A well organised banking and credit system is a sine qua non for a country's economic progress. The development of the commercial banking system in our country has been inter-oven with growth of trade and industries. Though 70 per cent of our total population live in villages and about 50 per cent of our national income comes from agriculture, commercial banks seldom ventured, in the past, in the field of direct agricultural finance because of the high risks involved. The small size of holding of an average cultivator, the low rate of return from land in the traditional method of cultivation, the danger of failure of crops due to natural calamities—all these factors tended to discourage commercial banks in taking up an active role in agricultural finance. Whatever little finance was provided went mainly to the special sector of plantation and to the minority class of relatively affluent cultivators who could raise commercial crops on large holdings.

In the past the Government also did not compel the commercial banks to open branches in rural areas and to undertake financing of agriculture in the larger interest of the
society. The trend of both expert opinion and the official policy had been that co-operative societies and not the commercial banks are the appropriate credit agencies for agricultural finance. In 1960-61 the advances of all scheduled Commercial Banks to agriculture came to a mere Rs.5.48 crores which was only 0.4 per cent of their total advances.¹

During the last decade the economic scene in the country-side started changing. The adoption of modern technology in agriculture as reflected in the growing use of high yielding variety seeds, fertilizers, pesticides etc, investment in irrigation and progressive mechanisation of agriculture - all these factors have greatly increased the productivity of land and have made agriculture a profitable concern in many parts of the country. Commercial Banks have naturally been attracted to finance in this growing modernised sector of agriculture. Moreover, as a matter of deliberate social policy the Government also started forcing the Commercial Banks under its policy of Social control to open branches in rural areas since co-operatives alone could not meet the growing demand of credit in agriculture. After nationalisation of 14 major Commercial Banks in July, 1969, all of them have been directed to meet the credit needs of not merely the affluent sections of the rural community but

¹ Pal, B.K., Agricultural Finance in West Bengal, p. 63.
of small and marginal farmers as well.

In Assam the growth of Commercial Banking is of comparatively recent origin. Before 1920 there was no organised banking sector in Assam - only two banks, namely, The Sylhet Loan Company (Registered in 1881) and The Sylhet National Company (Registered in 1863) were functioning which were little more than loan offices receiving deposits and in a very few cases providing for withdrawal by cheques. By 1926, few more "loan-offices" registered with head offices in different places of Assam and nine joint stock companies, all except one, being located in Shillong, the capital of Assam till the creation of Meghalaya State in 1972. Meanwhile, the Imperial Bank had opened two branches in Assam - one at Dibrugarh and the other at Shillong which in addition to its normal commercial banking functions used to serve as the banker to the Government till its nationalisation in 1955 as the State Bank of India. However, over the last five years between July, 1969 and June, 1974, a significant development had taken place in the sphere of banking operations in Assam. Though a rapid growth in the expansion of bank branches, deposits and credits have marked the period after nationalisation of 14 biggest scheduled banks, yet banking facilities in the State are available in the urban and semi-urban areas only. The total number of bank offices in the State stood at 184 in June, 1974 as against 74 in June, 1969 which shows an increase of nearly 149 per cent over the years.
The growth of commercial banking and institutional credit system in Assam has been tardy and till the nationalisation of 14 major commercial banks in 1969 the banking and credit facilities available in Assam were very inadequate. Not a single head office of any scheduled Commercial Bank was located in the State till 1969 though a good number of them were working in the State with or without branches. In spite of the rapid increase in the expansion of branch offices the spread of Commercial Banks in rural areas has been very poor. A vast majority of population in rural areas in Assam are still unable to take advantage of the banking facilities because of the absence of bank offices in these areas. In Assam a bank office on an average had covered 79 thousand persons at the end of June, 1974 as against 32 thousand in the country as a whole. The population covered per bank office in Gujrat, Karnataka, Maharashtra, Punjab, Tamil Nadu and Kerala were 19 thousand, 18 thousand, 25 thousand, 16 thousand, 23 thousand and 18 thousand respectively.² It is, therefore, clearly evident that Assam is poorly served by bank services indicating poor provision of bank credit for development of agriculture. The districtwise break-up of branch offices in Assam are shown in Table 7.1.

