Introduction
Chapter - I

INTRODUCTION

Agriculture is the back-bone of Indian economy. More than seventy percent population live in rural area and agriculture is the way of life for them. National Income Committee and the Central Statistical Organization show clearly that 57 percent of the total national income in 1950-51 was from agriculture sector and in 1996-97 it was 26.3 percent. The Indian agriculture contributes a major share to the total national income; but the share of agriculture in national income, however, has been decreasing continuously. The process of rapid industrialisation also depends upon the agriculture sector. The more developed a country, the smaller is the share of agriculture in national output. India, yet has not reached the stage of advanced economy, it still has an agricultural sector as the most dominant factor. But the process of development in the Indian agricultural sector is slow.

In India, a very high proportion of working population is engaged in agricultural sector. According to India's census report, India's 67 to 69 percent working population is engaged in agriculture. Hence, agriculture is the most dominant sector in the Indian economy. Also the industrialisation in the country depends on agriculture. The
countries, where majority of working population is engaged in agriculture are generally less developed or backward.

According to the Fourth Finance Commission (1966-69), agriculture is not an occupation or a business for the people but it is a tradition, a way of life, outlook and culture¹. In general the economic development is interpreted as sustained growth which is synonymous with industrialisation. But there are eminent economists, however, who do not agree with this view. Jacob Viner, argues that a high degree of industrialisation is not necessary for raising the per capita income of a country as this can be achieved by improving agriculture without having any great recourse to the development of industries. “Dominantly agricultural countries are generally found to be poor”, he argues, “not because they are agricultural but because their agricultural occupation is backward.”² It comes to our comprehension that without substantial increase in the agricultural production and raw material, it would be difficult to attain industrial prosperity. So it seems essential to strengthen the base of the economy to create conditions of sufficiency in respect of food and raw material.

Wilfred Malenbaum, an eminent American economist, has also expressed the view in his book, 'Prospects for Indian Development' that, irrespective of whatever success India might achieve on the industrial front and in solving the problems of balance of payments, its
economic progress would depend largely on the development of agriculture. So it seems that the agricultural sector of our economy needs careful handling and planned stimulation to acquire the development of the entire economy. Therefore, the agricultural development is the most fundamental aspect of industrial prosperity. The economic development of our country rests on the capital investment in the agriculture. It has been found that during the planning period, the agricultural production was increased, but our attention towards irrigation, quality seeds and use of fertilizers has not been yet of that level as we desire. To promote our economic development, there is an urgent need to pay full attention towards agriculture. There are many difficulties in agricultural development viz., small size of holdings, low level of productivity, shortage of capital etc. India being an underdeveloped country, it faces the problem of capital shortage. Without investment in agriculture, the production will not increase. So the efforts should be made to lift the economy from this state of low productivity. It has rightly been pointed out that there is a great need to develop favourable environment and institutions in the economy which can create and foster the necessary investible capital for the economy. For instance, during 1881 and 1921, the situation in Japan was very much similar to that of India’s today. The average holding of a Japanese farmer was
two to three acres, consisting of a number of small holdings scattered
er over a wide area. Despite these, Japan was able to raise agriculture
from this stagnant state and increase the farm output by nearly
seventy five percent and almost double the productivity of farm
labourer by careful, judicious and planned used of the meagre capital
available at that time⁴.

The capital is prime factor for the progress of agriculture.
Lack of capital is one of the main reasons for underdevelopment of a
country. Though the capital is foremost for progress but its proper
utilisation is also very important.

In short, from the above discussion, it is found that the
agricultural development needs capital. So the importance should be
given to the development of suitable financial institutions to provide
short and long-term loans to the farmers.

**Importance of Agricultural Credit:**

Credit is an important input in the production process.
Though it may be agriculture or industrial sector, it is a financial asset
of a bank and liability of the borrower. Hence, if it is put to productive
use, it helps both the bank and the borrower in strengthening their
financial status⁵. Most of the Indian farmers cannot meet the
increased demand of capital from their own savings. So the farmers
depend on other financial resources for the purpose of agricultural development.

Since Independence, agricultural and rural development has been on the priority agenda of our policy planners. It has again been marked as the most important thrust area in the ninth five year plan. As capital is a primary requirement for any development activity, availability of credit to rural masses is one component of rural development that was looked into right since the initiation of planned development in our country. Various committees have analysed the situation and offered suggestions for the effective credit delivery system in rural area. Farmers need the credit, to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity.

