CHAPTER I

INTRODUCTION

"The lesson of universal agrarian history, from Rome to Scotland is that an essential of agriculture is CREDIT. Neither the condition of the country nor the nature of land tenures, nor the position of agriculture, effects the one great fact that agriculturists must borrow."

—Nicholson F.A.

1.1 FARM SECTOR: NATURE AND SIGNIFICANCE

Farm (agriculture) credit structure in developing countries like India is characterized by dualism, i.e. the co-existence of institutional and non-institutional agencies. Although a wide variety of institutional developments have been launched for organization of agricultural credit, non-institutional agencies play an important role too in the provision of agricultural credit in almost all developing countries due to imperfections in rural capital markets.

Modern agriculture needs credit support due to its capital intensive nature to undertake timely agricultural operations for bumper yield and ultimately higher income. In other words, a majority of farmers in developing countries have no proper means to meet the necessary expenses due to their living in vicious cycle of poverty.

This situation of "Low Level Income Equilibrium" can be broken by a "critical minimum effort". In order to achieve this what is required is the availability of appropriate technology and adequate supply of capital which play a vital role in modern agriculture unlike in traditional agriculture where less input is necessary and ultimately less output is produced.

In India, the farm sector is the largest sector of economic activity. The farm front includes both agricultural and allied agricultural activities like animal husbandry, fisheries and forests. The farm sector provides food to the growing population as well as raw materials for industries besides for paving the way for earning foreign exchange through exports of agro-based products to the world market. Industrial development depends upon the development of the farm sector and vice versa. Agriculture contributes much for national growth though it has been declining. The share of agriculture in National Income was 49 per cent in 1948-49 and 33.50% during 1988-89 due to rapid increase in the production of industrial goods and services.

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The importance of credit needs to be understood in a historical context. First of all, the output per worker and output per land area were low during 1950s. The backward trend was due to traditional low productivity techniques and a rigid and hierarchical social structure which was discouraging increased output. There were regional variations, related to agro-climatic conditions, spread of irrigation and varying extent of market penetration in different areas. Most parts of rural India had unequal land ownership patterns in which a major part of the cultivated land was controlled by large land owners. Small and marginal farmers were clustered in plots that grew more fragmented and sub-divided over time. In some parts of India, particularly in the north-western region, land was generally held by middle sized farmers who engaged in direct cultivation involving family labour. In the eastern and southern part of India, tenancy was widespread and crop share rents were the major form of rent.

Second, land tenure systems are an important issue historically in terms of the present need for credit. By the middle of the nineteenth century, three major systems of land tenure had crystallized, viz. Zamindari, Ryotwari, and JVlehalwari systems. The existing land tenure systems had adversely affected the growth of agricultural production, because of the prevalence of absentee landlordism. Absentee landlords had no interest in the development of agriculture except for the collection of land revenue from the cultivators. At the same time, money lenders came to acquire a stronger grip over the agrarian economy of Ryotwari areas because most of the
cultivators were having small holdings. Due to economic strains, the small land holders mortgaged their lands to traders and money lenders, who were less interested in the land and production. Money lending played a major part in uprooting the small peasants from land. The land reform measures undertaken during British rule had a very limited scope and content. The British Land Reforms were motivated not by consideration of improving production, nor by a sense of social justice but due to the need to safeguard British political influence in the rural areas. As a result, since Independence, India has introduced Land Reforms based on an urgent need to address the following:

- Abolition of intermediary tenures
- Tenancy rights
- Fixation of ceiling of land holdings
- Consolidation of Holdings
- The development of Co-operative farming

A Report of the United Nations Organization published in 1951 on the defects in agrarian structure pointed out that, "the present agrarian system acts as a powerful obstacle to economic development in three ways. They are

a) the tenants have little incentive to increase his output since a large share accrues to the land owner who incurs no cost;

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U.N.O. report on Land Reforms - Defective Agrarian Structure as Obstacles to Economic Development, 1951 p.18
b) a very small margin is left with the actual cultivator and this amount is quite inadequate to provide for capital investment on the land;
c) the wealth is held in the form of land, and tenants secure no benefit of working with better equipment or with better-seeds.

The National Commission on Agriculture (N.C.A.) observed three distinct sectors of the Indian agricultural economy with regard to the impact of land reforms that have taken place since independence.

1.1.1. DEVELOPED SECTOR

According to The National Commission on Agriculture, the developed sector of the agricultural economy is the youngest. This is modern entrepreneur farming. It comprises the area under self cultivation by big modern farmers using the latest production technologies with adequate inputs. This sector is the main beneficiary of governmental plans and projects of agricultural development.

1.1.2. SELF CULTIVATION BY MARGINAL, SMALL AND MEDIUM LAND OWNING SECTOR

Here the production is based primarily on family labour, though the upper strata of this sector occasionally hire in agricultural labour for certain limited processes while the lower strata hire themselves out as agricultural

* The Report on Land Reforms - Defective Agrarian Structure as Obstacles to Economic Development, 1951 p.18
labourers. This sector is comprised of self employed peasants whose production, though market oriented, is still primarily for family consumption, i.e. it is a subsistence economy. They derive marginal benefits from governmental plans and projects for agricultural development, and have hardly any capital resources of their own. They are in the grip of usurious moneylenders and get meagre benefits from institutional credit agencies. They are the worst affected cultivators due to price fluctuations resorting to distress sales of agricultural produce. This sector covers the largest area under any single mode of farming.

1.1.3. CULTIVATION BY SHARE CROPPERS AND TENANTS

This sector is the oldest of the three, and is in a state of disintegration and decay. Sharecroppers and tenants do not have land proprietary, security of tenure or a share in various aids and inputs distributed by the Government. They are still subject to various forms of feudal and semi-feudal exploitation such as usury, bondage and caste and social oppression.

