INTRODUCTION

Agriculture has always been a way of life rather than a business, especially, in developing countries. Much of that by which man lives oozes out of land and much of the material abundance of the developed countries is due to the past support and current contribution of agriculture. Agriculture tries to take the man back to the nature while the modern industry takes him away from nature. Various experts have expressed different views regarding the role of agriculture in the Society.

The rural population, which holds the place of a linchpin in the social structure, is the source of human race. Agriculture is the root of prosperity in other fields. Humphries said "If agriculture in the widest sense can be made prosperous, then the whole world will very shortly become more prosperous as well". The imagination of a civilisation wholly urban and industrialised is not possible, because agriculture controls other businesses. The orthodox thinkers were of the view that in the absence of support from agriculture, all the remaining fabrics of our civilisation will topple into ruins.

Prof. John W. Mellor remarked, "The need for food and the extremely low level of efficiency in agricultural production demand that the most of the labour force and land resources in low income countries be engaged in agriculture in early stages of development. 60 to 80 per cent of the population is engaged in agriculture, and 50 per cent or more of national income is generated in the agricultural sector."

PLACE OF AGRICULTURE IN THE NATIONAL ECONOMY

India is one of the ancient homes of civilisation. These ancient civilisations were mainly agricultural in character. Our country is also an agricultural country. Inspite of industrialisation, agriculture even today, retains the role of the most important occupation and the most outstanding mode of national life. To discuss the role of agriculture in national economy the key parameters of economy, such as, national income, employment, food and fodder supplies, industries, trade and transport, export and import can be taken.

Agriculture is the most vital sector of the Indian economy. The agricultural sector forms, the backbone of out national economy. Though, in the last four decades the industrialisation has received the pace but even today agriculture occupies the place of pride. It is the largest industry in the country and is the source of livelihood for over 70 percent of the population.

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The leading industries in our country also depend on agricultural sector for their raw materials, such as, Cotton and Jute Textile industries, Sugar, Vanaspati, Plantation, Rubber, Tea, Hydrogenated Oils, Food products, Soap and many other agro based industries. Many industries also depend on agriculture indirectly. All the above mentioned agro-based industries contribute about 50 percent of the total income generated by manufacturing sector in India. Further, small and cottage industries, like, handloom weaving, oil crushing, rice husking, etc. also depend on this sector for their raw materials.

Agriculture also occupies an important place in international trade. Various agricultural products such as, tea, sugar, oilseeds, tobacco, spices, etc. are the main items of exports of India. These items contribute about 50 per cent of total exports. Goods manufactured with agricultural content contribute another 20 per cent of exports. 4 Thus, agriculture has great significance in Indian exports.

The primary necessities of our life, i.e., food and clothing are also met by agricultural sector. This sector also provides all the fodder which is required to feed livestock whose number runs into several crores. Due to lack of employment in rural areas and in such times when some industries create seasonal unemployment, agricultural sector is preferred for employment by all the workers. Thus, this sector plays the role of shock absorber in respect of providing employment opportunities anywhere else. The agricultural community is the important organ of social structure in India. Inspite of major

4 Dutt, Ruddar and Sundaram K.P.M., Indian Economy, S.Chand & Co Ltd., New Delhi, 1984 p.373.
alterations in culture and traditions of Indian society, the rural community has even maintained out praiseworthy old culture and traditions. The rural community is a mirror of our cultural identity and social heritage. During the economic and political upheavals, it remained uninfluenced and constituted the reservoir of national patriotism.

Agricultural sector also provides a substantial amount of revenue to Indian railways and road transport which regularly carry a large number of agricultural goods from one corner to other corner. Further, land revenue and sales tax from agricultural goods and excise duty in the case of tobacco provide large amount of revenue to state governments every year. It is also the main source of supply of labour force to industries and manpower to army.

In spite of its important role in the Indian economy, agriculture is not very encouraging as an occupation. From the primary point of view, it is quite stable and is less susceptible to disturbances in the financial world. As a mode of living it is simple and happy. Though rural areas do not provide some conveniences which towns and cities do but the cost of living is much lower. And even during the depression farmers did not lose their employment. A strong base of agriculture is a must for rapid socio economic development. Policy makers and financial institutions should come forward with concrete measures to improve Indian agriculture. The importance of agriculture is best summarised in a Chinese proverb which says that economic life is just like a tree whose roots are represented by agriculture, stem by industry and branches and leaves by trade and commerce. It is, however, worthwhile to note
that the important role of agriculture has to continue in future, though not exactly to the same extent, and the country will remain mostly an agricultural country for pretty long in future.

ROLE OF CREDIT IN AGRICULTURE

Credit is an important source and every sector of the national economy - agriculture, industry, trade, transport and various services need credit both for carrying on day to day activities and also for growth and progress. Agricultural credit is the economic study of the borrowing of the funds by farmers - how much to borrow, what for to borrow, what should be the pay off, what should be the repayment schedule, etc., of the institutions that provide finance to farmers - the organisation and operation, co-ordination, management and controls, etc. and of the societies interest in credit for agriculture - what projects to be taken up and priorities to be adopted. Credit is consciously used as a lever of development. It calls for initiative and energetic involvement on the part of the credit institutions in developing the potential opportunities of the undeveloped or underdeveloped sections or sectors through selective strategic input of credit.

Agricultural credit may be explained as amount of investible funds made available for the purpose of development of farm productivity. As defined by the Agricultural Finance Corporation, "the amount of money needed by a farmer to achieve a proper combination of productive factors like, land, labour, inputs, machinery, livestock and managerial ability, so that the planned level of
income is generated by his farm". Though, credit alone cannot generate new resources, credit may be called as an important factor of the integrated approach in respect of advisory services for improving production and productivity, marketing, land tenures, farmers organisations and other aspects which are dependent on each other, agricultural finance is not merely a subject of banking business. There is more to it than disbursing credit for farmers or fishermen. The amount of credit demanded by individual borrower may be small but in the aggregate, it represents considerable risk.

The agricultural sector in India occupies the central place in our economy. The performance of this sector has set the pace of growth of economy. But this sector has suffered from stagnation due to the low productivity which is the result of inadequate investment.

Most of the cultivators find themselves unable to manage the agricultural operations without borrowing. So, the credit should be made available at the appropriate time to the needy farmers. Further, to make available at the appropriate time to the needy farmers, to maintain and continue the overall performance of agricultural sector in the economy and for socio-economic development. It is necessary to establish a strong foundation of agriculture and therefore, a more dynamic role will be played by this sector in the coming years. The only need for this is to find ways of increasing capital investment.
In traditional agriculture, credit had less important role to play because credit was used for maintenance rather than expanding agricultural activities. Generally, credit is used for storage, marketing and processing of the agricultural surplus for the purpose of ensuring a steady supply to consumers throughout the year. Besides these needs, the credit is also used to meet the cash requirements of the cultivators. In a subsistence agriculture, the above needs depend on income. Due to the close links of the household with cultivation it is not too easy to make differences between consumption and production needs. Again, at different times the credit needs may differ due to the seasonality in agricultural production. Because the most of subsistence farmers rely on maintenance credit and often they fail to repay it due to their poor capacity to save. These factors increase the poverty and indebtedness of subsistence farmers.

