked that these PACS and CCBs were not performing the role for which they were constituted.

h. Therefore, the committee firmly stated that the CCBs should do the best efforts for providing at least 70% of their loans for agriculture.

i. The committee also recommended that if a CCB or SCB constantly underperforms and provides less than 15% of aggregate agricultural credit in the operational area, then such bank should be declared as an urban co-operative bank.

j. SCBs in the smaller states and union territories like Delhi, Goa, Chandigarh, etc. provided insignificant credit to agriculture and were mainly catering to the needs of the urban population only. Therefore these SCBs should be declared and treated as urban cooperative banks.

k. The committee suggested that the RBI should permit the Central Cooperative Banks (CCBs) to issue fixed deposits of 10 years or more with a lock-in period of five years to its members. Further, these deposits could be converted into regular shares. The CCBs should be permitted to issue permanent bonds or debt instruments which will be contributed by the state governments, individuals and other bodies.
3.1.2 Research Papers, Articles and Lectures:

Research papers, articles and lectures of distinguished persons certainly help in understanding the depth and scope of the research topic selected. Following is the above referred literature reviewed by the researcher.

C. Datey (1978) through a case study he found that the cost of agriculture credit comprises direct and indirect costs imposed by the lender for providing credit to farmers. The author found that the average direct costs of institutional credit were around 16% to 20% of loan amounts. But it was difficult to compute the indirect costs. In his research article he stated that as compared to small farmers, larger farmers had more effective access to institutional credit and subsidies. He found the inverse relationship between the size of the farm and default rates. The author tried to find out the measures to reduce the costs of credit.

K. Subbarao (1980) analyzed the nature of demand for short term credit of cooperatives in eastern Uttar Pradesh of India. The author assumed that the short term production credit through cooperatives is less than the investment credit in small farm dominated agriculture tracts. He found that the agro-climatic conditions of the region do not dominate the short-term institutional credit of the region. The reason behind this was low level adoption of High Yielding Varieties of seeds and limited farming expenditure of small farmers. Other reasons were ability of large farmers to meet their farm expenditure from owned funds, uncertain production conditions, availability of cash when required, the dependence on other sources such as moneylenders, the absence of assured irrigation and small size of farms.

R. K. Pany (1985) in his book he examined the inadequacy of institutional credit supply for agriculture. The author studied this issue in Orissa which was earlier considered as cooperatively backward region. He analyzed the issues like supply of institutional credit, credit distribution, its utilization and repayment, structure, operations and problems of credit institutions. The author claimed that the increase in number of credit institutions does not ensure the adequate credit supply.

Kailas Sarap (1987) studied the dealings in the rural credit markets in western Orissa. The author studied the pattern of participation of different farm households, type of security or guarantee offered and the rate of interest charged. He found that the poor farmers gave more importance to loan form informal sources while the rich farmers had easy access to credit from both formal and informal sources at lesser interest rates. But, this increased the inequalities in credit availability.
Clive Bell (1990) examined the institutional and informal credit systems in rural India. Through extensive study, the author found that moneylender is still a major source for loans to farmers. He further investigated a weak correlation between formal and informal sectors. The author developed a model of interaction between moneylender and institutional sector on the assumptions of loan contracts and competitive structure of informal sector.

D. Narayana (1992) in his research paper stated that the small and marginal farmers from weaker sections of the society benefited from commercial banks. The author in his paper studied the institutional credit form risk management perspective. He examined the performance of institutional credit programs for rural development. The author also examined the attempts made by the credit institutions to improve the loan recoveries by group lending programs. He concluded that the poor risk management is a fear in credit system.

P. B. Ghate (1992) in his research article studied the interaction between the institutional and non-institutional financial sectors in developing countries. The author stated that the policy formulation is done for the expansion of institutional finance in long term. Besides, the existence of large institutional finance had implications for efficacy of monetary and credit policy for the stabilization purpose.

Hans P. Binswanger and S. R. Khandker (1993) examined the impact of financial institutionalization and infrastructural development on agricultural output in India. The authors tried to explain the effects of investment decisions of the government, financial institutions and farmers on agriculture output. They confirmed that the agriculture output was dependent on input costs and output prices. Rural financial institutions and educational infrastructure availability also determines agricultural output. He observed that farmers gave more significance to formal financial institution for borrowing to purchase fertilizer than its interest rates. The government invested through banks in rural area considering that the climate will remain suitable for enhancing agricultural output. So, the agriculture output is collectively determined by the farmers and government.