The present day agrarian economy of India represents a transient and unstable equilibrium between these three sectors which are in a state of constant competition and conflict with one another.

Though the impact of land reforms is not measurable, it has created a certain amount of positive effect in terms of agricultural production. Economic surveys undertaken in India, have revealed that the average size of

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operational holdings is very small which is the production base of agriculture. The National Commission on Agriculture pointed out that the average size of holding in India was 2.3 hectares. About three-fourths of the operational units were less than the national average. Latest indications are that the average size has reduced to 2.00 hectares. This indicates the pressure on land. The average size of holdings has gone down from 1.5 hectares to 1.37 hectares between 1970-’71 and 1980-’81 in Tamil Nadu.6

The National Commission on Agriculture envisaged that out of 70 million operational holdings in India in 1970-’71, 29.4 million were irrigated. However, only 12.4 million holdings had the entire cultivated area of 12.1 hectares holdings under irrigation. The remaining 17.0 million holdings were only partly under irrigation. The total net area receiving irrigation aggregated to 29 million Ha. or 21.3 per cent of the net area sown. The proportion of irrigated area was higher in marginal and sub-marginal holdings of less than 1 hectare, namely 33.7 per cent. In large holdings, the proportion irrigated was the least, i.e. 13 per cent. In the small and medium holdings the percentage of irrigated area varied between 28 per cent and 20 per cent. The National Commission on Agriculture further pointed out that small holdings were comparatively better endowed and were intensively cultivated which was true even of the unirrigated holdings.7

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6 Agricultural Census 1970-'71.
The Congress Agrarian Reforms Committee (J.C. Kumarappa as the Chairman - 1949) recommended that "the main principles which should govern the agrarian policy of the country are—

a) The agrarian economy should provide an opportunity for the development of farmers' personality;
b) There should be no scope for exploitation of one class by another;
c) There should be maximum efficiency of production;
d) The scheme of reforms should be within the realm of practicability".

Accordingly the ultimate and expected agrarian society in India should have the following objectives:

a) To increase production by encouraging the farmers to do agriculture as a self-generating phenomenon;
b) To ensure intensive utilisation of land, generate employment and reduce disparity;
c) To maximise productivity;
d) To lead an independent life;
e) To help in establishing an egalitarian and prosperous society;
f) To create conducive conditions for socio-economic and cultural improvement through equality of opportunity and more income and wealth;


g) To promote growth with social justice and proper climate for social harmony and also political stability.

Indian agriculture thus had inherent problems which hindered fulfilling these objectives and which limited farming activity to subsistence farming and not that of an enterprise. The reasons for its backwardness were socio-economic and institutional barriers and less attention being paid to agriculture by the administrative set-up. They may be summarised as follows:

- Less area under forests.
- Less per capita availability of land.
- Less area under agricultural use.
- Less per capita net area sown.
- More cultivable waste land.
- Less per capita food production.
- Limited area brought under irrigation.
- Smaller operational holdings.
- Less crop intensity.
- Traditional cropping pattern.
- Limited impact of land reforms.
- Increased workforce in agricultural front.
1.2. NEW STRATEGY IN AGRICULTURE AND AGRICULTURAL DEVELOPMENT

It was imperative therefore that development of agriculture through modern agricultural techniques take place. And they did in the late 1960s by way of the Green Revolution. The Green Revolution placed considerable emphasis on the need to raise agricultural output. The first step was to introduce institutional changes particularly land reforms for increasing private investment in cultivation and crop output. The main thrust was legislation regarding agricultural property and social relations in rural areas.

The second step taken was improving irrigation facilities through major and minor irrigation works including tubewells. Tamilnadu is one among the States which received significant improvements in irrigation facilities. Thirdly, mechanisation in agriculture contributed machine power which substituted for work on land usually performed by bullocks, horses and other draught animals or by human power. Farm machines have been put into use right from tilling till harvesting augmenting labour shortage and quick disposal of agricultural operations for speedy marketing of produce. It has
promoted commercialisation of agriculture and resulted in lower cost of work.

The pattern of agricultural growth in India however until the mid 1960s continued to be that of a backward economy. In the period of 1950 to 1965, agricultural output grew at a rate of 3.3 per cent only and food grains output at 2.8 per cent. This barely exceeded the rate of growth of population so that per capita food grain production remained almost stagnant.

By the late sixties, however, it was realised that agriculture was lagging behind and that the country faced an acute shortage of food grains. It was then that the need was felt for a sustained increase in agricultural input. The Green Revolution which was introduced in the late 1960s, was expected to improve the conditions of the rural population who were solely dependent on agriculture and allied agricultural activities.

Programmes such as the Agricultural District Programme (IADP) 1960-61, Intensive Agricultural Area Programme (IAAP) 1964-’65, High Yielding Variety Programme (HYVP) 1965-66, Multiple Cropping Programme(MCP) 1967-68 introduced during the Green Revolution were important. The main objective was to increase the rate of growth of output and achieve increases in yields to compensate for the limits in expanding the area under cultivation. The New Policy towards Agriculture which began in the late 1960s, was oriented towards changing the technical conditions of production in agriculture which consisted essentially of a package of inputs of
high yielding hybrid seeds which responded very favourably to soil nutrition, fertilizer and plant protection chemicals which had to be used in combination and with an assured supply of water. Along with this, the pattern of Government involvement in the food grains market through procurement moved towards a policy of providing "remunerative" or "incentive" prices for output. Also some inputs like hybrid seeds, fertilizers and plant protection chemicals were to be made available at subsidized prices. With the result of many development programmes in agriculture during the Plan Period, the food grains production increased substantially (Table 1.1).