ROLE OF CO-OPERATIVES IN RURAL LENDING

The design of traditional agricultural credit projects reflects the concern of policy makers that a shortage of affordable credit constraints growth in this sector and prevents the small farmer's integration into the market economy. This has encouraged governments often supported by international donors - to establish specialised credit institutions to channel cheap credit to rural areas. But expectations that these institutions would provide small farmers with easier access to credit have often proved to be unfounded. Funds from government-owned or sponsored rural financial institutions have frequently been skewed in favour of wealthier and more influential farmers. Not only are large farmers
perceived as lower risk because they can offer more collateral, but administrative costs per unit on large loans are significantly lower than those on the modest sums lent to small farmers. Formal rural lenders have thus been encouraged to lend their limited funds to larger borrowers, especially when regulated interest rates barely cover the handling costs of the loan.

The failure of agricultural development banks and other rural lenders to reach low-income producers with affordable credit has led to a search for other arrangements. Lending groups and credit co-operatives are popular alternatives. Both entities have the potential to reach small farmers with affordable credit because processing one large loan rather than numerous small loans cuts administrative costs. Since credit co-operatives and group lending arrangements entail some form of joint liability, they are also expected to reduce the risk of default. For these reasons it is frequently argued that agricultural development banks and commercial banks could continue to serve medium-sized and large farmers directly, while serving small farmers indirectly through lending groups or credit co-operatives. Credit co-operatives and lending groups also have the potential to reach groups that do not otherwise have access to the formal financial system.

CHARACTERISTICS OF CREDIT CO-OPERATIVES

Two main categories of co-operatives support financial activities; financial co-operatives and agricultural co-operatives. The former primarily handle funds intermediation, and the latter concentrate on agricultural services
or joint production but may also offer credit. This discussion covers all co-operatives providing financial services to farmers, including relatively small savings funded credit union, government sponsored credit co-operatives, and co-operative banks, but it highlights the differences when these are pertinent.

Credit co-operatives as formal financial institutions originated in nineteenth century in Germany. These associations operate democratically; each member has one vote. Leadership is voluntary and unpaid, although professionals may be hired for day-to-day operations. Members contribute equity in the form of an initiation fee and regular capital contributions. The amount a member can borrow is based on his or her capital contributions. Profits are distributed to members in the form of dividends based on their equity contribution or retained to increase the organisation's capital. This ensures that benefits go to members rather than to external intermediaries and their shareholders.

Although credit co-operatives typically derive much of their funding from capital contributions, they may also take deposits. Most pure credit unions are very active in this area, and the lion's share of their funds comes from member's deposits and share capital. Self-financing is a source of strength because it reinforces the perception that members have a stake in the institution and thus contributes to good repayment performance. Other co-operatives also frequently depend on external funds. These can come from such commercial sources as private banks, but more often they are supplied by apex institutions.
or development banks, which in turn obtain funds from the government or from international donor agencies.

Lending groups are less rigorously organised than credit co-operatives and are usually created to receive a loan from an outside source. A lender may provide funds to the group as a whole, which then disburses the loan to individual members according to agreed criteria. In such a case the group is jointly liable for the entire amount of the loan. Alternatively, funds may be lent to members individually, in which case the group jointly guarantees all loans or simply furnishes information about individual participants.

On the other hand, in modern agriculture, the high quantum of credit is needed, various short-term cash inputs, like, use of improved seeds, fertilisers, insecticides, etc. Medium and long-term investment for irrigation, land improvements etc. are compulsory for increasing agricultural production. Further, the modern agriculture also requires co-ordination of various activities, like, appropriate estimate of credit, timely and adequate supply of inputs, repayment arrangements favourable to farmers, efficient machinery for recovery of loans and adequate marketing accommodations, etc. Such requirements under traditional agriculture often could not be met. So, in modern agriculture introduction of institutional channel is necessary. Further, in such cases where credit is required to make a significant impact on agriculture, it is necessary that the credit machinery should be expanded speedily to meet the growing credit needs of the cultivators.
The emergence of green revolution during late sixties and introduction of new agricultural technology in India, has converted the nature of agriculture. Due to these, the farmers tended towards the replacement of traditional methods of farming with scientific and developed methods. For instance, use of High Yield Variety (HYV) of seeds, fertilisers, pesticides, irrigation, machinery and equipment, etc., require huge amount of capital which is beyond the capacity of most of the farmers. It is stated true that, "the farmers in the underdeveloped countries cannot expect their income from farm operations which is barely sufficient, to provide to minimum necessities of life". Due to this the farmers compulsorily depend upon borrowed funds. This results in increasing demand for disbursing credit to most of the farmers. So, in respect of transformation of traditional or subsistence farming into commercial farming, the importance of agricultural credit has increased comparatively more.

CLASSIFICATION OF AGRICULTURAL CREDIT

Generally, there are two types of agricultural credit, direct and indirect. In the former type of credit, finance is provided directly to farmers for productive purposes, such as, crop production credit, land improvement, irrigation, purchase of implements / machinery / equipments, development of dairy / sheep rearing / poultry / fisheries, and development of plantation, tea, coffee, rubber, coconut, cashewnut, etc. In the latter type of agricultural credit, finance is provided through the institutions involved in the supply of

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production inputs and other relative services of agriculture. The indirect credit is given for financing for distribution of farm inputs, financing PACS/FSS/LAMPS/Co-operative marketing societies, financing Regional Rural Banks (RRBs), financing state Electricity Board for energisation of pumpsets, financing for storage facilities such as, godowns, cold storage, Custom service units, financing for Agro-Industries Corporation, Food Corporation of India, Jute Corporation of India, State Warehousing Corporation, etc.

CLASSIFICATION OF CREDIT ON THE BASIS OF PERIOD

Period or duration is an important basis of classification of agricultural credit. On the basis of period, credit needs of the farmers may be classified as short-term credit, medium-term credit and long-term credit.