D. Nayyer and A. Sen (1994) analyzed the impact of trade policy reforms on agriculture sector. They compared the effects of Indian agriculture with the agricultural output in the world. They also compared the prices of agricultural output in the world and in India for selected agriculture products. The authors highlighted the
importance of institutional credit to agriculture for the success of the economic reforms.

K.S. Krishnaswamy (1994) examined the impact of the new economic policy on agricultural development. The impact was measured in respect of the fiscal adjustments, structural adjustments, financial reforms, globalization and others. He suggested the measures relevant to agricultural growth.

Mark D. Wenner (1995) examined the group credit to the farmers. Author claimed that there were adverse consequences on the small farmers caused due to lack of information, changes in credit system and inequality in income distribution. The author studied the viability and cost effectiveness of group credit on the basis of data collected in Costa Rica. It was found that the groups that used local information had lower dissolving rates than those who did not use. He found that less than half groups had positive rates of economic return. Lastly, he concluded that the information flow might be increased by group lending.

S. Chaudhari and M. R. Gupta (1996) tried to analyze the informal credit markets for agriculture sector. The authors claimed that the major reason behind the acceptance of informal credit market of agriculture is the delay in delivery system of institutional credit. The delay many times was intentionally made by officials for bribery purpose. The officials and moneylenders illegally cooperated and decided the bribery rates and informal interest rates. The interest rates of informal credit and that of institutional credit with bribery were found almost equal.

Anjini Kochar (1997) examined the effects of formal credit on agriculture output. The author studied how farmers lend their farm on rent to obtain formal credit. The study revealed that the borrowers, who enjoyed the advantage of rental farm, did not have access to formal credit.

Santanu Basu (1997) tried to find out why institutional credit agencies are unwilling to provide loans to poor farmers. Financial institutions possessed a risk in lending to poor farmers. These farmers provide farm mortgage as security for loan but the loan risk minimizes after farm is harvested and there is favorable atmosphere because a good agriculture output minimizes the risks. The lender cannot provide loan with excessive risk. The landlords in case of informal credit see that the default by poor farmer shall not affect his income. The institutional credit to poor farmers thus increases the risks for lending agency.
A.M. Rajput and A.R. Verma (1998) examined the flow of institutional credit to agriculture in Indore district of Madhya Pradesh in India. It was found that the average intensity of cropping was higher on borrower’s farm than on non-borrowers farm. In case of input, output, cost-benefit ratio, and net income per hectare were also higher on the borrowers’ farms. More profit earned by the borrowers by using high yielding varieties, manures and fertilizers, and adoption of intensive farming. It was also found that the credit provided by banks was not sufficient to meet the farming requirements. The crop loan outstanding was higher on large farms and term loan outstanding was higher in case of medium farms. There were difficulties faced by borrowers in getting credit such as security formalities, credit unplanned spending, complicated and lengthy procedures, lack of guidance and delay in the disbursement. The effective utilization of credit was hampered by non availability of inputs. They suggested that the technical guidance and supervision can be provided in coordination between financing institutions and concerned departments.

M. Rajeev and S. Deb (1998) studied the institutional and non-institutional credit in agriculture. The authors conducted a survey of Hugli district in West Bengal. They found a high dependence of small and medium farmers on informal credit market. They stated that informal credit market provides lending for purchasing fertilizers and pesticides meeting working capital needs of the farmers. Though the credit of formal institutions is relatively cheap, farmers tend to take loan from informal market with high interest rates. This increases the risk of the vicious cycle of debts.

Puhazhendhi and V. Mohandoss (1998) evaluated the performance of the institutional credit structure and its impact on agriculture development. They compared the resource position with estimated values of credit demand. It was found that during last two decades, the growth performance of institutional credit structure was good. Credit helped farmers to have access over resources required for production. They confessed that the direct relationship between the credit and output is difficult to establish. They found that the increase in term credit flow contributed to the growth of private capital formation. According to them, inadequacy of business, low profitability, increasing overdue, high transaction costs and unhealthy competition among credit institutions were the reasons for poor health of financial institutions which needed to be resolved. Cooperatives and the regional rural banks need to play important role in providing agriculture credit in rural areas. The lending
can be increased through introducing innovative ways by banks, NGOs and self-help groups to improve access to agriculture credit.