In animal husbandry, due to initiatives in the early Five Year Plans, genetic improvement contributed to higher yields from livestock. The expansion of dairy industry gave an impetus to the development and rearing of better quality cattle as buffalo for commercial exploitation. Commercial poultry units gained momentum. There was improvement in sheep wool and mutton production by quality and quantity because of the introduction of exotic breeds. Under forestry also, development took place on modern lines due to better management of forest resources.

Thus the growth trend in Indian agriculture can be tabulated into two phases, i.e. the period from 1900-1947 or the pre planning period and the period from 1950 to till date or the post independence planning period. During the pre-independence planning period, there was a stage of near stagnation of the agricultural sector and a stage of gaining some momentum which led to a break through during the post-independence Planning Period.
This was possible only due to adoption of modern production technologies by all categories of farmers. Adoption of Modern Agriculture techniques had a remarkable impact on the life and economic activity of the people. The farmers were receptive to innovative ideas and willing to undertake necessary risks. New entrepreneurship emerged in rural areas. They found that application of modern techniques had got the capacity to improve production and productivity and lead to higher yields and higher incomes which ultimately bring more net surplus and thus break the vicious cycle of poverty.

1.3 FARM CREDIT

1.3.1 SOURCES OF FARM CREDIT AND RURAL INDEBTEDNESS

For the purpose of providing liberal credit for agricultural development, the Nationalisation of Banks in 1969 was also meant to improve institutional credit to the rural areas in order to augment adoption of new technologies involving higher investment costs. Credit became a most important input for agricultural development and that too cheap and timely credit. The All India Rural Credit Survey Committee found out through a survey carried out in 1951-52 that the share of co-operatives in total agricultural credit was only 3.1 per cent, the Government share 3.3 per cent while the remaining 93.6 per cent was provided by non-institutional sources like professional moneylenders, local moneylenders, friends and relatives' landlords, etc.
The sources of credit for farmers in rural areas therefore, comprise two agencies viz. institutional and non-institutional agencies. Institutional credit is provided by banks, co-operatives, etc. The non-institutional credit is mainly from two types, professional and non-professional. Money lending is the primary and subsidiary occupation for professional and non-professional lenders respectively. Non-professional money lenders are primarily landlords with which function they combine money lending. Alternatively, they may be merchants or employers of agricultural labour or both. In olden days, these money lenders used to meet all the credit requirements of the rural people, but in recent years their share is getting diminished due to nationalisation of banks.

Rural indebtedness has always been an important problem of rural India. It is an obstacle for economic development. Loans or borrowings have been a normal happening in mankind. The Deccan Ryots Commission of 1875 revealed that one-third of the occupants of government land were in debt which was also endorsed by the Famine Commission in 1880. In 1911, Edward MacLagan estimated the total debt at about Rs.300 crores which was followed at Rs.600 crores, Rs.900 crores and Rs.1200 crores as estimated by Darling MX.\(^9\) (1923), Indian Central Banking Enquiry Committee (1929), Thomas P.J.\(^10\) (1935) and Reserve Bank of India (1937) before Independence. According to the All India Rural Debt and Investment Survey

\(^9\) Darling M.L. The Punjabs, Peasant in Prosperity and Debt 1932 p.18
\(^10\) Thomas P.J. The Economic Problems in Modern India 1939 Vol.1 p.165
(1971) money lenders accounted for nearly 54 per cent of total credit to cultivators. In 1975-76 only about 34 percent of credit supply to farmers came from them. As far as agricultural labourers or even total rural labourers are concerned, a major portion of their credit requirements are for consumption needs which was from non-institutional agencies. The All India Rural Credit Survey has tabulated the extent of institutional and non-institutional credit provided over a period. This is presented in Table 1.2. Indebtedness has influenced the cultivators in many ways. The cultivator loses possession of his lands and becomes a landless labourer. The moneylenders rent the lands and become an absentee landlord which consequently results in agricultural inefficiency.

1.3.2 EFFECTS OF INDEBTEDNESS

Indebtedness affects the cultivators economically, socially and politically. Firstly, it affects the incentive of the farmer for efficient farming. Major share of farmers' income goes to payment of principal and interest which leads to low income and low standard of living. Further, he is compelled to sell the produce to moneylenders at low prices. High prices are paid for buying inputs and low prices are received for selling. At times, the indebted farmers have to mortgage or sell their lands and become landless labourers who do not have sufficient work for earning.

Secondly, heavy indebtedness adversely affects moral and social relations. It has created two classes with wide gaps between them, i.e. rich and poor. The poor are exploited by the rich. Sometimes, borrowers have
to provide free service to the lender whenever called for. Thirdly, indebted cultivators are treated as mere pawns in elections. Likewise, indebtedness in rural areas has got other evil effects which are to be eradicated through institutional credit to the maximum in tune with the actual needs of the rural people. The recommendations of Sivaraman Committee (1976) paved the way for helping the poorest of the poor, i.e. landless labourers, small and marginal farmers through institutional credit for consumption purposes and provision for suitable employment opportunities for proper repayment of such loans granted by the co-operative banks, government and scheduled banks.

1.4. MULTI AGENCY APPROACH TO FINANCING AGRICULTURE

The All India Rural Credit Review Committee (1969) favoured a multi-agency approach in financing agriculture (FIG.1). This approach comprised of co-operatives, commercial banks and regional rural banks, aiding in rural financing. Since implementation of the multi-agency approach, numerous problems have arisen by overlapping of the banking facilities creating problems in recovery, multiple financing, etc. The Reserve Bank of India Working Committee headed by Karanth C.E.(19.78) studied the problems with regard to multi-agency approach and recommended geographical demarcation of functions giving a prime role to co-operatives and supplemented by commercial banks and regional rural banks. A single source for receiving finance was recommended in addition to uniform interest rates, regulation on branch expansion by the commercial banks and regional rural banks, issueing of a agricultural pass books and inspection of
die end use of loans by the lenders. This was to lead to strengthening the co-operatives as the primary channel of credit supplemented by die commercial banks and regional rural banks. The development made from 1956 to 1994 is presented in Table 1.3.