The credit plays a vital role in oiling the wheels of agricultural production. Transformation of Indian agriculture from the traditional subsistence type to modern scientific farming involves extensive use of modern inputs, most of which can only be obtained from outside the farm. These inputs involve heavy financial investment which the majority of the farmers can hardly afford and hence, the credit is an important factor in farm business. As in other industrial undertakings, farm business also requires capital but due to its peculiarities, especially its dependence on the uncertainties of
nature, small production units, seasonal operations, low returns, high rate of rent and limited scope for full employment; a large percentage of cultivators cannot manage from one harvest to another without resource to substantial borrowings.

The farm credit plays a crucial role in increasing agricultural production in India, where agriculture has taken predominance in the economy. In fact the green revolution of the late sixties has made agricultural credit more productive; at the same time the demand for farm credit has also tremendously increased with the advent of the modern technology.

Agriculture is no more a way of life. It has been converted to commercial concern for maximum profit and the welfare of the farmers. The high yielding techniques of production have made cultivation more capital intensive. The agriculture finance involves two aspects: one of the aspects is acquisitions of funds and the other is the optimum utilisation of owned and borrowed funds within the farm. Farmers' owned capital has been inadequate to meet the capital needs of the farm. Therefore, they have to depend to some extent on borrowed capital. If a little credit is available, it is possible for the farmers to adopt a full package of improved techniques, because without investing fund, the possibility of return will decline rather than increase.
Because of subsistantive nature of agriculture, perpetual dis-saving and deficits the generation and reinvestment of saving are inconceivable. Therefore, the farmers are compelled to depend upon external finance for their development. Finance should be enough in quantity, at reasonable rate and in proper time. The credit required by farmers can be broadly classified into two major categories. These are productive credit and unproductive credit. The productive credit includes purchase of seeds, cattles, fertilizers and pesticides, improvement of land by irrigation and drainage, purchase of machinery and new land, payment of taxes, equipments and raw materials etc. The unproductive credit includes expenses for marriage and death ceremony, to celebrate festivals, serious illness, to pay old debts; to build and repair houses; to pay land revenue to the Government; and other social events in the family. Thus, the situation in agriculture in the underdeveloped country like ours is more alarming than that of developed countries.

Classification of Credit:

The credit need of the farmers may be classified as period-wise, purpose-wise, security-wise and creditor-wise. Generally, the credit is classified as period-wise, i.e. short-term, medium-term and long-term. The period of credit is the general basis of classification and as such, the other groups may be regarded as a sub-classification within each group of period-wise classification. According to All India
Rural Credit Survey Committee (1954), the following are the chief characteristics of period-wise loans.

1. **Short-term credit**: Short-term or seasonal credit is made available for a period of 12 to 15 months, for meeting the cost of seasonal agricultural operations, generally in the beginning of the season but utilised as and when required e.g. to purchase seeds, implements, manures, fodder, for carrying goods to the market, to pay wages to agriculture labourers etc. Usually it is repayable after the harvest. This loan may be borrowed for consumption or for production; on personal security or with land as a collateral; from money-lenders or from a co-operative society.

2. **Medium-term credit**: The agriculturists also need medium-term loans. The duration of such loans is from 15 months to 5 years. This loan is used to purchase a bullock-cart, to purchase some agricultural machinery and to repair old ones etc. This loan is also known as term-loan or investment credit.

3. **Long-term credit**: The farmers also require the long-term loans. Duration of such loan is long. Such credit is granted for making permanent improvements of land like reclamation and bunding, digging of new wells, construction of farm house, cattle-sheds, to purchase new land and development of new irrigation sources, to purchase machinery and other capital expenditure on agriculture.
India, the duration of this loan is 15 to 20 years. It differs from
country to country i.e., Finland 30 years, Switzerland 57 years,
Hungary 63 years, Ireland 68 years, France 75 years, Denmark and
Italy 60 years, Newzealand 33 years and Austria 33 years⁹.

Medium and long-term loans are paid in a number of
instalments spread over a fairly long-period, especially in case of long-
term loans. These are paid out of the additional produce which is the
result of investment in land of those medium-term or long-term loans.