SHORT-TERM CREDIT

Short-term or seasonal credit is that which is granted for the purpose of providing working capital requirement of the farmers. Generally, farmers are required to run their farm efficiently to obtain crop in the best possible manner. They hold the credit up to the sale of harvest. The period for which this type of credit is provided generally ranges between 6 months to 15 months. According to the All-India Rural Credit Review Committee the short-term credit is lump-sum credit facility which is provided to fill up the gap in outlay which cannot be met by own resources of the farmers during the period between two
harvest. The various purposes for which short-term credit is provided are purchase of seeds/fertilisers/insecticides, hiring of labour, hire charges of agricultural machineries, payment of electricity bills, tax on lands, godown charges. etc. The demand for this type of credit is expected to increase at the time of harvest. This type of credit is also known as 'crop loans'. These loans are disbursed through Primary Agricultural Credit Societies (PACs) Commercial Banks and Regional Rural Banks (RRBs). In such a case where the security is accepted in the form of anticipated crop, production credit is provided, while the consumption loans are sanctioned on the basis of personal security of the borrowers.

MEDIUM-TERM CREDIT

Land improvements, purchase of implements, machinery, livestock, conversion of cultivation system etc., are the purposes for which farmers require medium-term credit. This credit is provided for more than 15 months but not exceeding 5 years. The medium-term credit is classified in two categories by the Functional Committee on Co-operative Agricultural Credit of National Co-operative Development Corporation. The first category belongs to maintenance or replacement of existing production assets, i.e., normal credit requirements. While the second classification is concerned with new investments for improving the productive efficiency of the farm i.e., special medium-term loans. Further, though there is difference between medium term credit and short term credit, it is not always possible to make distinction

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Clearly, for instance, when farmer renews his short-term loan after a year it ceases to be such although it still belongs to the category of short-term credit from the angle of purpose of loans. Again, while loans for growing crops are returnable within a year, the same cannot be said in case of loans for the cattle rearing which may take a longer period, despite the fact that these involve ordinary working expenses, like those required for raising crops. Thus, a sharp distinction between short-term loan and medium-term loan is not possible. Medium-term credits are repaid in half yearly or annual instalments.

LONG-TERM CREDIT

Long-term loans are granted for a longer period, i.e., more than 5 years up to 10 years. In some cases it may be granted for a period up to 20 years. Unlike in the case of short-term credit and medium-term loans, the clear distinction between medium-term credit and long-term credit can be easily made.

Generally, farmers require all types of credit at different stages of farming. But the need of long-term finance is 'more pressing. As stated by the RBI in its preliminary reports, "Long-Term credit is more important and if any effective steps are taken to make the agriculturist creditworthy, this is the first problem which is to be tackled". 7

Under the long-term credit a big amount in comparison with medium-term credit is granted which contributes to the generation of agricultural incomes for a much longer period. The long-term credit is used for the basic factor of agriculture namely, land. Among the various types of uses of long-term loans, principal ones are purchase of farm or buying of additional land, construction of building for farm operation, provision of drainage, reclamation of land and other land improvements. For such uses, the repayment of long-term loans is not possible in a few years, but it has to be paid in many years, because no farmer can raise his income from farm production to that level that he can pay the entire amount of loan in a short period. The long term loans are to be repaid in annual instalments.

CLASSIFICATION ON THE BASIS OF PURPOSE

According to the Reserve Bank's classification, agricultural credit may be classified into three types. They are;

CREDIT FOR FARM BUSINESS

This type of credit is provided for purchase of seeds, fertilisers, insecticides, hiring of labour, land improvements by irrigation and drainage, purchase of agricultural implements, machinery and livestock, construction of farm house, cattle shed, tanks and embankments, laying of orchards.
other words, this credit is provided to support the working and capital expenses on farm business.

**CREDIT FOR NON-FARM BUSINESS**

Such credit is provided to meet the working capital expenses on non-farm business, such as, repair of production and transport equipment and furniture, purchase/construction and repair of buildings, purchase of non-farm equipments, etc.

**CREDIT FOR FAMILY EXPENDITURE**

This credit is required to meet the household expenditure like, clothing, education, medicine, expenses regarding marriage, death ceremonies and other social events in family, litigation and payment of old debts, etc.

**CLASSIFICATION ON THE BASIS OF SECURITY**

According to this type of classification the agricultural credit may be categorised as secured credit and unsecured credit. It is based on the type of security offered while obtaining credit.

**SECURED CREDIT**

Includes 'farm mortgage credit' and 'chattel or Collateral Credit'. The former is secured against some tangible property of the borrower. In such
cases borrowers' livestock, crops, warehouse receipts, shares, bonds, insurance policies, etc. are offered as security.

UNSECURED CREDIT

Unsecured Credits are granted on the personal security of the borrower. It is provided on the promissory or personal notes of the borrower with or without others' guarantee.

CLASSIFICATION ON THE BASIS OF CREDITOR

The agricultural credit may be classified on the basis of credit or lender also. There are two main sources of credit, Institutional and Non-Institutional. The former includes co-operatives, commercial banks, RRBs, and Government while the latter includes money lenders, commission agents and relatives and friends.

CLASSIFICATION ON THE BASIS OF DEBTOR

This classification is based on the major source of income received by the borrower, such as, crop farmers, dairy farmers, poultry farmers, fishermen, etc.
ESSENTIAL FEATURES OF AGRICULTURAL CREDIT SYSTEM

With a view to fulfil the credit needs of the farmers and to ensure that it serves the national economy as a dynamic factor it is essential that a sound system of credit should be built up. Such system should be able to convert the present 'Static Credit' into a 'Dynamic Credit'. Because the 'Static credit' does not increase the output, income and assets at the time of maturity, i.e., end of the credit period. Contrary to it, under 'Dynamic Credit', a satisfactory increase in output, income and assets may be noticed after the maturity of credit. In other words a credit system should be efficient to promote development.

The criteria regarding a good credit system for agricultural finance have been produced by many experts. As for the agricultural credit is concerned, it must be provided from another angle, while dealing with Indian farmers, who are uneducated and ignorant in respect of the implications of various aspects of agricultural credit. So, the credit system should be scientific and flexible. This credit system should also be able to encourage the farmers for increasing their production and also a higher standard of living. It may be made possible by the favourable support from Government and its agencies.

Various criteria for a good credit system have been laid down by various experts and institutions. In this regard following criteria have been laid down by Lowis-Tardy. a famous agricultural economist.

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i. The agricultural credit should be provided for a satisfactory long period and it should commensurate with the operations for which it is designed to facilitate.

ii. It should be provided at lower rates of interest.

iii. With a view to prevent the abuse of credit it should be adequately secured but the security should not necessarily be material. The credit can be granted against personal security of the borrower and on the basis of farming ability.

iv. Credit should be provided according to the average yield of the farms and capacity to repay, especially during times of economic depression.

v. The credit should be provided through institutions and officials who have availed of special training and have actual banking experience.