Directorate of Economics and Statistics, Govt. of Assam.
### Table 7.1
District-wise Branches of Commercial Banks, Coverage of Population Branch-wise, Deposits and Advances in Assam as on December, 1974.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of District</th>
<th>No. of Centres</th>
<th>Break-up of Branches</th>
<th>Total as on 31st December 1974</th>
<th>Coverage of Population (in'000) May, 1973</th>
<th>Deposits (Amount in lakhs)</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cachar</td>
<td>12</td>
<td>8 9 -</td>
<td>17</td>
<td>149</td>
<td>6.80</td>
<td>1.98</td>
</tr>
<tr>
<td>2</td>
<td>Darrang</td>
<td>16</td>
<td>10 9 -</td>
<td>19</td>
<td>142</td>
<td>6.34</td>
<td>1.47</td>
</tr>
<tr>
<td>3</td>
<td>Dibrugarh</td>
<td>12</td>
<td>7 19 -</td>
<td>19</td>
<td>142</td>
<td>6.34</td>
<td>1.47</td>
</tr>
<tr>
<td>4</td>
<td>Goalpara</td>
<td>22</td>
<td>13 15 -</td>
<td>23</td>
<td>114</td>
<td>5.04</td>
<td>1.65</td>
</tr>
<tr>
<td>5</td>
<td>Kamrup</td>
<td>36</td>
<td>28 6 30</td>
<td>54</td>
<td>63</td>
<td>36.67</td>
<td>24.91</td>
</tr>
<tr>
<td>6</td>
<td>Lakhimour</td>
<td>5</td>
<td>3 2 -</td>
<td>5</td>
<td>93</td>
<td>1.14</td>
<td>14</td>
</tr>
<tr>
<td>7</td>
<td>Karbi Anglong</td>
<td>3</td>
<td>1 1 -</td>
<td>2</td>
<td>137</td>
<td>36</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>North Cachar Hills</td>
<td>1</td>
<td>1 -</td>
<td>1</td>
<td>31</td>
<td>43</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>Nowgong</td>
<td>15</td>
<td>10 7 -</td>
<td>17</td>
<td>106</td>
<td>5.04</td>
<td>1.61</td>
</tr>
<tr>
<td>10</td>
<td>Sibsagar</td>
<td>13</td>
<td>13 3 -</td>
<td>21</td>
<td>37</td>
<td>10.25</td>
<td>3.09</td>
</tr>
<tr>
<td></td>
<td>Assam Total</td>
<td>140</td>
<td>94 75 30</td>
<td>200</td>
<td>1051</td>
<td>102.50</td>
<td>46.27</td>
</tr>
</tbody>
</table>

From the table above it is evident that the spread of commercial banking in rural areas has been poor. As a matter of fact, banking service is available in urban and semi-urban areas. The vast majority of farmers who live in rural areas are still unable to take advantage of the benefits of banking services. The role of the commercial banks in advancing finance to the farmers is very unsatisfactory so far in relation to the huge deposits in the State is concerned. The advances made to the farmers in December, 1972 was Rs. 2.11 crores only which decreased to Rs. 1.74 crores in December, 1973, but again it picked-up to Rs. 2.59 crores in December, 1974.  

**DIRECT FINANCE TO AGRICULTURE BY COMMERCIAL BANKS.**

Commercial banks had commenced direct finance to agriculture in the year 1968 in order to supplement the efforts of the Co-operative Credit Institutions. The banks have by a process of trial and errors, largely refined their methods of purveying rural credit and have also significantly increased the quantum of finance extended to this sector.

In Assam, direct financing of agriculture by Commercial banks started since 1970 only. In table 7.2 below the total deposits of all commercial banks operating in Assam including

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3 Ibid, p. 63.
the three major banks i.e. the State Bank of India, the United Bank of India and the United Commercial Bank, as also the direct finance made by them to agriculture have been shown.