V.P. Tyagi, Sant Kumar and Amit Kar (1998) reviewed the performance of rural credit institutions in India from 1980 to 1995. The credit supply, recovery performance and advances on farm size basis were analyzed. It was found that the share of cooperative banks had gone down and that of commercial banks increased. Commercial banks took lead in term credit and cooperatives in short term credit. The recovery performance of the cooperatives increased during the study period and that of commercial banks was not impressive. Authors claimed that the performance of institutional lending is satisfactory for credit supply and its recovery. They concluded that to improve the overall economy, the agricultural sector needs to be strengthened.

K. G. Karmarkar (1999) in his book examined the credit system in India and put forth the strategies to improve credit delivery system. The author reviewed the problems and opportunities in the rural credit system in the context of rural development. He also analyzed the problems associated with credit recycling. The author further discussed the need of microfinance sector and gave emphasis on developing a suitable credit delivery system in developing countries like India.

A. Abate, T.R. Keshava Reddy, N. Manesh and L. Achoth (2003) analyzed the institutional credit flow to agriculture in Karnataka state between the period 1986-87 and 1998-99. The authors found that the institutional credit flow is influenced by number of factors such as level of per capita bank deposit, land holding of farmer, term loan, and availability of bank credit and level of fertilizer used. They found that the RBI policy determined the flow of institutional credit to agriculture in India. Therefore to provide financial resources to agriculture sector effectively, the RBI lending policy should be used more actively for planning and monitoring of banks.

Gill Anita (2004) - carried out a study in twelve villages of two districts in Punjab, an agriculturally superior region. In her micro-level empirical study she concluded that though much attention was devoted to agrarian credit, the private moneylenders' grip on rural life remained undiminished. The present study also uncovered the dominant position of the moneylenders in new form viz. commission agents. The credit was given to farmers by the commission agents on the guarantee of sale of crop

S.L. Shetty (2004) highlighted the distributional issue in bank credit. The author claimed that there was a need of intensive programs to strengthen the institutional credit structure in rural area and also need to develop a better credit delivery
mechanism. He studied the impact of credit distribution by scheduled commercial banks for more than last three decades.

G.B. Sahu and D. Rajasekhar (2005) through their paper studied the banking sector reforms and credit flow to Indian agriculture. The authors carefully studied the impact of banking sector reforms on share of net bank credit to agriculture sector, impact of profit oriented objectives of commercial banks on agriculture credit supply, impact of credit subsidy, impact of increase in lending rates, impact of closure of rural bank branches on agriculture credit and impact of the change in interest rates on credit supply and agricultural growth. They studied these critical issues by analyzing data collected on credit provided to agriculture by commercial banks from 1981 to 2000.

H.N. Atibudhi (2005) studied the institutional credit flow to agriculture in Orissa. He compared the state-wise credit situation and identified the factors influencing agriculture credit flow in the state. This study was based on secondary data collected from various agencies. The analysis revealed that agricultural credit flow in early nineties was declined but it showed increase in 2002-03. But in terms of percentage, the credit flow actually decreased. As compared to commercial banks and regional rural banks, cooperatives showed higher growth. The per hectare agricultural credit in Orissa state was inadequate and unequal as compared to overall supply of credit in India. The credit flow was positively correlated to the commercialization of agriculture, increase in per hectare fertilizer consumption and increase in cropping intensity.

K. Kareemulla (2005) tried to analyze the credit flow to agriculture in Uttar Pradesh and identified the reasons for farmers' indebtedness. He found that the bank branch in Uttar Pradesh had to cover a large agricultural area as compared to all India average. The loan outstanding increased due to increase in per capita consumption expenditure of farmers. Irregularity of weather and diversion of funds for non-productive uses were the main reasons for high indebtedness and defaults. The proper use of credit and repayment could be enhanced by widening the crop insurance coverage and post-finance guidance.