EXPERIENCE WITH CREDIT CO-OPERATIVES IN TWO DEVELOPING COUNTRIES

Credit co-operatives are expected to increase repayment rates and lower the transaction costs of borrowers and lenders. The credit co-operatives have a mixed record in the supply of rural finance.
AGRICULTURAL CO-OPERATIVES IN THAILAND

Co-operative development in Thailand was initiated by the government in 1916. The primary intention of the government was to relieve farmers from severe indebtedness and maintain land ownership. In 1968 the Co-operative Societies Act was passed in order to facilitate the expansion and improvement of the co-operatives. This legislation embodied two features, in the amalgamation of co-operatives and the establishment of the co-operative league of Thailand.

The Bank for Agriculture and Agricultural Co-operatives (BAAC) are state enterprises which provide loans to farmers. By 1990 the Bank had a network of 71 branches, 47 sub-branches, and 604 field officers, covering the entire country. A total of 1.9 million farmers were registered as direct clients of the bank. Direct clients deal with the loans as individuals or within the framework of joint liability groups. A total of 812 agricultural co-operatives were also in BAAC. The total BAAC disbursements to co-operatives amounted to 5794 million (US$ 232 Million) in 1990.

At present there are six Co-operatives in Thailand. Number of each type of co-operative and respective number of members are shown in the following table: 9

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Table 2.1
TOTAL NUMBER OF CO-OPERATIVES AND THEIR MEMBERS
IN THAILAND AS ON 31-03-90

<table>
<thead>
<tr>
<th>S.No</th>
<th>Types</th>
<th>No.of Co.ops</th>
<th>Total Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agricultural co-operatives</td>
<td>1,464</td>
<td>1,007,637</td>
</tr>
<tr>
<td>2</td>
<td>Fishery co-operatives</td>
<td>26</td>
<td>6,236</td>
</tr>
<tr>
<td>3</td>
<td>Settlement Co-operatives</td>
<td>94</td>
<td>95,604</td>
</tr>
<tr>
<td>4</td>
<td>Thrift &amp; Credit Co-operatives</td>
<td>858</td>
<td>1,399,449</td>
</tr>
<tr>
<td>5</td>
<td>Consumer co-operatives</td>
<td>419</td>
<td>713,236</td>
</tr>
<tr>
<td>6</td>
<td>Service Co-operatives</td>
<td>302</td>
<td>86,913</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3,163</td>
<td>3,309,075</td>
</tr>
</tbody>
</table>

AGRICULTURAL CO-OPERATIVE MOVEMENT IN PHILIPPINES

A variety of factors affect the reception of co-operatives in a given community. Among these factors are socio-cultural, political and economic, co-operative development programme implementation and commitment of community leads to co-operative development.

The policy of the government is to encourage co-operative societies. This is implemented through the government co-operatives development programme. In the economic field, small farmers have seen how co-operatives can help them through credit and financing as well as in establishing marketing
networks. These have acted as incentives for small farmers, particularly those who are non-bankable, to join co-operatives.¹⁰

Some features of a sound agricultural credit system were recommended by the All-India Rural Credit Survey Committee. These are:-

i. It should be associated with the policies of the state.

ii. It should be an effective alternative to the private agencies of credit.

iii. It should have the strength of adequate resources and of well trained personnel

iv. It should not lend merely on the security of land and other usual forms of security but also on the security of anticipated crops.

v. It should effectively supervise the use of credit and consequently bear in mind the borrower’s legitimate needs and interests.

Thus, in a good and sound system of agricultural credit there should be a provision of continuous evaluation of the credit programmes. This will assist to estimate quantitatively the impact on improvement in respect of farm output, employment opportunity and actual farm income. Under the sound credit system, guidance should be available to credit institutions in this regard from

time to time. In the words of E.C. Johnson, "The fundamental problem of the agricultural credit is to increase the income of farmers, improve their capacity to repay and raise their standard of living".

THE STRUCTURE OF AGRICULTURAL CREDIT IN INDIA

The present agricultural credit structure in India has several sources and agencies engaged in extending credit to the rural people, some agencies are in the organised sector, some others are in the unorganised sector. Similarly, some agencies are engaged in providing credit directly to the farmers, others are engaged in indirect financing i.e., through refinancing.

NON-INSTITUTIONAL SOURCES

MONEYLENDERS

Moneylenders are the most important source of agricultural credit in India. Earlier, it was the single most important agency engaged in providing credit to farmers in rural areas. Moneylenders generally provide short-term credit on the personal security or on the security of movable property like, gold, and jewellery. The loans are provided for both productive and consumption purposes. Farmers get it very easily without any complex and time taxing formalities. Moneylenders have sufficient knowledge about borrowers' repaying capacity, assets and character. Moneylenders provide credit at any time when farmers require it. They adopt very flexible attitude
regarding their lending business. They are in a position to use several coercive methods against borrowers. They can also pressurise the borrowers through panchayats.

Because of their strong socio-economic position in rural areas and absence of any other alternative, they indulged in several objectionable practices, obtaining the thumb impression of illiterate and needy borrowers on blank paper with the object of entering big amount in account, deducting advance interest manipulating the accounts, taking conditional sale deed of borrower's property. High rates of interest, non-issue of the receipts of payment of principal and interest, forcing agriculturist borrowers to sell their crop to moneylenders at cheap rates are some of the examples of objectionable practices of moneylenders. But it does not mean that all moneylenders are unscrupulous usurers, land grabbers and fomenters of functions and law suits. There are some moneylenders who are considered as friends and guardians of farmers and their property. The truth seems to be between these two extreme views.

Many attempts were made to check the objectionable practice of moneylenders. For this many Acts were passed, such as, Agricultural Loans Act 1879, Usurious Loans Act 1918 and Regulation of Account Act 1930. Several State Governments also passed the Acts in this regard. These Acts provided for licensing and registration of moneylenders, maintenance of accounts in prescribed forms, furnishing of receipts and periodical statement of accounts to borrowers, fixing of maximum rates of interests, protection of
debtor from intimidation and harassment and provisions of penalties for violation of provisions of the Acts. But the provisions of legislative measures and the efforts of RBI were not very effective because of inadequacy of supervising machinery and absence of alternative source of credit. Thus, these measures did not prove successful.

Even today money lenders contribute their credit facilities. Unfortunately, no serious attempts have been made to link the money lenders with organised money market. Due to their doubtful activities of lending money, moneylenders could not prove to be a suitable agency of agricultural credit because they exploit farmers in several ways and have been responsible for the poor position of rural people and also of Indian agriculture.

INDIGENOUS BANKERS

The indigenous bankers can be differentiated from moneylenders on the grounds of larger scale of operations, bigger resources, accepting of deposits from public, modern accounting system and closer links with organised banking sector. Jains, Chettiyars, Marwaris, Khatries, Rohilas and Boharas are the principal castes carrying on the business of indigenous banking. The Banking commission 1972 estimated the number of indigenous bankers around 2,000 in India.