1.4.1 CO-OPERATIVES

Co-operation as an idea struck a deep chord with drinkers and policy makers in India particularly as a central impetus to rural development. Co-operatives have become an instrument for providing credit particulars for the benefit of under privileged sections of society. In India, the Co-operative Credit Societies Act, 1904 was enacted which led to the introduction of die co-operative movement in the country. The International Labour Organisation (ILO) has defined co-operation as an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economised and through the formulation of a democratically controlled business organization, making equitable contribution to the capital required and accepting a fair share of risks and benefits of the undertaking. Though there was existence of cooperatives to an appreciable level of 1,72,000 co-operative societies with a membership of 9-16 million persons and a working capital of Rs.164 crores in 1945, the real growth of die co-operative movement took place after independence. The Planning Commission regarded co-operatives as an indispensable instrument of planned economic action in a democracy. The First Five Year Plan suggested that all agricultural families including cultivators having
uneconomic holdings should become members of village multi-purpose societies. The Rural Credit Enquiry Committee (1954) recommended a 3-tier structure of credit institutions viz. the Primary Agricultural Credit Societies (PACs) at the village level, the District Central Co-operative Banks (DCCBs) at the district level and the State Co-operative Banks (SCBs) at the state level. The long term investment credit was to be looked after by Land Development Banks.

In 1963, the Agricultural Refinance Corporation was established. Till Nationalisation of Banks in 1969, co-operatives continued to play an important role in the rural credit front. The Committee to Review Arrangement for Institutional Credit for Agriculture, and Rural Development (CRAFICARD) (1981) gave some recommendations for toning up the credit structure at different levels and also for making the primary agricultural societies into viable multi purpose units. They not only were to provide short term credit facilities but also undertake marketing of agricultural produce and provision of inputs. The performance of co-operatives from 1950-51 to 1989-90 is presented in Table 1.4.

1.4.2 LAND DEVELOPMENT BANKS

Land Development Banks (LDBs) provide long term credit in the agricultural sector. It has a 2-tier structure with state level co-operative land development banks (SLDBs) at the apex and at the village level the primary land development banks (PLDBs) in order to grant loans for land
development, minor irrigation, farm mechanization, allied activities, etc. The performance is presented in Table 1.5.

1.4.3 REGIONAL RURAL BANKS

A committee on rural banks headed by M. Narasimhan (1975) suggested a new system of banking to be sponsored by the public sector banks in remote village areas with a view to provide adequate credit. Accordingly regional rural banks (RRBs) were established during 1976 with the main objective of providing credit and other facilities especially to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas. The regional rural banks are intended for the development of agriculture, trade and rural industry and other productive activities in rural areas. Each regional rural bank is sponsored by a public sector bank with financial participation of central and state governments. The development for 1950-51 to 1989-90 is presented in Table 1.6.

1.4.4. RESERVE BANK OF INDIA (R.B.I) 

Being the central bank of the Indian financial and monetary system, the R.B.I, has over the years taken on an active developmental and promotional role especially in the area of meeting the needs of rural economic development. The Reserve Bank of India had set up a Special Agricultural Credit Department in the bank during April 1935 to expand and co-ordinate the credit facilities for the agricultural sector.
During 1951, a standing Advisory Committee on Agricultural Credit was set up by the Reserve Bank of India for ensuring coordination between the activities of the co-operative credit institutions and the policies and operations of the bank. During February 1956, the National Agricultural Credit and Long Term Operations Fund was established with the Bank's contribution for providing loans to the state govt, and state co-operative banks and the National Agricultural Credit (Stabilization) Fund was set up to extend medium term advances to state co-operative banks. In 1963, the Agricultural Refinance Corporation (ARC) subsequently renamed as Agricultural Refinance and Development Corporation (ARDC) was set up as a wholly owned subsidiary of the Reserve Bank of India for providing medium and long term finance for agriculture. In 1956, the co-operative banks system was brought within the statutory supervision and control of the bank.

During 1969, the College of Agricultural Banking (formerly known as the Co-operative Bankers Training College) was set up by the Bank in Pune to meet the training needs of the co-operative banks. During February 1970, a high-powered Agricultural Credit Board was set up by reconstitution of the Standing Advisory Committee on Rural and Co-operative Credit. During January 1971, the Reserve Bank of India promoted the establishment of the Credit Guarantee Corporation of India in order to encourage lending to small borrowers. In 1972, the bank adopted the Differential Rate of Interest (DRI) scheme for ensuring adequate and cheaper credit to the weaker
sections. During 1974, the priority sector credit was introduced and public-sector banks were asked to extend one third of their outstanding credit by the end March 1979.

In 1975, regional rural banks were created as per the recommendations of the Narasimham Working Group (1975) in the context of disabilities of the co-operatives and weakness of the commercial banks in meeting rural credit demand. In July 1982, the National Bank for Agriculture and Rural Development was established by converting Agricultural Refinance and Development Corporation (ARDC) with LIC Reserve Bank of India as its major promoter.

1.4.5. NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

National Bank for Agriculture and Rural Development (NABARD) was established on July 12, 1982 based on a recommendation of CRAFI CARD. The Lok Sabha passed a bill on November 30, 1981 for "providing credit for the promotion of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing property to rural areas ". The National Bank for Agriculture and Rural Development undertakes all types of credit functions:

- Production and marketing credit
- Loan conversion

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The Economic Times, dated June 26, 1982
© Rescheduling of loans

© Investment Credit (Term Loan)

© Loan to State Government for share capital

© Direct loans

© Issuing guarantees

The commercial banks and co-operative and regional rural banks receive credit as well as refinance facilities for extending rural credit. The amount of credit extended and the number of accounts (borrowers) are accounted for by the Reserve Bank of India in Table 1.7.