P.S. Rao and D.P. Singh (2005) found that the repayment of institutional loan to agriculture in India is poor. Therefore he felt necessary to estimate the growth for institutional credit and repayment performance of existing borrowers. This study in the selected area revealed that the credit availability, input availability and irrigation facilities are the important factors. It was found that repayment performance is weak
due to the reasons like credit sanctioned for unproductive purpose, inadequate supervision and political influence. The very low repayment rate disclosed the fact that overdue amount was more than amount collected by all the lending institutions. **Ramesh Golait and N.C. Pradhan (2005)** examined the institutional credit for agriculture for post liberalization period. The authors found that in 1980 and 1990 the long term credit growth slowed but the short term credit growth was constant. This situation was continued till 2001-02 causing negative effect on agricultural investment. This forced farmers to borrow more of short term credit to meet input needs and the need of capital formation through long term credit was neglected by the farmers. From financial point of view, the credit institutions were not hesitating to provide short term credit because it has low credit risk, lower supervision, low monitoring costs and better asset liability management. They claimed that slow growth in nineties could have been overcome by providing timely credit at low interest rates. They suggested measures such as relief in natural calamity, linkage of credit supply to inputs, improving the morals of farmers and debt repayment. **Khan, S.K. Tewari and A.N. Shukla (2007)** studied the effect on institutional credit flow that of liberalization. Also its relationship with average cost of cultivation of agriculture in India. Authors examined the nature and extent of differences in per hectare flow of short term institutional credit to agriculture and average cost of cultivation across the states in India. For the study, authors examined seventeen most important states having about 96 percentage agriculture land in India. Study reveals that the differences across the states in per hectare flow were measured by coefficient of variation increased during pre-liberalization period between 1980-1991. The inter-state differences actually reduced during 1991 during post-liberalization period. Though credit flow has increased, the coverage is still remained below 20 percentage of cost of cultivation except four states of southern India and Punjab and Himachal Pradesh in northern India. **M. Shah, R. Rao and P S V Shankar (2007)** discovered the difficulties faced by the poor farmers in getting agricultural credit. These problems were exploitative moneylenders and imperfect markets. The Authors in their paper further studied the nationalization of commercial banks and its effects on rural credit and consequently on the development of agriculture. They firmly stated that the self-help groups considered as microfinance would have a positive impact on the availability of credit.
R. Ramkumar and P. Chavan (2007) examined the credit provided by the commercial banks to agriculture. They also took a review of credit revival policy started by the banks in 2000. They noticed that the formal credit extended its scope by lending to agro-business firms.

Ramesh Golait (2007) analyzed the issues in agriculture credit in India. He concluded that the credit delivery by commercial banks to the agriculture sector was inadequate because banks were unwilling to give credit to small and marginal farmers. So, the banks hesitated to supply credit. He stated that to overcome this problem, the flow of agriculture credit should be increased by designing new techniques of credit delivery methods. Credit flow to agriculture could be increased with the help of processors, input dealers, NGOs and contract farming. A rigorous policy should be designed for bringing significant changes in cooperative credit.

P. Satish (2007) evaluated the agriculture credit in India during the post-reform period. The author stated that during the post-reform period the policy of agricultural credit actually narrowed. This policy affected the strength of rural institutional credit and gave more pressure on the available resources available. He studied the economies of various countries for recommending the suggestions for improving the policy for agriculture credit. The author felt that the strengthening of rural financial markets would surely bring the expansion in agricultural credit.

S. Deb and M. Rajeev (2007) studied the dependence of farmers on informal credit sources in rural West Bengal. They found that these farmers for their working capital exclusively depend on the traders.

K.J.S. Satyasai (2008) in his article described the structural constraints on rural credit delivery system in India. The author stated that for the provision of cheaper credit to farmers, the policy of rural credit should focus on institutionalization of agricultural credit. He found that due to the institutionalization policy, the dependence of farmers on informal credit decreased from 93% in 1950 to 31% by 1991. Because of the lack of suitable design and sufficient infrastructure, the multiagency credit system remained ineffective. Also the weaker interest of the cooperatives and commercial banks in rural credit further intensified the ineffectiveness of multiagency system. The author concluded that the significant changes in rural credit system would help in removing the constraints on rural credit.