Indigenous bankers receive deposits from public and pay interest on it. They borrow capital during busy season, finance traders and small
industrialists and thus indirectly help, farmers. They do not establish direct relations with farmers. Farmers receive credit indirectly through traders. Indigenous bankers provide credit on the basis of promissory notes and hundies.

Though indigenous bankers occupy an important place in the field of rural finance, some defects are associated with their lending business. Indigenous bankers adopt lending business as a side business. They do not pay adequate attention towards lending. They are isolated and have no co-operation among themselves. They have also failed to establish close links with the organised banking sector.

After Independence, planned efforts were made to develop the trade, commerce, industry and other sectors of the economy. So, indigenous bankers diverted their funds into more safe business as mentioned above, rather than traditional family business of indigenous banking.

LANDLORDS

Landlords also provide finance to farmers and rural people. Generally, in rural areas small and needy farmers depend upon landlords to meet their financial requirements. All the defects of the moneylenders are associated with landlords. They cheat the farmers and charge high rates of interest. The landless labourers were forced to become bonded slaves. Although, landlo
were the important source of agricultural credit, their importance declined with the introduction of land reform measures.

TRADERS AND COMMISSION AGENTS

This source of agricultural credit provides finance for production purposes much before the maturity of the crops. In the case of crops like cotton, tobacco, sugarcane, tea, groundnut, etc., this source plays an important role. They force the farmers to sell their produces at lower prices and charge heavy commission for themselves.

RELATIVES AND FRIENDS

Farmers also borrow from their relatives and friends. They get it on low or no interest. Farmers repay this type of loan soon after the crop. This source of lending is not sufficient due to its uncertain characteristics and increasing needs of modern agriculture. The main reason responsible for the decline is the emergence of institutional sources in a big way, i.e., serious efforts were made by co-operatives, commercial banks including RRBs to make available credit on easy terms and conditions to the farmers and rural people. The serious defects of non-institutional sources. i.e., use of credit for unproductive and consumption purposes, high rates of interest and difficulty of small and marginal farmers to raise credit etc. are the causes which go against this and advocate in favour of institutional sources of agricultural credit.
INSTITUTIONAL SOURCES OF CREDIT

The institutional credit refers to the funds made available Co-operatives, Commercial banks, RRBs and Government. The structure institutional agricultural credit can be divided into two parts, one dealing with short-term and medium-term credit and other dealing with long-term credit.

The short-term and medium-term credit structure consists of the co-operatives, commercial banks, RRBs and government sources. There are various institutions under the co-operative credit structure for short and medium-term credit namely, State Co-operative Banks, Central Co-operative Banks and Primary Agricultural credit Societies. Commercial banks and RRBs also provide short and medium-term credit to farmers. Commercial banks provide credit either through primary agricultural societies or directly to farmers. The RRBs, which are sponsored by commercial banks also make available credit in rural areas. RRBs lend through primary agricultural societies, the farmers service societies or directly to the farmers (chart I).  

The long-term credit structure consists of the land development banks and commercial banks including RRBs. The co-operatives, namely, State/Central Co-operative Land Development Banks finance the farmers directly through a network of their own branches or through the central co-operative banks. The state co-operative banks provide long-term credit through primary agricultural credit societies, farmers service societies and

11 Rudra Pratap Singh, NABARD: Organisation, Management and Role, Deep and Deep Publications, New Delhi, p. 28
Chart I
SHORT TERM AND MEDIUM TERM CREDIT STRUCTURE

- Commercial Banks
- Reserve Bank of India
  - NABARD
  - State Co-operative Banks
    - Branches
    - Central Co-operative Banks
      - Primary Agricultural Credit Societies
        - Agriculturists
      - Farmers service societies
        - Primary Agricultural Rural Societies
          - Rural Branches
large-size adivasi multipurpose societies to farmers. Commercial banks are also involved in the supply of long-term credit directly to farmers. (Chart II)  

The NABARD is the other major national level institution, which provides investment credit for agriculture by way of refinance. It provides refinance to co-operative and commercial banks including RRBs extending long-term finance for agriculture. The NABARD is considered as the main agency for channelling funds for the development of agriculture from international agencies like, IBRD, IDA, etc. The Agricultural Finance corporation (AFC) is a creation of the commercial banks, in project identification, formulation and appraisal, development planning, training and evaluation, etc.

CO-OPERATIVES

The Co-operatives enjoyed a virtual monopoly in the field of agricultural credit until the commercial banks came on the scene. Till late twenties, farmers depended only on co-operatives to meet their credit requirements from the institutional sources as they found it the cheapest and the best source of rural credit. At one time everyone thought that the co-operative credit societies would take away completely the business of moneylenders as far as short-term needs of the farmers were concerned. They were expected to promote thrift and mutual self-help among farmers.

\[12\] Ibid., p.29.
CHART II
LONG TERM CREDIT STRUCTURE

National Bank for Agriculture and Rural Development

Commercial Banks

State Co-operative Land Development Banks

Regional Offices

Branches

Primary Co-operative Land Development Banks

State Co-operative Banks

Branches

Primary Agricultural Credit Societies

Farmers' Service Societies

Large Size Multi Purpose Societies

Rural Branches

Agriculturists
In India, two parallel wings of co-operatives came into existence, one for providing short-term and medium-term credit and the other for disbursing long-term credit to farmers. Short-term credit structure is existing in most parts of the country. It is federal in structure with a three-tier system. At the base level primary agricultural credit societies are functioning on the basis of a cluster of villages as their area of operation. At the intermediary level central co-operative banks are on the scene in each district and at the apex level there is the State Co-operative Bank.

The earlier long-term co-operative credit structure had two-tier only. The one at State level and the other at Tehsil/Taluk level. Later, many states introduced a bank at the State level with its branches at the taluk or district level. Thus, long-term co-operative credit structure has both unitary and federal structure. The former exists in Western and Northern States and the latter in most of the Southern and Eastern States. These institutions are known as State Land Development Banks and Primary Land Development Banks.

Central Co-operatives Banks form a link between state co-operative banks and PACBs. The success of the co-operative credit depends upon financial strength of these banks. Central co-operative banks act as the balancing centres because it adjusts the surplus and deficiencies of the capital of primary societies. These banks provide credit to primary societies for production, supply, marketing and processing. These banks also undertake the supply of seeds, fertilisers, agricultural implements and consumer goods. The primary societies functioning in their operational area are supervised by these
banks. They also act as a leader of co-operative societies. The membership of central co-operative banks is open to all primary societies but individuals are not allowed. Generally, one central co-operative bank operates in one revenue district. Besides, lending to PACBs, these banks also lend against fixed deposit receipts, life insurance policies and Government promissory notes.