1.5. LEAD BANK SCHEME

The LEAD BANK SCHEME was introduced in December 1969 to bring banking closer to rural people. The first and foremost aim was to open many branches in rural areas as possible under branch expansion in phased manner. The Reserve Bank of India facilitated further expansion into rural areas by modifying its licensing policy. For every urban licence to be granted, a commercial bank was to seek three rural and semi-urban branch licences. In order to ensure even distribution of bank branches among different commercial banks and various regions, a policy of prioritising licences was followed in favour of:

1) Regional rural banks
2) Lead bank of the district
3) Locally based banks in the district
4) Other banks
This scheme was implemented by the Reserve Bank of India on the basis of recommendations of both the Gadgil Study Group (1967) on organization framework for implementation of social objectives appointed by the National Credit Council and the Nariman Committee (1969) - (Bankers Committee). Adoption of "Area Approach" for the development of credit and banking in the country paved the way for identifying viable areas for opening new branches in order to expand credit facilities. The scheme was also meant to avoid giving scattered loans and to minimize difficulties and cost of supervised credit. The scheme had the following major objectives.

* Mobilization of deposits on a massive scale throughout the country and
* Increased lending to weaker sections

Under this scheme, commercial banks were assigned particular districts for the purpose of developing integrated banking facilities and each bank was designated as the Lead Bank in the district allotted to it. The functions are mainly coordination between the banks and the district administration. Preparation of District Credit Plans, Annual Action/Credit Plans (macro level planning), conduct of District Consultative Committee (DCC) Meetings and monitoring of government sponsored scheme implementation etc. were the priorities.

1.5.1 RESERVE BANK OF INDIA'S SUB GOALS

The Reserve Bank of India has set the above sub goals for the banks operating in the country in order to fulfill the social objectives connected
with bank finance. This is being monitored at the district level by the District Consultative Committee as well at the state level by the State Level Bankers Committee and at the national level by the government.

- Advances to Priority Sector to Total Advances 40%
- Advances to Direct Agriculture to Total Advances 18%
- Advances to Differential Rate of Interest scheme to Total Advances 1%
- Advances to Weaker Sections to Total Advances 10%
- Advances to Weaker Sections to Priority Sector Advances 25%

The Reserve Bank of India committee under the chairmanship of Oza, P.D., Deputy Governor of Reserve Bank of India (1987) suggested the SERVICE AREA APPROACH to be followed by all the Commercial Banks in the rural and semi-urban areas to bring about greater decentralisation, better spread of credit and better micro-level planning. This was based on the downward trend in terms of recovery of loans by the banks despite the fact that there was impressive growth in advances in rural areas after nationalisation of Banks. This innovative approach has facilitated tilings so that the bank branches can demarcate their area of operation fulfilling the aspirations of the area specified and avoiding multiple financing which is a cause for poor recovery of loans. This approach was launched on April 1, 1989 with the following principles in allocating the Service Area.
A special committee at the block level called the Block Level Bankers Committee (BLBC) was constituted for proper monitoring of the scheme. The branch managers are expected to conduct village surveys leading to the preparation of village credit plans for their branch service area villages for implementation during the year. The Service Area Approach has facilitated grass root level planning and better spatial disbursement of credit. This was to enable

* the bank officers to have better knowledge of their area of operation.
* better coordination between lending and promotional and infrastructural agencies.

1.6. OVERDOSES SCENARIO IN FARM CREDIT FRONT

The All India Rural Credit Review Committee, 1966, was appointed by the Reserve Bank of India under the chairmanship of Venkatappiah B. for the purpose of reviewing the total credit system for agriculture including processing, storage and marketing. The committee revealed that co-operative credit had still not been oriented adequately to production needs (1967-68). It also pointed out that there were heavy overdues which were increasing year to year. The overdues are presently termed as non-performing assets.
(NPA) and are very much incorporated in the recommendations of the Reserve Bank of India Committee under the Chairmanship of Narasimhani M. (1991) which reviewed the financial system. The Committee has recommended the adoption of uniform accounting practices in regard to income recognition, asset classification as well as provisioning for bad and doubtful debts. A non performing asset in the banking sector may be formed as an asset not contributing to the income of the bank. It is a zero-yield asset when applied particularly to loans and advances.

Overdues is, in a sense, an old feature of the rural credit system. In recent years, however, it has assumed the dimensions of a national problem. The Sixth Plan document has also drawn attention to the urgent need for improving recoveries and recycling of funds.

The major areas of concern in rural lending are

* Declining Profitability
* Mounting overdues
* Problems of recovery
* Deteriorating quality of service
* Ineffective system of monitoring
* Outside pressure and
* Intervention in the decision making process

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12 Toor N.S. - Non performing Advances in Banks -1994 p.3
14 Behera N.C. - ARDR Scheme 1990 - Consequences and Possibilities 1994 p.8
Poor recovery is one of the major problems faced by credit institutions in developing countries. It is not only restricting the beneficiaries of low cost capital but also jeopardizing the interest of the Sender (bankers). This is detrimental to developmental activities as well as to financial institutions. As the level of agricultural advances increases, the problem of recovery will also be on the increase due to various reasons for which both the borrowers and bankers should shoulder the responsibility.

With regard to the problem of low repayment and recovery, the duties of both the borrowers and banks may be complimentary, in the sense that both fail in their duties due to certain reasons which themselves are subject to analysis. But at any cost, the performance under recoveries should be improved in view of recycling of bank funds, creating more and more productive assets in rural areas, increasing income levels of the farmers etc.