Almost all these types of credit are needed by the farmers
at different stages of farming. But the long-term credit is not readily
available to the farmers in most of the underdeveloped countries. This
has been very strongly stated by the Reserve Bank of India in 1936 in
its Report, "The long-term credit is more important and if any effective
steps are to be taken make the Agriculturists credit worthy, this is the
first problem which is to be tackled"⁹.

It is expected in underdeveloped countries that, there
should be an adequate provision of long-term credit. But the question
arises whether such credit should be secured by a mortgage or on the
funded honesty of farmers¹⁰. In India, mortgage security is compulsory
condition, according to Bombay Co-operative Societies Act of 1925
which was amended on April, 1928, for the grant of loans by every
co-operative society.
Farm Credit Structure In India:

The structure of the agricultural credit in India is divided into two parts, viz., the institutional credit and non-institutional credit. The institutional sector comprises of co-operatives, commercial banks, Government and the regional rural banks. The non-institutional sector consists mainly the professionals and the money-lenders, landlords, traders, commission agents, relatives and friends.

The efforts to build up an institutional financing system for agriculture commenced with the adoption of the Co-operative Societies Act of 1904. However, during the first three decades of the country, the money-lender was the main source of finance for farmers. This source of the credit was inadequate and highly expensive and exploitative. Several enquiries, studies and the preliminary and statutory reports of the Reserve Bank of India (1936 and 1937) emphasised the fact, that during this period almost the entire farm finance was supplied by the money-lenders. On the eve of planning, the farm credit structure was dominated by non-institutional agencies. But, during the planning period, several efforts were taken by Reserve Bank of India and Government, the institutional system could provide only 7.3 percent of the total borrowings of the cultivators in 1950-51. After that the institutionalisation of agriculture credit
achieved some quantitative progress. The proportion of institutional credit has continuously increased from 18.4 percent in 1961 to 31.7 percent in 1971, 61 percent in 1881-82 and 74.8 percent in 1991. In the same period, the non-institutional credit ratio (decreased) declined from 92.7 percent in 1951-52 to 25.2 percent in 1991-92. The increase in the institutional credit is largely contributed by the phenomenal growth of co-operative credit.

Co-operative Credit Structure:

There are two wings of the co-operative credit structure, one supplying short-term and medium-term credit requirements and the other long-term investment credit. The co-operatives are generally organised into a three-tier structure for short-term and medium-term credit and two-tier structure for long-term credit. The co-operative credit structure is presented in the following chart/diagram:

Co-operative Credit

- Short and Medium term credit
  - State Co-op. Bank (State level)
    - Central Co-op. Banks (District level)
      - Primary A Credit Societies (Village level)
  - Long-term credit
    - Central/State Co-op. Land Development Banks (State level)
      - Primary Agricultural Land Development Banks (District or block level)
The three-tier short-term co-operative credit structure consists of the State Co-operative Banks at the apex level, Central Co-operative Banks in the middle at the district level and Primary Agricultural Credit Societies at the village level.

Unlike three-tier credit structure, Co-operative Land Development Banks have a two-tier credit system. At the apex level in State, there is generally one State Co-operative Land Development Bank and at the district or block level, there are Primary Co-operative Land Development Banks. There is no agency at the village level. Secondly, in some States, there is a unitary system in which the apex bank acts as a head office with primaries as its branches. In few other States, there is a federal structure under which each primary land development bank is a legal entity. But all these primaries are federated to form the apex bank. In Maharashtra, for instance, there is a unitary type of Land Development Banking with district as their area of operation.

**The Land Development Bank:**

The land development bank in India established in the field of co-operative sector. The co-operatives play a vital role in the rural development. More than ninety percent of the villages have come under the co-operative network. The co-operatives have made significant progress in making advances also. The National
Commission on Agriculture\textsuperscript{13} has considered co-operatives the foremost agency for the provision of agricultural credit. The commission estimated the requirement of the total credit for the year 1985 was Rs. 94000 million. Out of this total requirement, the co-operatives had to achieve the target of Rs. 42500 million.

**Historical Background of the LDB:**

The land development banks were organised to provide the long-term credit to the farmers. The long-term loan is taken for such purposes which are expected to bear fruit gradually over a considerable period of time. For example-the credit is required for the purchase of land and farm buildings, permanent work of land improvement, digging of wells, installation of pumpsets and discharge of prior debts etc.