The State Co-operative Banks are the apex institutions of the co-operative credit structure. These banks act as a linking medium between central co-operative banks and the RBI. The State co-operative Banks act as the banker of banks in respect of Central Co-operative banks. These banks also link the co-operative credit societies with the country's money market. Central co-operative banks are guided and supervised by these apex banks. These banks also perform some other functions like, issue of drafts, cheques and letters of credit and assisting the State in the development of co-operation. The membership of these apex banks is open to all central co-operative banks and other co-operative societies. State Government also purchases shares of State Co-operative Banks. The State Co-operative Banks generally provide short and medium term loans to central co-operative banks.

GOVERNMENT

To rescue the farmers from coercive methods of money lenders the British Government came forward by passing many legislative measures. One of the measures was the direct financing by Government to farmers which was called 'taccavi loans'. Thus, the government emerged as another agency of
agricultural credit. The provisions for the taccavi loans were made under the Land Improvements and Loans Act.

It is noteworthy to mention that the role of Government as a direct lender is not favoured due to several reasons. In this context the observations of the All-India Rural Credit Survey Committee are significant. According to this Committee, "In practice, taccavi (Government credit for agriculture) 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 record of inadequacies. These may be considered in their different aspects which are: (a) inadequacy of amount, inequality of distribution and inappropriateness of basis of security, (b) inconvenience of timing, incidental delays and impositions of various kinds on the borrowers, and (c) inefficiency of supervision and incompleteness of co-ordination".

Some other shortcomings of the Government credit are security orientation rather than production orientation, political considerations rather than economic considerations, poor supervision of the use of credit, lack of guidance to farmers, poor recovery of loans, postponement of recoveries for political benefits etc. For all these reasons Government cannot be considered as an appropriate or suitable agency for handling credit for agriculture. The current trend is also in favour of Government withdrawing from the field. Because, after the nationalisation of the major banks, the Government role in agricultural financing has declined. Gradually the government may give up its role of financing to other institutional agencies.
COMMERCIAL BANKS

For the entry of commercial banks in the field of agricultural lending, Government introduced 'Social Control' over commercial banks in 1967. But it could not prove effective. Therefore, in July 1969 fourteen major commercial banks were nationalised. Six more commercial banks were nationalised in the second phase of nationalisation on 15th April 1980. After the nationalisation of commercial banks, 'Agricultural Development Branches' were set-up to cater exclusively to the credit needs of agriculture and allied activities. Some other commercial banks also started such as specialised branches on the same pattern such as Gram Vikas Kendras, Rural Service Centres, Farm Clinics, etc.

In 1969, the 'Lead Bank Scheme' was launched on the recommendations of the study group appointed by the national Credit Council in October, 1969. The Committee was chaired by Prof. D.R.Gadgil. The Committee of Bankers, appointed by the RBI under the chairmanship of F.K.F. Nariman also recommended the above plan. Under the scheme all districts were allotted to commercial banks. Under the scheme the commercial banks have been assigned with the responsibility of preparing credit plans in their lead districts. The first round of district credit plan was started in 1974.

The "Village Adoption Scheme" was formulated by commercial banks to carry out lending operations in rural areas on sound and scientific lines. The scheme began in 1970-71.
All Commercial banks did not devise and implement the schemes introduced for promotion of agriculture and rural development and some banks had given low priority. Commercial banks followed traditional attitude regarding security provisions which go against the commercial banks' contribution in agricultural lending. The various schemes of the commercial banks are not known to the needy farmers of the country side. These banks failed to fill the credit gap left by co-operatives and thus, farmers still approach the village moneylenders and hence are still exploited by them. The traditional attitude, the posting of inadequately motivated and ill-trained personnel in rural areas, managerial inefficiencies are the reasons of poor recovery performance of commercial banks. The commercial banks also have to face the problem of mounting overdues and mostly the defaulters were the large farmers depriving other needy farmers timely availability of adequate funds for their productive purposes. Most of the agricultural development branches of commercial banks are reported to have been working as deposit centres to the gross neglect of credit.

Thus, the commercial banks have launched some good schemes indeed but failed in implementation due to unhelpful attitude of officials and employees.

REGIONAL RURAL BANKS (RRBs)

With a view to review the flow of institutional credit, specially to weaker sections of the rural community, a Working Group Chaired by Sri. M.
Narasimham was appointed by the Government of India in 1975. The working group in its report recommended establishing state sponsored, regionally based and rural oriented banks to be called 'Regional Rural Banks'. In the light of the recommendations of the Working Group, the GOI passed the RRBs ordinance on 26th October 1975. The ordinance was later replaced by the RRBs Act. 1976.

Generally, the RRBs are sponsored by scheduled commercial banks. Some private sector banks have also sponsored these rural banks. The State Co-operative Banks are also permitted to sponsor RRBs in consultation with the RBI.

The purpose of setting-up the RRBs is to prepare and develop a rural economy through disbursement of credit and other accommodations, especially to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. RRBs are expected to combine local feel and low cost of co-operatives on the other. The Dantwala Committee suggested to set-up RRBs in such areas where the credit availability (by commercial banks and co-operative) is inadequate and the large credit gaps are existing, the weaker section of the rural population is dominating and agricultural development potential is encouraging.

The RRBs are empowered to extend all banking activities under clause (b) of section 5 of the Banking Regulation Act, 1949 and can also undertake one or more types of business described in subsection (1) of section 6 of the
above Act. The GOI has decided that the RRBs should confine their activities of lending only to the weaker sections of agriculture, trade, industry and other production oriented purposes. The RRBs may lend directly or through various types of co-operatives-PACs, FSS, LAMPS, etc. for production or consumption purposes.

Generally, the operational area of RRBs is limited to a compact area consisting of one to three revenue districts. These RRBs open their branches in such areas which are unbanked or underbanked and where the commercial banks and co-operatives are weak or fail to ensure the credit requirements of weaker sections. The branch of the RRBs provide finance normally to five to ten PACs/FSS existing in their area of operation which may be one to three blocks.

CO-OPERATIVE CREDIT MOVEMENT IN INDIA

The role of credit in promoting agricultural growth is to provide inputs and fixed capital to enable farmers to switch over to a superior production function. Co-operative development in India can be traced back to 1904. Subsequently the co-operative societies Act 1912 facilitated the formation of higher federal bodies and institutions. In India more than three fourths of the population live in villages. Economic activity in rural areas comprises agricultural and other allied operations. The All India Rural Debt and Investment Survey revealed that about half of the rural households have less than 2.5 acre of land. It is one important reason for low standard of living.
Thus "the urban poor to a large extent are the outflow of rural poor. Therefore the problem of poverty is mainly the problem of rural poverty". 13

After independence, the subject of agricultural indebtedness and agricultural finance got priority. The Reserve Bank of India, in 1952, constituted the Rural Credit Survey committee to examine the whole subject comprehensively. Its report is a landmark in the evolution of the agricultural credit system in the country.