Further, low recovery performance on the part of banks disqualify them from claiming refinance from the National Bank for Agriculture and Rural Development (NABARD). The bank branch whose recovery percentage is less than 60 per cent, will be eligible to claim restricted refinance amount only. In India, the region-wise recovery performance is presented in Table 1.8.

There is no doubt that the borrowers should repay their bank dues promptly and should be linked with the efforts of the banker to recover the dues. A proverb in Tamil says, "Uncared crop and unasked loan will all become waste" - The proverb will hold good till the "loaning" process
remains in the world. Credit is a must for development particularly in the case of individual development. Further credit is a powerful tool but like other tools, its effectiveness depends on how it is used. One has to accept that the recovery percentage in India still remain around sixty per cent. There is wide variation among the countries in recovery performance. For example, in Soudi Korea, the percentage of overdues is almost negligible (less than one per cent) whereas it is as high as 70-75 per cent in Bangladesh and Nepal. In India, the overdues of Rs.853 crores in June 1976 was increased to Rs.4262 crores in June 1986. Forty-two per cent of the amount of demand raised was not collected and lying as overdues. Overdues of the various credit institutions in India is presented in Table No. 1.9.

1.6.1 BATEY COMMITTEE REPORT ON OVERDUES (1974)

The above study revealed that the overdues of co-operative credit institutions in India was on the high side (Table 1.10). Most of the banks in Andhra Pradesh, Bihar, Haryana, Uttar Pradesh, Assam, West Bengal and Rajasthan had overdues exceeding 40% of the outstandings as on 30" June 1972. The committee expected a higher percentage of overdues in view of the banks resorting to book adjustments. The problem of overdues of agricultural loans should be tackled at the primary level although it cannot be denied that the deficiencies of the credit agency itself might have served as a contributory factor.
The committee analysed the causes of overdues as follows:

CAUSES OF OVERDUES

EXTERNAL \(\Leftrightarrow\) FACTORS \(\Rightarrow\) INTERNAL

Climate  
Irrigation  
Cropping Pattern  

Full time paid Secretary  
Supervisor  
Volume of Business

Default is universal, i.e. all categories of farmers form part of the defaulting lot.

Default pattern has been observed as follows:

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<tr>
<th>Category</th>
<th>Defaulter %</th>
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<tbody>
<tr>
<td>Borrowers having upto 3 acres of land</td>
<td>33%</td>
</tr>
<tr>
<td>Borrowers having between 3-10 acres of land</td>
<td>25%</td>
</tr>
<tr>
<td>Borrowers having above &gt;10 acres of land</td>
<td>20%</td>
</tr>
</tbody>
</table>

The general backwardness of the district an occasional occurrences of natural calamities in an otherwise 'developed' district has served as a pretext for widespread wilful default. Apathy towards recovery of loans by the management was also observed in view of large number of members of the managing committee of societies themselves being defaulters.
The committee concluded that lack of will and discipline among cultivators to repay, were the principal factors responsible for the prevalence of overdues in the co-operatives. Defaulters were by and large wilful. Besides for this, the deficiencies in lending policies listed below are contributing factors for overdues.

1. Inadequate and untimely credit.
2. Over financing.
3. Lack of supervision over the end use of credit.
4. Inadequate application of fertilizers.
5. Fixation of unrealistic due date.
6. Financing of defaulters.
7. Low scale of finance.
8. Delays in sanction and disbursement.

JO. Attitude of State Government - Defaulters in Group were financed in the TA CCA VI loans.

11. Writing off loans by the State Government.
12. Undue delay and deferred execution proceedings against cooperative dues by the State Government.
13. State Government representatives creating impression that cooperative loans need not be paid.

The Narasimham Committee (Reserve Bank of India) had itself gone into some of the reasons why NPAs were high in the Indian system. Our
weak legal fabric itself is responsible for a default culture. There is no use criticising only the banker for not recovering his dues when the legal system is designed in a way to prevent recovery. The Committee II Report seems to be inclined in favour of trying "Narrow" banks which means funding only for "No" or "low" risk loans - preferably government securities.

1.7 INNOVATIVE METHODS FOR BETTER RECOVERY

1.7.1 RECOVERY CAMI'S

Financial institutions have adopted recently an innovative method to recover the dues from the borrowers by a systematic approach, in the villages. The method "Recovery Camps" is aimed to create awareness among the borrowers that the banks will not leave borrowers with unpaid dues forever. Banks are taking effective steps in educating the borrowers towards prompt repayment. This approach has been implemented in Tamilnadu State as a tool to improve the recovery performance. It has proved its value in the field but depends upon the effectiveness of the bank field functionaries and also the government machinery. It has been introduced in selective pockets in the state by selected bank branches. The approach has facilitated mainly the
* To propagate "No more debt relief" for avoiding wilful default.
* To impress upon the borrowers the bank's commitment to collect the dues.
* To involve the government machinery implementing government sponsored schemes.

The borrowers expressed their happiness and received the bank officials with a warm welcome. They stand in conducting the recovery camps at their villages to receive money on time. It has created a healthy competition among the villagers in terms of showing a high repayment. The villagers expected this type of effective measure to remind (asking), motivate and recognise them which ultimately helps in getting uninterrupted financial assistance for their betterment. This method has helped to impart a sense of prompt repayment culture among illiterate, innocent and indispensable people. At the same time it should be continuous and effective.