Germany is considered as the origin of land mortgage banking. Sweden occupies second place in the world for organising mortgage banks. In India, the first land mortgage bank was established in 1863 by an English Company. It was incorporated in London on the model of Credit Foncier of France\textsuperscript{14}. After working for twenty years the bank ceased to function due to over investment and illegal activities. The first co-operative land mortgage bank was established in 1920 at Jhang in Punjab. During the first few years, a number of banks came into existence before the beginning of the
worldwide depression. These banks were, however, far from success. The depression accompanied by devaluation of lands, the Land Alienation Act, and the defaults of directors were the main causes of failure of land mortgage banks. Four years later, the second co-operative Land Mortgage Bank was established at Nowgaon in the Bengal Province. Assam established its first co-operative LMB in 1926 at Gauhati and the second one at Sylhet in 1927. But, in fact, the real beginning in the field of co-operative land mortgage banking was made by the State of Madras. On the basis of the scheme submitted by Mr. J. Gray (I.C.S), the then Registrar of Co-operative Societies, Madras Province, a few LMBs were established in 1925. By the year 1927, the total of such co-operative LMBs went up to 12. These co-operative LMBs, used to raise their working capital by issuing debentures, but owing to lack of co-ordination between these issuing banks, the need to institute a Central Financing Agency, was felt. Accordingly, the Townsend Committee on Co-operation (1927-28), recommended the establishment of a Central or Apex agency to finance all the primary LMBs in the State of Madras. On following this recommendation the Central Co-operative LMB was established at Madras in 1929. This step may be considered as an important event in the development and progress of the LM Banking in India. In the
decade, following its establishment, similar institutions were started in other provinces such as Mysore, Bombay, Orissa and Cochin.

The Land Development Banks were originally conceived as LMBs. As per the recent available data, a network of 19 State Co-operative LDBs is in the country with the membership of 183.29 lakhs and are operating through 2957 operational units spread over various parts of India. The credit provided by the banks has been steadily increasing since the launching of the Five Year Plans in 1951. Their disbursements which amounted to a meager Rs. 8.44 crores during the first five year plan (1951-56) had gone upto Rs. 31 crores during second plan, Rs. 450 crores during the third plan, Rs. 783 crores during the fourth plan, Rs. 1360 crores during the fifth plan, Rs. 2047 crores during the sixth plan and finally to Rs. 3188 crores during the seventh plan. In the year 1996-97, the LDB's provided aggregate advances of Rs. 2600 crores. The working capital of LDBs has reached a sizeable amount of Rs. 7259 crores in 1993-94 from a mere Rs. 8 crores in 1950-51.

Origin of The L. M. Banking in Maharashtra:

The question of starting a separate institution for providing long-term agricultural credit to the farmers in the Bombay Province was first discussed at the Gujrat Divisional Co-operative Conference held in 1923. In 1926, Mr. J. A. Madan, the then
Registrar of Co-operative Societies for the Bombay Province, submitted to the Government, a scheme for the institution of LMBs in the Province. On the basis of this scheme, three LMBs were established in the Bombay Province at Dharwar, Broach and Pachora in 1929. This may be considered as the beginning of the LM Banking in the Bombay Province.

These three banks, advancing the long-term credit to the farmers, were financed by a separate division of the Bombay Provincial Co-operative Bank. The bank floated the debentures of the value of Rs. 5/- lakhs for the purpose of financing these three primary LMBs. But during the latter period these experimental banks had go through an economic crisis. The debt position of the farmers deteriorated due to the fall in the prices of the agricultural products. Therefore, in 1933, the Government of Bombay appointed a committee to study the problems of the development of LMBs in the Province. The Land Mortgage Committee recommended the expansion of LMBs in the Province; it also recommended the institution of a separate Central Land Mortgage Bank for the Bombay Province. Accordingly, the Bombay Central Co-operative Land Mortgage Bank was established at Bombay in 1935. This apex bank was expected to raise finance by issuing debentures; to inspect affiliated primaries, to tender the advice to the primary banks in their operations. In the same year, ten
primary LMBs were also established in the Province. Now, in each district of the Maharashtra State, the primary agriculture land development bank have been established. Today the bank is known as *The Maharashtra State Co-operative Agricultural and Rural Development Bank Ltd. Mumbai (MASCARDB).* But it is also popularly known as *Land Development Bank (LDB).*