Table 7.2
Direct Finance by Commercial Banks
(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Category of Banks</th>
<th>Total Deposits (Dec/74)</th>
<th>Total Advances (Dec/74)</th>
<th>Direct Finance to Agriculture (Dec/74)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Commercial Banks</td>
<td>102,50</td>
<td>46,27</td>
<td>1,03</td>
</tr>
</tbody>
</table>


From the table above it is evident that the role of commercial banks in advancing direct finance to agriculturists is thus very poor so far in relation to the huge deposits in Assam.

**LEAD BANK SCHEME**

The "Lead Bank Scheme" introduced by the Reserve Bank of India in December, 1969, is a Co-ordinated programme of setting up adequate branch expansion in unbanked districts of the country and each of the major Indian Commercial Banks was
allotted a cluster of districts for intensive coverage of their credit needs. A lead bank would be responsible for taking a leading role in surveying the credit needs, development of branch expansion and provision of credit facilities in the districts allotted to it.

In Assam all the ten districts of the State have been allotted to the three major Commercial Banks - The State Bank of India, the United Bank of India and the United Commercial Bank and has been assigned the role of "Lead Bank" of districts as shown below:

<table>
<thead>
<tr>
<th>NAME OF THE LEAD BANK</th>
<th>NAME OF THE DISTRICTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. United Bank of India</td>
<td>(a) Nowgong</td>
</tr>
<tr>
<td></td>
<td>(b) Dibrugarh</td>
</tr>
<tr>
<td></td>
<td>(c) Lakhimpur</td>
</tr>
<tr>
<td></td>
<td>(d) Cachar</td>
</tr>
<tr>
<td></td>
<td>(e) Sibsagar</td>
</tr>
<tr>
<td>2. United Commercial Bank</td>
<td>(a) Goalpara</td>
</tr>
<tr>
<td></td>
<td>(b) Kamrup</td>
</tr>
<tr>
<td></td>
<td>(c) Darrang</td>
</tr>
<tr>
<td>3. State Bank of India</td>
<td>(a) Karbi Anglong</td>
</tr>
<tr>
<td></td>
<td>(b) North Cachar Hills</td>
</tr>
</tbody>
</table>

The State Bank of India is not only the "Lead Bank" of the two hills districts of Karbi Anglong and North Cachar Hills but also the "Lead Bank" of the entire hill areas of the north-eastern region and in addition to "Lead Bank" the bank is also to play a pioneering role in all the districts of the State for agricultural development. The bank has advocated a separate methodology for the entire north-eastern region for
preparing a credit plan on the following factors: First, the region is composed of mostly hilly and difficult terrains, secondly villagers are scattered far and wide resulting in low density of population and a large number of villages are inaccessible and remain practically cut-off during the rainy season, thirdly, existence of a numerous tribes at different stages of economic development and having different dialects, traditions etc. which inhibit their responsiveness to new ideas and improved practices; fourthly, prevailing practice of jhumming and absence of land tenure system in the hills, fifthly, existence of a large non-monetised sector and absence of reliable statistics about land use, cropping pattern etc. and finally, poor state of infrastructural development as evidenced by inadequate transport and communication facilities, rural electrification, marketing, ware-housing and storage etc.

And accordingly, the State Bank of India prepared a credit plan for Karbi Anglong and North Cachar Hills districts covering an outlay of ₹125.79 lakhs of which only ₹3 lakhs had been advanced for agriculture up to December, 1974.4

The State Bank of India's major credit lies in its efforts to open more agricultural development branches in the State. The first of its kind was opened at Teok in Sibsagar District in 1973 and two other such branches are at Norsingpur in Cachar District and at Howly in Kamrup District. But the most striking fact is that the bank being the "Lead Bank" of

4 Regional Office of the State Bank of India, Gauhati.
the two hills districts of Karbi Anglong and North Cachar Hills is yet to open any such branch in any of the two districts. The Teok Agricultural Development Branch is yet to make an impact on the over-all economy of the rural people of the area. An amount of Rs. 6 lakhs were advanced in 1973 to 250 people is yet to be recovered.\footnote{Ibid} There are, no doubt, progressive farmers who have been benefitted by the schemes of the branch. The branch is, at the moment, facing shortage of technical personnel.