1.7.2 SELF HELP GROUP FINANCING

Self help group financing was introduced in India, in 1992 with the full support of NABARD with a view to provide micro credit to the poor as to facilitate to their urgent needs. Self help groups have got great potential in creating awareness on day to day affairs, promoting savings habits, developing individual and community assets, increasing income levels, improving social power and a prompt repayment culture. Self help group-bank linkage has improved their credit worthiness and repaying capacity.
This can contribute to economic development, child education, health and sanitation, etc. particularly through women. There is no doubt that self help groups will replace commercial/co-operative lending institutions at the villages or at least supplement rural financing. The self help group concept has generated self confidence, self security and self reliance.

Self help group financing has facilitated the process by which poor rural borrowers get loans in small amounts easily without any difficulty in their villages both for productive and consumption needs. Peer pressure in the group has facilitated self discipline in repayment loans. In this new approach, the commercial banks are financing self help groups in having savings of their own after 6 months of formation promoted by a reputed non-government organisation. The self help groups are motivated for savings initially and trained in rotation of their funds among themselves initially and then organised for bank linkages to have more funds based on their savings for further mutual help. The main impacts of self help group financing are:

* Excellent recovery/repayment.
* Getting small credit at the village level without foregoing dignity.
* Avoiding cumbersome banking procedures.
* Not necessary to deposit gold or other valuables for getting loans for urgent needs.

The micro credit programme (self help group) until now has reached only 8 million very poor people in developing countries. The micro credit support in India and other developing countries is tabulated and presented in
Table 1.11. In India, self help group financing has opened new business vistas within the Indian banking system to reach the rural poor replacing the non-institutional credit system to certain extent. It has recorded almost a 100% repayment which is very high when compared to other credit delivery systems in banks. In India, the growth of self help group financing has been remarkable from 1992-93 to 1996-97 (Table 1.12).

This new credit delivery system is gaining momentum because of its advantages. It is being supported by NGOs like Rashtriya Mahila Kosh and various banks.

1.8 MULTI DIMENSIONS IN RECOVERY OF FARM CREDIT

The recovery of farm credit has got different dimensions, viz. social, economic and political. The dimensions work in different manners either to increase or decrease the recovery performance. It has got its own value for effecting the recovery performance in both ways. The Economic Survey of 1992-93 had noted despite phenomenal increase in overall agricultural credit that there is a serious problem of overdues which has been inhibiting credit expansion on the one hand and economic viability of the lending institutions especially the co-operatives and the regional rural banks on the other. The waiver of agricultural loans in 1990 under the banner "Agricultural and Rural Debt Relief Scheme - 7990" has further aggravated the problem of recovery.


\[19\] Ibid p.112
1.8.1 SOCIAL DIMENSIONS

The characteristics of the borrowers, viz. age, gender, education, community, family size, primary & subsidiary occupation, social participation, family expenditure particularly on social functions/ life cycle events influence repayment behaviour.

1.8.2. ECONOMIC DIMENSIONS

The characteristics of the borrowers such as size of holdings, irrigation sources, farm assets, cropping pattern, size of the loan amount, type of loan (investments), marketing facilities, borrowings from non-institutional sources and asset creation all influence repayment behaviour.

1.8.3 POLITICAL DIMENSIONS

The status of social participation with various associations and political parties by the borrowers also influences repayment behaviour. The concessions announced by governments with regard to waiver of loans and interest may have its own effect on recovery of institutional credit. The concessions offered to irregular/defaulters has created an adverse effect on regular repayment for honest repayers. The local leaders because of interest in their own standing have a soft corner for repayment of dues. Thus they want nothing serious to happen which will affect the recovery, knowingly or unknowingly as it will affect further lendings based on recovery performance as per die refinance facilities offered by the NABARD.
1.9 SURVEY OF LITERATURE AND RESEARCH GAP

Studies right from the Agricultural Credit Review Committee (1966) by Venkatappa B. and including Datey C.D. Committee (1974) and Khusro (1989) point to several weaknesses in the credit system, viz. weak recycling of credit, poor deposit mobilisation, ineffective lending, poor loan recovery. These are attributed to many factors all of which lend themselves to empirical research due to its complexity. More particularly farm credit recovery depends on many factors including external forces taking advantage of the innocent and ignorant. Hence, an attempt is made in this research to highlight the socio, economic and political factors which affect farm credit recovery and regular repayment in terms of the causes for default among the borrowers. Measures are suggested based upon borrowers' reactions and experiences of credit institutions to ensure prompt repayment and recovery of institutional credit. Further, action points are proposed for effective institutional finance recycling.

Another study "Overdues in Farm Co-operative Credit in Rajasthan" was conducted by Dadhich C.L. (1975) for the period year ended June 1968 focussing on socio-economic factors influencing repayment of co-operative dues and the causes of overdues at various levels. The study has been, however, restricted to co-operative credit only.

According to a study by Gandhigram Rural institute titled "Repayment Ethic - A Study of the Ryots in the Process of Recovery of loans in Athoor Block, Madurai District in Tamilnadu" (1982), it was observed that the study
was conducted among the borrowers of co-operatives only (Primary Agricultural Co-operative Society). The findings revealed that "such socio-economic characteristics as educational, level of income and expenditure level of the respondents did not appear to have any significant association with the respondents' attitude towards repayment of loans. Perhaps a wider and an indepth study may unearth substantively the implications of such factors as well". Further, it has been pointed out in the "Repayment Ethic Study\(^1\) that loan repayment (or non-repayment norms) once located and incorporated in loan orders (policies) would help generate a positive attitude among the borrowers (customers). In due course, this may also tend to establish in them a sort of repayment ethic. But this calls for a detailed, systematic, intensive studies on identifying loan repayment norms among the different categories of repayers against their socio-economic status that could factually and effectively support policy and bureaucracy in credit dispensation and credit retrieval." This has been identified as the research gap. A detailed enquiry into not only with co-operatives but also with other institutional credit offered by commercial banks in a particular area is undertaken. Institutional credit is examined with an Area Approach - Service Area Approach in mind as suggested by the Reserve Bank of India with effect from 1.4.1989.