The long-term loan is provided to the agricultural sector by the State LDB. The main function of the State LDB is to meet the long-term loan needs of the farmers in the State. This bank raises its resources mostly by issuing different types of debentures, of which major part consists of ordinary debentures. These debentures are purchased by various financial institutions including R.B.I., L.I.C., S.B.I. group, Commercial banks, Co-operative Banks and Central and State Governments. Since it’s inception in 1982, National Bank for Agriculture and Rural Development (NABARD) also has been providing the more and more assistance to the land development bank. The State LDB provides finance to the cultivators in the State through its branches and sub-branches at the district and block or taluka level. The bank also implements integrated rural development programmes in Maharashtra. Various concessions in the rate of interest are offered to the members who pay their dues in time. The bank implements various agricultural development programmes through its six
divisional offices, 29 district branches, 303 sub-branches and 58 pay-offices.

**The Functions and objects of LDBs:**

The main object of primary land development bank is to arrange the long-term loans from the Central LDB to which it is affiliated, and to lend to its farmers against the security of mortgage of lands and immovable properties owned by them. So the primary bank borrows loan from the CLDB and lends to its members for the following purposes:

1. The redemption of mortgage on agricultural lands.
2. The improvement of agricultural land & methods of cultivators.
3. The repayment of prior debt.
4. Digging of wells.
5. Repair or construction of tanks for agricultural purpose.
7. Conversion of dry land into irrigated one.
9. Purchase of tractors or other costly agricultural equipments.
10. Purchase of oil engines, pumpsets, electric motors etc.
11. For horticulture purposes and irrigation facilities.
More than ninety percent of the total loans by the LDBs has been given for productive purposes of which a major portion goes to minor irrigation.

**Performance of the Maharashtra State Co-operative LDB:**

The agriculture plays an important role in the State economy. About 69 percent population depends on agriculture. In the State, agriculture is major source for earning livelihood. According to 1991 Census, about 33 percent State income comes from agriculture. Major employment is provided by agriculture. Therefore, the productivity of the agricultural products should be increased. To improve productivity, maximum land should be brought under irrigation and there should be an adequate and timely supply of credit. The farmers need credit for short, medium and long-term. The long-term loans are provided to the farmers in the State by the MASCARDB. In Maharashtra, the MASCARDB meets the long-term finance needs of the farmers through its branches at district level and sub-branches at taluka or block level. In one sense the primary LDBs are merely loan agencies at the district or taluka level.