R.S. Sidhu, Kamal Vatta and Arjinder Kaur (2008) estimated the contribution of institutional credit in agriculture growth of Punjab state. The authors examined the
demand and supply position for more than a decade. They estimated agricultural growth by using simultaneous four equation model. They claimed that the supply of production credit almost doubled and investment credit increased by 80% during 2001-2002 to 2003-2004. There was an important linkage between production credit and changeable inputs and similarly between the Private capital formation and investment credit. They observed that the private capital investment increased due to the increasing contribution of institutional credit. They further found that the demand for credit exceeds its supply for short term credit by 49 per cent in 1995-96 but supply exceeded demand by 122% in 2005-06. They stated that the demand for agricultural credit needs to be estimated first to formulate the policy of expanding agricultural credit separately for each state or region.

S. Fan, A. Gulati and S. Thorat (2008) reviewed the trends in subsidies and investment by the Indian government in agriculture. The authors developed the framework for examining the impact of subsidies and investment of the government on agricultural growth and reduction in poverty. The authors suggested the ways to curtail the spending of the government. Availability of subsidies in credit, fertilizers and irrigation are sensitive for small farmers in adopting the new technologies.

A.R. Ahmad Izhar and Masood Tariq (2009) studied the impact of institutional credit on agricultural production in India. The authors used the Cobb Douglas agricultural production function to estimate credit for agricultural production for 1971-72 to 1990-91 and 1991-92-2004-05 by using time series data. Trends and pattern of institutional agricultural credit were also analyzed during these periods. They found that average yearly growth rate of institutional credit was maximum during 1971-1980 and lowest during 1990-2000. Similarly, the institutional credit as a percentage of agricultural Gross Domestic Product and also institutional credit per hectare of cultivated area increased during the post-reform period. But the share of agriculture sector in total non-food credit decreased during the study period. The study also suggested that the aggregate agriculture production actually affected by the accessibility of institutional credit in India. During the pre-reform period institutional credit significantly affected the agricultural production but during the post-reform period institutional credit did not affected much. So, they concluded that institutional credit was not an important determinant factor of agricultural production during the post-reform period in India.
S Cole (2009) studied the effect of political budget cycles that on the institutional agriculture credit. Author argues that political budget cycles are aimed of tactical electoral redistribution for political advantage in novel manner. Author examines the functioning of banks in India and found that government owned banks lends agricultural credit with increase in 5-10 percentages in election year. He concluded that there was large increase in credit in such districts where elections were close contrary the same experience did not occurred during non-election years. Author argues that the increase in institutional agriculture credit in election years does not result in increase in agriculture output.

Anjani Kumar, K.M. Singh and Shradhanjali Sinha (2010) according to them, although the institutional credit to agriculture increased continuously but moneylenders were the chief source of credit to agriculture. For justifying their statement the authors examined the performance of agricultural credit and identified the determinants of increased use of institutional credit at the farm level. They found that the institutional credit to agriculture increased during last four decades. There were also structural changes in credit system. The commercial banks remained the most important source of institutional credit. But the declining share of investment credit hampered the growth of agriculture. The socio-demographic factors like family size, caste, gender, occupation and education affected the use of institutional credit. Hence, they remarked that the simplification of credit procedures is essential for the better access to credit.

V.Balakrishnama Naidu, A.Siva Sankar and P.Surya Kumar (2013) stated that about 66 percent population in India depends on agriculture. Therefore, agricultural credit is an essential input for higher agricultural productivity. Agricultural production and productivity should be improved to produce food for all population. Together with agricultural credit, other factors like seed quality, minimum support prices, rainfall, irrigation and environmental conditions were also considered significant in improving agricultural productivity. Because of the misuse of credit, it was very difficult to estimate the exact use of credit for agricultural purpose.

Pandit Neharu (1960) late Prime Minister, Pandit Neharu, whilst inaugurating an international seminar on c-operative leadership in Nov.1960 at New Delhi, emphatically stated ‘The co-operative principles are the way of life. If you make them
a way of life, you will not only solve the problems of country, but also help in solving the international problems also.'

K.C. Chakravarty, Deputy Governor of RBI, (2011) during the national seminar on 'Productivity in Indian Agriculture' in Pune on September 2, 2011 stated that the pricing of credit should be market based for ensuring effective flow of credit to all sections of the agricultural community. He further stated that the emphasis should be given instead of on subsidized credit to appropriate and enough availability of credit at reasonable costs especially where credit delivery system is very weak.