The three branches, as mentioned above, in the three districts of the State, were opened in pursuance of a scheme drawn up by the State Bank of India to open agricultural development branches in selected districts whose jurisdiction would cover an entire block or even more than a block. These branches would provide both short-term and medium-term loans so that cultivators can adopt improved methods of production, such as, use of modern inputs and investment in land. These agricultural development branches are to take over the entire responsibility of financing the farmers living in the block. The Howly and Norsingpur branches have not yet been able to make any headway in dispensation of agricultural credit in their respective areas.

The major hurdle on the way of providing the actual farmers with necessary credit has been the existence of middle-
men who have been trying to deprive the poor farmers of their due benefit. The absence of adequate trained staff at the branch is another cause of its unsatisfactory performance. It is a fact that to make allround development in agriculture in a particular area, an integrated agricultural development is a must to create an impact on the people. For effective implementation of agricultural development schemes provision of irrigation facility is an important pre-requisite. During the initial years the Assam Government could not extend the required co-operation to the Teok branch on matters of installing deep tube-wells in the area. Recently, the Government prepared a feasible report on the basis of which the Bank is formulating a minor irrigation scheme costing about Rs. 16 lakhs.

In Karbi Anglong District where the State Bank is the "Lead Bank", it has already identified over 1500 farmers of whom so far 1324 farmers coming over 80 villages received loans totalling Rs. 4.58 lakhs.  

VILLAGE ADOPTION SCHEME

The Commercial Banks first entered the field of direct financing of agriculture without following any specific strategy which led to widespread scattered lendings. This in

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6 Ibid.
turn resulted in poor follow-up and supervision of the end-use of credit purveyed to farmers, concurrent borrowings by farmers from different banks for the same purpose and against the same security, overlapping and duplication of efforts leading to mis-utilisation of bank’s funds and consequent problems of recovery. Accordingly, on the advice of the Reserve Bank of India, the Commercial Banks proceeded to ensure that agricultural lending was done only in 'adopted villages' leaving the villages covered by other credit agencies. The other agencies operating in the area were advised of the bank’s intention to adopt a particular village so that they did not simultaneously extend finance in that village and over a period of time the branch operations in adopted villages were intensified in a planned way in order to take care of the total credit needs of all the eligible households. The area of a bank branch for financing farmers in adopted villages should not generally extend beyond ten miles radius of their existing branches. The village adoption scheme enables the Commercial Banks to concentrate their efforts in selected areas rather than dissipate their efforts in dispersal of loaning over wider areas. In Assam no branch of any Commercial Bank has taken any initiative for executing the scheme of village adoption in any part of the State for financing farmers depriving them of the benefits of this novel scheme.

The Commercial Banks as we have seen earlier in Table 7.1 and as we shall see below in Table 7.3 have enormous
### Table 7.3

Progress of "Lead Banks" and Other Commercial Banks in Financing Agriculture in Assam (Rs.in '000)

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>No. of Branches/Offices in the State as on 31-12-74</th>
<th>Short-term Production Credit No. of A/Cs</th>
<th>Amount</th>
<th>Medium-term Credit No. of A/Cs</th>
<th>Amount</th>
<th>Total No. of A/Cs</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. United Commercial Bank</td>
<td>39</td>
<td>1176</td>
<td>45</td>
<td>341.00</td>
<td>1221</td>
<td>806.00</td>
<td></td>
</tr>
<tr>
<td>2. United Bank of India</td>
<td>40</td>
<td>14185</td>
<td>546</td>
<td>26.69</td>
<td>14731</td>
<td>6963.00</td>
<td></td>
</tr>
<tr>
<td>3. Punjab National Bank</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>175</td>
<td></td>
</tr>
<tr>
<td>4. Central Bank of India</td>
<td>1</td>
<td>3</td>
<td>6</td>
<td>157</td>
<td>9</td>
<td>214</td>
<td></td>
</tr>
<tr>
<td>5. Allahabad Bank</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>23</td>
<td>2</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>6. State Bank of India</td>
<td>58</td>
<td>3575</td>
<td>-</td>
<td>-</td>
<td>3575</td>
<td>1388</td>
<td></td>
</tr>
</tbody>
</table>

Number of Accounts Relate to Both Short-term and Medium-term Loans.