The LDB plays a very important role in the development of rural area in the State. The performance of the bank regarding share capital, loan disbursement, outstanding of loans, total demand, recovery etc. for the period 1985-86 to 1995-96 is shown in the table 1.1.
<table>
<thead>
<tr>
<th>Year</th>
<th>Share Capital</th>
<th>Loan Disbursement</th>
<th>Outstanding Loan</th>
<th>Total Demand</th>
<th>Total Recovery</th>
<th>Percentage of Recovery to Demand</th>
<th>Net Profit (+) or Loss (-)</th>
<th>Members or Loan Proposals</th>
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<tr>
<td>1985-86</td>
<td>3931.08 (6.23)</td>
<td>5722.49 (4.88)</td>
<td>35628.00 (5.13)</td>
<td>9926.06 (4.64)</td>
<td>5541.43 (5.48)</td>
<td>56</td>
<td>+ 6.67</td>
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<td>1986-87</td>
<td>4000.20 (6.34)</td>
<td>6493.85 (5.54)</td>
<td>39222.10 (5.65)</td>
<td>9952.81 (4.66)</td>
<td>4862.43 (4.81)</td>
<td>49</td>
<td>+ 17.28</td>
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<td>1987-88</td>
<td>4188.71 (6.63)</td>
<td>7676.12 (6.55)</td>
<td>43010.49 (6.20)</td>
<td>11949.89 (5.59)</td>
<td>6431.63 (6.36)</td>
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<td>1988-89</td>
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<td>9391.21 (8.01)</td>
<td>49245.89 (7.10)</td>
<td>12547.61 (5.87)</td>
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<td>1989-90</td>
<td>4897.16 (7.76)</td>
<td>9729.20 (8.30)</td>
<td>55480.17 (8.00)</td>
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<td>6365.83 (6.30)</td>
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<td>1990-91</td>
<td>5436.18 (8.61)</td>
<td>12438.07 (10.61)</td>
<td>60549.68 (8.73)</td>
<td>20635.02 (9.65)</td>
<td>13213.38 (13.10)</td>
<td>64</td>
<td>+ 889.86</td>
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<td>1991-92</td>
<td>6004.10 (9.51)</td>
<td>10048.65 (8.57)</td>
<td>67021.17 (9.66)</td>
<td>16380.03 (7.66)</td>
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<td>+ 46.77</td>
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<td>Year</td>
<td>Share Capital</td>
<td>Loan Disbursement</td>
<td>Outstanding Loan</td>
<td>Total Demand</td>
<td>Total Recovery</td>
<td>Percentage of Recovery to Demand</td>
<td>Net Profit (+) or Loss (-)</td>
<td>Members or Loan Proposals</td>
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<td>1992-93</td>
<td>6528.41 (10.34)</td>
<td>12911.86 (11.03)</td>
<td>74511.75 (10.74)</td>
<td>22017.62 (10.30)</td>
<td>10008.97 (9.90)</td>
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<td>1993-94</td>
<td>7219.42 (11.43)</td>
<td>14431.41 (12.32)</td>
<td>82713.19 (11.92)</td>
<td>25633.90 (11.99)</td>
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<td>- 2871.55</td>
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<td>1994-95</td>
<td>7804.53 (12.36)</td>
<td>13662.45 (11.66)</td>
<td>89760.08 (12.94)</td>
<td>30463.45 (14.26)</td>
<td>12817.20 (12.68)</td>
<td>42</td>
<td>- 2825.41</td>
<td>22822 (5.55)</td>
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<td>1995-96</td>
<td>8616.48 (13.65)</td>
<td>14689.14 (12.53)</td>
<td>96754.80 (13.94)</td>
<td>38996.36 (18.24)</td>
<td>17627.45 (17.44)</td>
<td>45</td>
<td>- 3923.53</td>
<td>26744 (6.50)</td>
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<td>63133.39 (100)</td>
<td>117194.45 (100)</td>
<td>693897.32 (100)</td>
<td>213755.71 (100)</td>
<td>101065.07 (100)</td>
<td>48</td>
<td>—</td>
<td>411468 (100)</td>
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</table>

**Note**: Figures in bracket indicate percentage to total.

In the year 1985-86, the share capital of the bank was Rs. 3931.08 lakhs which has increased upto Rs. 8616.48 lakhs in 1995-96. The share capital has continuously increased in each year. So far as the function is concerned the bank has made also a significant progress in making advances. The bank advanced loans for various purposes was Rs. 5722.49 lakhs in 1985-86 which has increased upto Rs.14689.14 lakhs in 1995-96. The amount of loan advanced has increased in every year except 1991-92 and 1994-95.

Outstanding loan is a serious problem. In 1985-86 the outstanding amount was Rs. 35628.00 lakhs which has increased upto Rs. 96754.80 lakhs in 1995-96. In the same period, the total demand for loans also increased by Rs. 9926.06 lakhs to Rs. 38996.36 lakhs respectively.

During the period of 1985-86 to 1995-96 the average recovery position of the State LDB was 48 percent, it is not very satisfactory. It is clear from the table 1.1 that the bank has earned profit consistently during 1985-86 to 1991-92, there after the bank was at loss.

Thus, the performance figures of the State LDB indicate that the advanced loans, collected loans have increased steadily during the period. But the outstanding loans and overdues have increased to a significant level. It indicates that the large amount of the loans were
not collected from the loanees (borrower farmers) during the last eleven years. This might be due to the ineffective collection driven by the field staff and weak repaying ability of the farmers in the State caused by low productivity and damage by climatic hazards.

The several studies on the agricultural finance in Parbhani District have covered only two sources viz., District Central Co-operative Bank and LDB, which were conducted for the period before 1983. Kale, Kshirsagar, Satpute and Rajmane have attempted to estimate the growth in credit by DCCB and LDB in Parbhani district during the period 1978-83. Another study conducted by Galgalikar and Rajmane examined the growth of institutional credit (by only DCCB) in Parbhani district during the period 1958-71. Shinde has also attempted the study of institutional finance in Parbhani district covering all the financial institutions during 1983-84 to 1992-93. But none has studied the long-term finance (LDB) in Parbhani district as a separate subject for the research. The present study is undertaken mainly to examine the performance of the long-term credit to agriculture by LDB in Parbhani District.