D. Subbarao, the Governor of RBI (2012) while delivering a lecture on 30th anniversary celebration of the NABARD at Mumbai firmly stated that 'everything else will wait, but not agriculture'. While delivering his speech he stressed on that ‘the agricultural growth has been the central to India’s efforts at poverty reduction’. Further, he commented that in recent years, there has been growing concern for the food shortage which has created a big challenge to self-sufficiency in food production. Available land being fixed, self-sufficiency will only be possible through improved productivity which required adequate, timely and cheap credit. Development experience showed that the credit is an important determinant of value added in agriculture.

3.1.3. Doctoral Thesis-
Recognizing the significance of agriculture and rural development in economic growth, Rural Credit Survey Committee (1954) remarked ‘In India, development mainly comprises rural development and rural development mainly includes agricultural development’. Agriculture is the most significant sector of Indian economy. It is also a source of life for 60 percent of the total workforce in India. Agricultural development is the function of physical, sociological, institutional, technological and economic factors. The prime objective of agricultural policy in India is to improve agricultural productivity. But, the traditional system of farming is one of most important hurdles in agricultural growth. So, transformation of agriculture from traditional to modern agriculture is essential. To attain the objective of modernization and higher productivity, availability of cheap, easy, timely and sufficient credit is of utmost importance. Many research scholars tried to analyze the sources of institutional agricultural finance in their doctoral thesis relating to specific
period and area. Here, I have tried to take a review of such some doctoral thesis which will prove useful to me for my further research study.

**V. Mohanasundaram (1993)** submitted his thesis to Bangalore University for the degree of Doctor of Philosophy in Economics. The title of his thesis was ‘A Study of Institutional Credit to Small Borrowers in Selected Rural Area of Tamil Nadu’ In his thesis he stated that in the recent years in order to ensure an overall development of all the segments of the economy, developing countries like India increasingly emphasizing on the development of the small and marginal farmers, agricultural laborers and other rural poor. Therefore, the researcher decided to evaluate the institutional credit provided to small borrowers in selected rural areas of Tamil Nadu. He observed that the rural poor are borrowing from non-institutional sources e.g. private money-lenders at higher rate of interest. Hence, he suggested that the rural poor should be provided institutional credit at concessional interest rates. During the study he examined the accessibility of the selected borrowers.

**Gagan Bihari Sahu (2004)** in his doctoral thesis on “Institutional Finance to Agriculture, an Analysis on Macro and Micro Level” submitted to the University of Mysore for 1981 to 2000, he selected 14 districts in Orissa state. He observed that the agricultural credit in both the absolute and real terms grew at much faster rate during the period 1981-91 as compared to the period 1992-2000. Despite the fixation of lending targets, deregulation of interest rates, and simplification of credit delivery system, the banks could not achieve the targets of agricultural lending at the all India level because, the banks did not find profitable for deploying larger proportion of their loanable funds to agricultural sector.

**Antony M.P. (2003)** submitted his doctoral thesis on ‘Institutional Financing of Agriculture in Kerala’ to the Mahatma Gandhi University, Kerala. The scope of his study was primarily limited to the production credit. Such production credit was supplied only to three crops namely paddy, banana and coconut. Likewise, the survey for collecting the primary data was limited to the public sector banks, private sector banks and only three PACs. The sources like various publications of Reserve Bank of India, the Central and State Governments, Lead Banks, National Bank for Agriculture and Rural Development, Center for Monitoring Indian Economy, National Council of Applied Economic Research, Central Statistical Organization, Planning Commission, Kerala State Planning Board, Department of Agriculture, co-operatives, Revenue, Directorate of Economics and Statistics- Kerala, various research papers and papers
read in seminars etc. were used for collecting secondary data. After the comprehensive examination, the researcher found that the credit institutions did not follow a common procedure. There was lack co-ordination and complimentarily in credit institutions. He identified that irrespective of the efforts made for simplifying the loan procedure, about 42 percent of the beneficiaries were facing problems in obtaining loans. He, therefore, suggested that the improvement in the agricultural credit delivery system will reduce the transaction cost involved in the disbursement of agricultural credit. He felt an urgent need for refreshing the activities of PACs to make them real instruments of agricultural development. He observed that a professional, strong, viable and need based arrangement of credit allocation is essential for meeting the credit needs adequately.