Source: Annual Reports of Individual Banks for 1973-74.
resources, but their organisational base is still very weak to embark upon an accelerated programme of agricultural finance. Co-operative system, on the other hand, has the necessary base in the shape of primary agricultural credit societies covering practically all the villages, but most of them, as we have seen in earlier chapter, are dormant for lack of resources. In order that Commercial Banks can take advantage of the village level agency of the co-operative system and the co-operative credit societies in their turn can take advantage of the enormous resources of the Commercial Banks, a scheme of financing co-operative societies through banks was drawn up by the Reserve Bank of India. The main features of the scheme are reproduced below.

(1) The Commercial Banks would not normally directly finance individuals in the villages served by the societies transferred to them.

(2) The Commercial Banks would lend to societies at the same rate of interest as co-operative banks.

(3) While the Commercial Banks would settle liabilities of the societies under current loans to the Central Bank, the settlement of the overdue loans would be on the merits of each case.

(4) The Commercial Banks would follow the crop-loan system for financing societies for short-term agricultural purposes. Thus they would adopt scales of finance cropwise
as required under the scheme and would also give loans for
the purchase of inputs like fertilisers in kind.

(5) The bank would also undertake financing of
individuals through the societies for all purposes, for
which the co-operative credit structure gives medium-term
loans, but long-term loans would be given directly to
individuals and not through societies.

The Reserve Bank of India has introduced this scheme
of financing selected primary co-operative agricultural
credit societies through commercial banks in 1970 in selected
56 districts of Andhra Pradesh, Haryana, Madhya Pradesh,
Karnataka and Uttar Pradesh and has extended the scheme to 81
districts up to September, 1971. But no district was
selected under this scheme in Assam up to 1973-74 though the
cooporative credit structure in the State is very weak.

The progress of financing societies through the
Commercial Banks in these States is shown in Table 7.4. The
scheme was further extended to Bihar, Maharashtra and
Rajasthan. In all, 21 Commercial Banks participated in the
scheme in 8 States where 350 bank branches provided finance
to 1760 societies out of a total of 2630 societies allotted
to them. The short-term agricultural credit disbursed during
1973-74 to these societies amounted to Rs. 12.20 crores up to
March, 1974.7

7 Choubey, B.N., Institutional Finance for Agricultural
Development, p. 226.
Table 7.4
Progress of Financing Primary Agricultural Co-operative Credit Societies by Commercial Banks as on 30th September, 1971 (₹ in lakhs)

<table>
<thead>
<tr>
<th>State</th>
<th>No.of Societies Allotted</th>
<th>Kharif 1970 No.of Societies</th>
<th>Kharif 1970 Amount</th>
<th>Average per Society</th>
<th>Rabi 1970-71 No.of Societies</th>
<th>Rabi 1970-71 Amount</th>
<th>Liabilities Taken Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Andhra Pradesh</td>
<td>800</td>
<td>375</td>
<td>156.51</td>
<td>0.42</td>
<td>130</td>
<td>39.70</td>
<td>-</td>
</tr>
<tr>
<td>2. Haryana</td>
<td>260</td>
<td>103</td>
<td>38.73</td>
<td>0.38</td>
<td>68</td>
<td>26.02</td>
<td>115.83</td>
</tr>
<tr>
<td>3. Karnataka</td>
<td>646</td>
<td>366</td>
<td>99.10</td>
<td>0.27</td>
<td>60</td>
<td>10.23</td>
<td>-</td>
</tr>
<tr>
<td>4. Madhya Pradesh</td>
<td>305</td>
<td>223</td>
<td>30.15</td>
<td>0.14</td>
<td>136</td>
<td>13.73</td>
<td>62.56</td>
</tr>
<tr>
<td>5. Uttar Pradesh</td>
<td>158</td>
<td>87</td>
<td>20.84</td>
<td>0.24</td>
<td>82</td>
<td>14.65</td>
<td>34.64</td>
</tr>
<tr>
<td>Grand Total</td>
<td>2169</td>
<td>1153</td>
<td>342.33</td>
<td>0.33</td>
<td>476</td>
<td>103.83</td>
<td>213.03</td>
</tr>
</tbody>
</table>