**Objectives of the Present Study:**

The main objectives of the present study are as follows:

1. To study the present situation of LDBs in the Marathwada region.
2. To analyse inter-district comparison of the LDBs in connection with the advances, recovery and overdues.

3. To study the inter-taluka comparison regarding advances, recovery and overdues in Parbhani district LDB branch.

4. To analyse the farm credit issued by the LDB branch Parbhani, in terms of purchasing electric motors, tractors, pipelines, digging of wells and horticulture.

5. To examine the economic effects on the borrower farmers on the basis of case studies of selected farmers.

6. To study the sources of financial resources of the district LDB branch Parbhani.

7. To study the problems of recovery.

**Research Methodology:**

Both primary and secondary data has been used for this study. The Parbhani district branch of The Maharashtra State Co-operative Agricultural and Rural Development Bank Ltd., (LDB) was selected for the study. The district branch includes eight sub-branches of LDBs. They are located at Parbhani, Basmath, Hingoli, Kalamnuri, Jintur, Sailu, Gangakhed and Purna. The headquarter of these banks is at Parbhani. The purpose of the study is to evaluate the overall performance of the Land Development Banks in Marathwada region and Parbhani district branch. For this purpose the data regarding advances, recovery and overdues is collected from secondary data. This secondary data is collected from the various sources i.e., annual reports for the Maharashtra State Agriculture and

To understand the problems related with the recovery and overdues a survey through questionnaires is conducted. It serves as a primary data. The study is related with the Parbhani district LDB branch. The district branch includes eight sub-branches of the LDB. The survey was conducted with the help of pre-tested questionnaires to collect the primary data. The primary data for specific purpose, in each sub-branch, ten percent beneficiary (farmers) were selected randomly, thus, constituting an aggregate sample of seventy one farmers from forty one (41) villages. The information about the selected farmers is collected in such a way that it could be possible to study the economic condition of the farmers before and after the investment. There are two reference periods; the year 1997-98 refers to the survey period while the year 1990-91 refers to the selection of borrowers who have obtained loans from the district LDB branch
Parbhani and their number was 707, of which ten percent (71) farmers were selected for the concerned survey. The information is collected through personal enquiry of the farmers with the help of the set of pre-tested questionnaires.

The present study attempts to analyse the nature and extent of benefits realised by the farmers after availing bank loans. The farmers those who have availed loans for specific purposes have been selected. These specific purposes selected for the study are tractors, horticulture, electric motors plus pipeline and well plus pipeline plus electric motor. Actually data is collected during the year 1997-98. The various statistical tools have been used for the purpose of analysing the primary and secondary data.

Chapter Scheme of the Study:

The study has been divided into seven chapters.

In the first chapter the importance of agriculture and credit for the development agricultural is explained. Specially the co-operative agricultural credit structure in India is discussed in the same chapter. The historical background of the Land Development Banking in India and Maharashtra State has been also discussed. Further, the role played by the LDB for the agriculturists in India, objectives of the study, research methodology and chapter scheme are discussed in the same chapter.
The second chapter is devoted for the review of literature. The studies on growth and pattern of agricultural credit, recovery and overdues of the agricultural advances have been studied in the context of the LDB. The study of different time periods and of different geographical areas in India is reviewed in this chapter.

The third chapter deals with the performance of the LDBs in the Marathwada region. The inter-district comparison of the LDBs in connection with the advances, recovery and overdues is made. Division-wise comparison of the State is also explained.

The fourth chapter deals with the agricultural economy of the Parbhaní district. I.e. geographical area, hills, soils, rivers, rainfall, irrigation, population, cropping pattern and other infrastructural facilities available in the district.

The fifth chapter focuses on the performance of the district LDB branch Parbhani, regarding advances, recovery and overdues. The sub-branchwise performance of the district LDB branch Parbhani is also analysed.

The sixth chapter depicts the complete picture of the field survey of Parbhani district. The study is conducted from the field survey method. The farmers who have availed the loans from the bank in 1990-91, have been selected randomly. The selected specific purposes regarding agricultural loans for this study are-well plus
electric motor plus pipeline; electric motor plus pipeline; tractors and horticulture. In the year 1990-91, the total number of the borrower farmers were 707, of which, ten percent (71) are taken as samples for the detailed study. The survey was conducted to collect primary data with the help of pre-tested questionnaires.

The final chapter summarizes the findings, recommendations and some specific remedies for the concerned observations.

References:


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