Credit made available to rural beneficiaries serves as means of acquiring assets and arranging resources needed for developing the proposed economic activities. The credit for developmental activities should generate larger surplus to the user as also lead to accelerating the pace of recycling of funds. Thus, both productive use of bank credit by beneficiaries and efficient recycling of funds through prompt recoveries by banks are equally important for achieving accelerated development.

In the olden days, people used to work together in large or small groups to attain social as well as economic objectives. This was formulated into co-operation by Robert Owen (Britain) and Charles Fourier (France). 14 The co-operative movement saw the light of the day in 1844 after the formation of "the Rochadale Society" in England. Later on, under the guidance of Schulze F.W and Raiffeisen F.W., co-operative credit societies were started in

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13 Krishnamoorthy G and Rohini N. How to make primary Agricultural credit societies work better, Kurukshetra Vol No 19 July 1982 p.27.
Germany which had been a model to the present day co-operative credit sector in the world. Today's co-operative credit sector is the result of the revolution against mercantile economy. This gained momentum and gave inspiration to the co-operative movement on the principle of each for all and all for each "\[15\]  

In 1875, the peasants of Deccan region revolted against the money lenders who were charging exorbitant rates of interest involving the peasants in perpetual indebtedness. At this stage the Government felt the need for protecting the interest of the peasant community. As a result, the Deccan Agriculturists Relief Act 1879, Land Improvement Loans Act 1883 and Agriculturists Loan Act 1884 were enacted. The last two Acts envisaged loans called "Takkavi Loans" to be provided to the farmers for long term and short term purposes.  

The idea of co-operative movement was first conceived in India by the then Madras Government in 1892. Sir Frederick Nicholson was appointed in 1892 by Lord Wenlock to find ways and means for the constitution of agricultural banks in the state. He advised that the establishment of rural credit agency should be on the postulates of proximity, security and cheap credit to the borrowers. \[16\]


Based on the reports of Nicholson F.D. and Famine Commission (1901). Devzil Ibbetson had moved and piloted a bill which was passed into an Act on 25th March 1904 known as Co-operative Credit Societies Act of 1904 to meet the credit needs of the rural people. The act was based on English Friendly Societies Act.

The Act of 1904 was the pioneer action taken by the Government in establishing Co-operative credit in India. The main features of the Act were:

i) Simplicity, to deal with a large number of ignorant agriculturists and

ii) Elasticity, so that the State governments could have sufficient power to control the development of societies.

To find the means for the smooth functioning of the credit co-operatives in the country, a committee was appointed by a resolution on 8th November 1914 called 'Committee on Co-operation' under the chairmanship of veteran co-operator Edward Maclagan which marked a historic document in the co-operative history. 17

Under the Reform Act of 1919, the transfer of co-operation to provincial Govt's was the primary step. Henceforth the provincial Govt's were empowered to have their own co-operative societies Acts to make the path of credit

17 Reserve Bank of India, Report of the Committee on co-operation, Bombay, 1957 p.25.
movement smooth and sound. Bombay gave the lead by passing the Co-operative Societies Act I of 1925.

The Royal Commission on Agriculture was constituted by the Government of (British) India in 1928 and the Central Banking Enquiry Committee in 1929 to study the extent of progress made in rural areas and to offer solutions to the problems.

The Royal Commission observed that the main cause of failure of the co-operative movement was the lack of education and of adequate supervision and guidance. Further, it remarked that if co-operation fails there will fail the best hope of rural India. The enquiry committee noted that the co-operative movement inspite of imperfection and of unavoidable setbacks deserved every possible assistance from all quarters.

In the thirties the economic depression had led the co-operatives into overdues and freezing of society's assets. This made the appointment of special experts and enquiry committees in different states to examine the position of the co-operative movement. Mention may be made of Devdhar Enquiry committee on co-operation in Travancore (1935), K.S. Iyer committee in Mysore (1935) Mehta and Bhansali committee in Bombay (1937), Mudaliar committee in Orissa (1938), Wace Committee in Punjab (1939), Pantulu Committee for Co-operative Rehabilitation (1939) and Vijayaraghavachary Committee in Madras (1940).
The Government of India, later had appointed two committees, one in 1944, called the Agricultural finance subcommittee headed by an eminent economist, the late Gadgil and another in 1945, known as the co-operative planning committee headed by Shri Saraioya. The Gadgil Committee's recommendation to study the unlimited liability societies was supported by Saraioya Committee.

The following are the main drawbacks in the co-operative credit movement which were found by the Rural Credit Survey committee, they are:

i. The (democratic) authority promoted its own vested interests,

ii. Those unaware of the philosophy had created problems in the process of management and supervision,

iii. Nepotism in advancing and recovery of loans was rampant,

iv. The farmers depended on moneylenders due to delay in the granting of loans by the co-operatives and

v. The people understood that co-operation was a government sponsored activity.

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18 Reserve Bank of India, Report of the All India Rural Credit Survey Committee, Bombay, 1954, p.150.
The Committee after analysing the various causes for unsatisfactory working of the co-operative movement, concluded that 'Co-operation has failed but co-operation must succeed'. The spread of co-operation would provide the best solution to the problems of agricultural credit.

**CO-OPERATIVE CREDIT STRUCTURE**

The Co-operative credit structure is federal in character. At the base, i.e. at the village level there are primary credit societies upon which the whole edifice of the co-operative credit is based. These societies are federated at the district level into a central society called the central co-operative bank, which are federated into an apex bank. The apex or state co-operative bank in its turn is closely linked with the NABARD which provides considerable financial assistance to co-operative credit structure. This is the set up in regard to short term financing. 19

The advent of economic planning in India gave a new direction for a purposeful and healthy development of co-operative movement in India. The movement has been considered as in improvement instrument for the democratisation of economic planing. The following table reveals a commendable progress of co-operatives during the five year plan. 20


20 Agricultural Banker, vol.13 No.1 Jan - Mar, 1990 p.48
Table 2.2

GROWTH OF CO-OPERATIVE SOCIETIES

<table>
<thead>
<tr>
<th>Beginning of Plan</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
<th>VII</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Societies (Lakhs)</td>
<td>1.8</td>
<td>2.4</td>
<td>3.3</td>
<td>3.3</td>
<td>3</td>
<td>2.62</td>
<td></td>
</tr>
<tr>
<td>Membership (Lakhs)</td>
<td>137</td>
<td>146</td>
<td>342</td>
<td>585</td>
<td>743</td>
<td>1,062</td>
<td>1,231</td>
</tr>
<tr>
<td>Share Capital (Rs. Crores)</td>
<td>45</td>
<td>77</td>
<td>222</td>
<td>603</td>
<td>1,226</td>
<td>2,088</td>
<td>3,190</td>
</tr>
<tr>
<td>Working capital (Rs. Crores)</td>
<td>276</td>
<td>469</td>
<td>1,312</td>
<td>4,373</td>
<td>8,648</td>
<td>20,022</td>
<td>32,748</td>
</tr>
</tbody>
</table>