3.1.4. Book Review:

A review of reference books has been taken by the researcher for understanding the scope and depth of the research topic selected. It also helped in designing the scheme of chapters.

**Dubhashi P.R. (1969)** explained that as the co-operative movement spread all over the countries in the world, it became clear that co-operative movement had different genesis and dissimilar ways of development. As an impact of economic development, the co-operative movement found its own opening differently in each country. The co-operative movement started as a small local activity rather than as part of a grand plan. He took a brief review of the development of the co-operative movement in the world. Further, the author focused on the development of Indian economy.

**Bedi R.D. (1971)** in his popular book the author not only considered Indian co-operative movement but also described success stories of Indian co-operative movement. This book was divided in four parts i.e. theories of co-operation, history of co-operative growth and co-operative development in foreign countries as well as in India also.

**Saxena K.K. (1974)** attempted to evaluate the conceptual deliberation of the evolution of co-operatives. In his book, the author focused on the dynamic character of the co-operation as a rising economic system. This book consists of three parts. Part first is related to the commencement and establishment of co-operation. Part second is concerned to the emergence of co-operation as an economic system. In part three, outline of growth is discussed in detail in five chapter namely communal
aspects of co-operation, economic progress through co-operation, co-operation and state action, political philosophy of co-operation, importance of education, training and leadership and management development.

Maxwell Gezald and Schmitt David R. (1975) – in an inclusive study they considered co-operation as one of the basic social process of social psychology. This book uncovers the factors which slowdown, sustain and encourage co-operation. They clarified that the co-operation is more profitable than working alone.

Singh Balwinder (2000) evaluated source-wise and farm-wise availability of credit. He further examined the relationship between credit and area under cultivation, use of fertilizers, output etc. He concluded that because of the less remunerative nature of farming, indebtedness of the farmers increased sharply. This book also analyzed the nature and coverage of the rural credit and the process of farm mechanization.

C.R. Kothari, (2004) while analyzing the methods and techniques of research methodology he described the meaning, scope, importance as well as the techniques of data collection, tabulation and presentation. In his book he took a detailed review of the research design with suitable examples. Lastly, he assessed the various methods of hypothesis testing.

Summing up:

Review of related literature is very significant stage in research, without which one cannot complete the research work. So, it becomes an integral part of the entire research process. It also helps to discover the theoretical roots of the research topic. Men learn from the past experience of others. Further, the survey of the related literature is also important for planning the study. For the greater understanding of the problem and avoidance of unnecessary duplication review of literature is most essential. Thus, literature review is the analytical and evaluative explanation of the past literature related to the research topic selected. So, in this chapter I tried to explain the recommendations of various committees appointed by the government and RBI, the research papers as well as doctoral thesis. Further I have made a review of some select books for understanding the depth and scope of my research topic. Analysis of the lectures delivered by eminent banking authorities is also included in the literature review. Theorizations of the agricultural credit will be described in the next chapter no.4 in detail.
References:
Reference Books & Articles:

- All India Rural Credit Survey Report.
- Dr. B.S. Mathur (1980), Co-operation in India, Sathiya Bhavan Agra.
- Financial Intermediation and Markets, Economic Survey 2008-09,


• Reserve Bank of India, Report on Trend and Progress of Banking in India 2007-08.
• S. Selvaraj, Rural Credit Survey Report, Thirumalai Book House.

Reports
• Agricultural Statistics - Govt. of India.
• Annual Reports of NABARD.
• Annual Reports- NCARDBFL- Mumbai.
• Govt. of India, Report of Banking Commission, 1972
• The Eleventh five year plan 2007-12., New Delhi.
• Performance Reports Regarding PACS, DCCBs & SCBs- NFSCOB-Mumbai
• RBI, Agricultural Credit Review Committee, 1986
• RBI, Panel to study Agricultural lending – TNJC, April, 2004
• RBI, Reports on Trends and Progress of Banking in India-2008-09.

Web-sites:
• http://en.wikipedia.org/wiki/RegionalRural_bank
• https://www.nabard.org
• www.indicus.info/index.php/banking.html
• www.rbi.org.in