It was expected that this linkage between Commercial Banks and Primary Agricultural Co-operative Credit Societies would ensure the adequate flow of credit to the farmers and would enable the societies to get new members. The linkage was also expected to stimulate the dormant societies, help the members to minimise their dependence on hitherto ubiquitous money-lenders and facilitate the societies to evolve an appropriate system for disbursement of loans, supervision of the use of credit and the recovery of funds.

The scheme of financing Primary Agricultural Credit Societies by Commercial Banks started in Assam during the Rabi season of 1974-75. But in view of the inadequate flow of rural credit and lower rate of coverage of farmers in the State the Reserve Bank of India suggested in 1972-73 to the Assam Co-operative Apex Bank Ltd. to finance Primary Agricultural Credit Societies directly through its branches in a phased manner. And accordingly, 45 Primary Agricultural Credit Societies in the areas of operations of Nowgong, Tezpur, Gauhati, Barpeta, Nalbari and Goalpara branches of the bank issued short-term loans amounting to Rs. 11.45 lakhs during the Kharif season of 1973-74.³

In order that Commercial Banks can effectively participate in financing agriculture the necessity of providing

³ Das, Mihir Kumar, 25 Years, Souvenir, 1973-74, Assam Co-operative Apex Bank Ltd., P V1/Souvenir.
them with certain legal safe-guards like first charge on property, recovering the dues as arrears of land revenue through certificate procedure etc. which are available to co-operative banks was keenly felt. The Reserve Bank had set-up a Committee in 1971 headed by Shri Talwar, Chairman of the State Bank of India, to examine the provisions of relevant State laws and to suggest changes where necessary to facilitate free flow of institutional credit to agriculture. The main recommendations of the Committee are reproduced below:

LEGISLATIVE PROVISIONS

Land Alienation Rights of Agriculturists:

(1) Cultivators who have no rights or have only restricted rights of alienation in their lands or interests therein such as, landholders belonging to scheduled tribe/caste, backward classes/caste, tenant cultivators, fragment holders, allottees of Bhoolan land and of Government land should be vested with rights to alienate land/interest in land held by them in favour of banks for the purpose of obtaining loans for agricultural purposes.

(II) In the case of share croppers who form a special category and who do not have any recorded rights in land, banks would be able to grant loans only if their status is properly noted in the record of land rights. Further, they should be
enabled to create a charge on the crops raised by them, notwithstanding the fact that they are not the owners of the land over which the crop is raised by them.

**PRIORITY OF CHARGES**

(III) The general principle of priority as between institutional credit agencies in regard to loans based on common security, should be adumbrated in the Transfer of Property Act, 1882. This will ensure that the concept of first charge in favour of co-operatives does not adversely affect Commercial Banks. However, all institutional credit agencies should have priority of charge vis-à-vis private agencies.

(IV) The restriction on alienation of land subject to a charge in favour of a co-operative should be relaxed so as to permit subsequent alienation thereof for securing supplementary credit from another institutional credit agency. This would be similar to the provision by which property, subject to a charge in favour of a co-operative credit society is allowed to be alienated in favour of a land development bank.

(V) On the same basis where crop-loan for current production purposes is granted by one institutional credit agency and term-loan for development purposes is granted by another institutional credit agency against common security, priority of security should accrue to the agency providing term-loan provided the encumbrance in its favour was made with the
knowledge and concurrence of the institution holding the encumbrance for crop-leave for current production purposes. The existing priorities under the co-operative legislation as between the co-operative credit societies and land mortgage banks will remain unaffected.

(VI) As between two institutional credit agencies providing term-loans for development purposes against common security, priority of claim should arise according to the point of time of creation of encumbrances.