PROGRESS OF CO-OPERATIVE CREDIT MOVEMENT

The planners took co-operatives as the instrument to carry out people oriented planning and development of rural economy in line with the recommendations of the Survey Committee. The five year plan documents unequivocally project this. For instance, the second Five Year Plan stated that "the building up of a co-operative sector as a part of the scheme of planned development is one of the central aims of national policy". Even in the Seventh five Year Plan, priority has been accorded to improve the operational efficiency of co-operatives so that they can ensure better services to weaker sections and backward areas.
Graph III Growth of Co-operative Societies - Share Capital and working capital

Share Capital
Rs. in crores

Working capital
Rs. in crores

Plan period

S1 S2
The role of credit in promoting agricultural growth is to provide the wherewithall for private investments in inputs and fixed capital to enable farmers to switch over to a superior production function.

Co-operative development in India can be traced back to 1904 when the first co-operative legislation, providing for the establishment of agricultural co-operative credit societies with unlimited liability, was enacted. This Act, however, did not support the formation of unions and federations but their essentiality was highly felt for the smooth running and coordination. Subsequently the Co-operative Societies Act, 1912 facilitated the formation of higher federal bodies and institutions.

The formulation of co-operative credit societies took place in different parts of the country and they made quite notable progress in states like Madras, Punjab and Bombay. The position, however, as it appeared on the eve of independence was that the co-operative credit societies had made only limited progress, despite the fact that the Reserve Bank Act was suitably amended to enable it to deal with agricultural credit in the country.

After independence, the subject of agricultural indebtedness and agricultural finance got priority attention. The Reserve Bank of India in 1952, constituted the Rural Credit Survey Committee to examine the whole subject comprehensively. Its report is a landmark in the evolution of the agricultural credit system in the country.
Although before independence co-operative banks were the only institutional agencies which were meeting the needs of farmers, yet co-operative credit had only touched the fringe of the problem since not more than 3% of the total agricultural credit was handled by co-operatives (according to the Rural Credit survey Committee). The committee, therefore, recommended an integrated co-operative credit system based on the principle of massive state participation, thus quitting the classical principles of co-operation. The recommendations provided for a network of large sized co-operative societies for a group of villagers affiliated to the district co-operative central bank which in turn would be affiliated to the apex state co-operative bank. Credit structure would be concerned with short and medium-term finance. For long-term finance, for purposes of agricultural investment, there would be a two-tier structure consisting of land development banks for Tehsils affiliated to the state co-operative land development banks. 21

While establishing credit co-operatives great stress was laid on them for rural indebtedness and for making credit cheap in rural areas. In the seventies, the concept of co-operatives changed from 'catering credit' to 'developing project'. Thus, the co-operative credit movement aims at improving the socio-economic status of the rural people and incorporating the principle of 'equity'. Equity is a precondition for the involvement of people in the process of development. 22

The PACs played a crucial role with the assistance of marketing co-operatives in supplying farm inputs like improved seeds, fertilisers, pesticides and insecticides, and implements. All in all, the co-operative credit movement had made sound progress in the field of agricultural credit.

Indian Co-operative Movement has developed separate institutional structures for short term, medium and long term agricultural credit. The former one consists of village level PACBs affiliated to CCBs at district level which in turn are affiliated to SCCB. Long term agricultural finance consists of PLD Banks affiliated to CLDBs at the provincial level. The following table shows flow of credit by Agricultural credit co-operatives from the year 1985-86 to 1990-91.

Table 2.3

FLOW OF CREDIT BY AGRICULTURAL CREDIT CO-OPERATIVES

(Rs. in millions)

<table>
<thead>
<tr>
<th>Type</th>
<th>85-86</th>
<th>86-87</th>
<th>87-88</th>
<th>88-89</th>
<th>89-90</th>
<th>90-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST</td>
<td>27,468.7</td>
<td>28,330</td>
<td>31,160</td>
<td>35,127</td>
<td>36,540</td>
<td>20,660</td>
</tr>
<tr>
<td>MT</td>
<td>3,940</td>
<td>5,290</td>
<td>6,130</td>
<td>3,808</td>
<td>4,157</td>
<td>3,173</td>
</tr>
<tr>
<td>LT</td>
<td>5,330</td>
<td>5,400</td>
<td>5,990</td>
<td>7,186</td>
<td>7,442</td>
<td>8,039</td>
</tr>
<tr>
<td>Total</td>
<td>36,738.7</td>
<td>39,020</td>
<td>43,280</td>
<td>46,121</td>
<td>48,139</td>
<td>31,872</td>
</tr>
</tbody>
</table>

The present rural credit delivery system in India consists of two wings: formal and informal or institutional and non-institutional or organised and

Graph IV Flow of Credit by Agricultural Credit Co-operatives

ST

MT

LT

Rs. in millions

unorganised. The formal wing consists of NABARD, Co-operatives, Commercial Banks and RRBs. Informal wing consists of mainly moneylenders, traders, relatives and friends. Co-operatives are nurtured as the primary institutions to relieve farmers from the traditional burden of debt and to promote thrift. The Co-operation have established from the roots in the rural areas through their wide network in the country. Nearly all the villages are brought under the coverage of co-operatives. Although the overall performance of the co-operative credit structure has considerably improved, it is marked by regional disparities and imbalance and counting overdues.

Agricultural credit in India is provided by a number of institutions. The progress amount of credit provided by the various institutions is given in the following table.

Table 2.4
ESTIMATES OF THE RELATIVE SHARES OF VARIOUS AGENCIES IN DELIVERY OF THE CREDIT. 24

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operatives</td>
<td>1,218</td>
<td>2,100</td>
<td>526</td>
<td>960</td>
<td>1,744</td>
<td>3,060</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>470</td>
<td>1,050</td>
<td>575</td>
<td>1,370</td>
<td>1,045</td>
<td>2,420</td>
</tr>
<tr>
<td>RRBs</td>
<td>44</td>
<td>350</td>
<td>56</td>
<td>350</td>
<td>100</td>
<td>700</td>
</tr>
<tr>
<td>Total</td>
<td>1,732</td>
<td>3,500</td>
<td>1,157</td>
<td>2,690</td>
<td>2,889</td>
<td>6,180</td>
</tr>
</tbody>
</table>