(VII) On the analogy that the simplified procedure pertaining to the creation of a charge on land/interest in land by declaration in favour of co-operative facilities expeditious disposal of loan applications, provision should be made to enable agriculturists to create a charge on land/interest therein by declaration in favour of Commercial Banks. Appropriate arrangements should also be made to have such charge noted in the record of rights and in the office of the Sub-Registrar.

(VIII) To overcome the prolonged delay involved in securing registration of mortgages created in favour of Commercial Banks, it is necessary to provide that it would be sufficient if a copy of the mortgage deed is sent for registration to the Sub-Registrar. The mortgage so created should also be noted in the record of rights.
RECOVERIES AND OTHER OPERATIONAL DIFFICULTIES

(IX) Enactments relating to money-lending regulation and debt relief should exclude commercial banks from their purview.

(X) To facilitate prompt recovery of dues of Commercial Banks without having to resort to protracted and time-consuming litigation in civil courts, the State Government should empower an official with authority to issue an order having the force of a decree of a civil court for payment of any sum due to a bank by sale of the property charged/mortgaged in favour of the bank.

(XI) As banks may have need to foreclose mortgages of land executed in their favour, bring the property to sale and purchase the property if there are no bidders at auctions conducted for the purposes, they should be permitted to purchase the land and if necessary acquire land in excess of the ceiling limit fixed. However, State Governments, may fix a time limit within which land acquired by banks is to be sold. Ultimate disposal of land by banks will, of course, have to be subject to State enactments as regards the persons to whom land can be sold etc.

(XII) In order to facilitate commercial banks financing agriculturists through primary agricultural credit societies,
the societies should be made eligible to borrow from commercial banks. Further, the Commercial Banks concerned should be eligible for such facilities as are ordinarily available to a central co-operative bank.  

SUGGESTIONS BY NATIONAL CO-OPERATIVE BODIES

The National Co-operative Union of India, while observing that it had never been the intention of the Government or of the Parliament to replace the Co-operative Movement by Commercial Bank finance, made the following points.

(a) "The Co-operative Movement whole-heartedly supports the Nationalisation of Commercial Banks in so far as the Nationalised Banks would be able to provide better banking facilities to the co-operatives than the privately owned Commercial Banks.

(b) The Nationalised Banks should not enter into competition with the Co-operatives by trying to provide direct loans to the same set of farmers and small artisans who either actually or potentially fall in the areas of operation of the Co-operatives.

9 Ibid, I, p. 72.
(c) The tried channels of indirect financing of agriculture and small industries through the Co-operatives should be deepened and enlarged till all the credit needs of these priority sectors are fulfilled.

(d) A suitable machinery should be set up by the Government under the Department of Banking in the Ministry of Finance to co-ordinate the operations of the Nationalised Banks and other Commercial Banks on the one hand and the Co-operatives on the other to whom day-to-day problems could be referred to.\(^\text{10}\)

Adequate credit is a means and not an end in itself. This alone cannot guarantee the desired progress. Credit is a double edged weapon and whether it makes or mars the progress, depends upon its wielder and the way it is wielded. If agriculture is placed on a sound footing through various measures like technical, economic, social, political and legal process, it may enhance the credit absorbing capacity and accelerate the pace of farm financing by commercial banks.

Credit to become successful in agriculture must be accompanied with technical advice, serious field oriented research and dynamic approach to development schemes. All the agencies entering the field of agricultural finance must have technical cells for advice and guidance in all agricultural

\(^{10}\) Ibid, p. 234.
operations. It is likely to enhance the productivity of credit and ensure proper utilisation and safe return.

Unhealthy competition among the various agencies of agricultural finance may not be advantageous to any one. The Co-operatives and Commercial Banks should move in a co-ordinated manner and as far as possible, joint system of financing should emerge. The commercial banks should aim at supplementing and not supplanting Co-operative Credit which has rendered yeoman service through generations.

It should be ensured that there is no overfinancing to big farmers by Commercial Banks which might lead to private lending to poor and needy farmers at higher rates. The diversion of productive loans to other purposes should be completely checked through proper supervision etc. Political considerations should not be allowed to influence the process of financing.