From a case study "Loan Recovery Performance of Regional Rural Banks" by Indrasena Reddy P. and Someshwar Rao K. (Agricultural Banker - April-June 1996) based on secondary data and some oral enquiries, it is ascertained that the loan recovery position of Sri Saraswadi Grameen Bank in

Andhra Pradesh (1983-84 to 1992-93) with regard to agricultural credit is seasonally determined. Not only do the loans need to be granted in time but necessary efforts to recover the bank loans also should be initiated at the appropriate time. The performance of a bank in recovering its loan are influenced by many factors like defective loan policies and procedures, failure of the bank to initiate prompt action for recovery, inadequate supervision over end-use of credit, political interference in the working of the banking institutions, announcement of loan waiver schemes and interest rebates, lack of active support by the state government in recovery of agricultural dues of credit agencies etc.

From the study "Overdue Pattern of PACS: A Micro Level Analysis" by George K.N. and Santheesh Babu K in Kerala state (Agricultural Banker - January-March 1996), it was revealed that increase in the number of members and borrower members of the bank have been accompanied by an increase in the extent of overdue. The increase in overdue per borrowing number of defaulters as a percentage to total membership and borrowing membership has been steadily declining. The increasing borrowing membership resulting in increasing overdues means that member education on loans, its utilisation and repayment are clearly lacking. This calls for greater co-operative education and member awareness regarding the nature of co-op funds so that the members feel that it is their own common property. On the other hand, in order to curb the problem of overdues, the bank must place more emphasis on effective supervision in terms of the end use of credit so that effective
diversion of loan or its misutilisation can be checked. It may also help the official to distinguish between wilful and non-wilful defaulters. Wilful defaulters should be sternly dealt with in ten 's of renewal of loans or issuing of fresh loans.

A study on "An Analysis of Some Alarming Issues Related to the Agricultural and Rural Debt Relief Scheme 1990" by Khunt K.A., Parmar G.D. and Desai D.B. (Agricultural Banker - January - March 1995) in Navasri Taluk of Valsad District (Gujarat), it is shown that the impact of ARDR scheme - 1990, which was measured by collecting the opinion of the local leaders, progressive farmers and the chairman of co-operative societies revealed that there should not be a scheme like ARDRS - 1990. They argue that there will be a loss of trust from the banks' in borrowers. Also, they illustrate that there has been an increase in the number of wilful defaulters perspective who have benefited more by this scheme than the deserving borrowers. Some of the respondents have opined that the scheme will spoil the relations between banks and borrowers. Even the bank managers have opined that the honest borrowers were the biggest sufferers and that the fruits of the scheme went to the pockets of wilful defaulters.

The Study "Development through Credit" by Gurusamy S. (The Cooperator - April 1991) with the introduction that there is a phenomenal increase in the flow of credit to agricultural sector through institutional sources, parallel growth is also seen in the overdues of these loans. The high level of overdues restricts the capacity of lending institutions to recycle funds.
besides threatening the prospects of continued flow of external credit for agriculture and rural development. The study has proved the prompt repayment behaviour of New Ayakudi Members (borrowers) of Commercial Bank (IOB) Vikas Volunteer Vakini (VVV) club formed by NABARD, despite theier poor economic condition and non-repayment of Vanampatliy VVV Members (borrowers of Primary Cooperative Bank) despite their higher income, asset position, savings pattern etc. which has strengthened the statement on positive correlation between "higher the economic status higher the delinquency in repayment". It has also been inferred that in New Ayakudi Club, from the appreciable repayment behaviour selflessness of the President, Vice President and some members and the mentality of having concern for others tend to conclude by saying that the principle "Development through Credit" has been effectively put into practice by the functionaries. The author has suggested that in the case of release of a loan for agricultural purposes, the banker can initiate repayment soon after harvest, distraint proceeding on overdue loans should be initiated in co-operative banks also, government orders should not be a constraint to this and waivery of loans should be strongly discouraged from the government.

In an article "Risk Management in Agricultural Advances" by Hanumantha Raj B.N. (Agricultural Banker January - March 1997) he has pointed out that many field staff term any or every default as 'WILFUL'. However, in most of the cases, actually it is not so. Such misclassification or misterming of default is mainly due to inadequate follow up action on their
part and also a clear understanding of the reasons for default. Borrowers can be termed as a wilful defaulter if they satisfy all the following conditions.

(a) The asset should be present.
(b) The asset should be productive of economic levels generating adequate surplus.
(c) The borrowers should be diverting the fund to other purposes.

Many a time the default may look wilful but has deeper roots in the under financing. As a result, diversification to other means of finance occurs. Therefore it is necessary that all cases of wilful defaulters should be analysed properly, so that suitable remedial measures could be taken. Further, it was also pointed out that socio-political risks operate almost during all the phases and that they become more pronounced during the post-disbursement stage. The political risks of announcing waiver of interest and loan is well known. The social risks manifest themselves in a number of faces which is normally due to lack of leadership or misguided leadership. The banks should always try to overview the social and political risks carefully and tactically which itself is an art.

Another study conducted in 5 villages of Puri district of Orissa state by (Mohapatra B.P. and Mishra R.K.) using a random sampling method entitled "Evaluation Study on Acceptance of Farm Credit by Small Farmers in Rural Setting of Orissa" (Financing Agriculture - October-December 1995). revealed that in the Rural Credit Programme a majority of respondents
(91.1%) viewed that credit repayment was the foremost barrier. The farmers being poor and living from hand to mouth generally found it difficult to pay back even the instalments of the credit amount taken. Crop failure (23.3%), bullock dying (7.7%), natural calamities (10%), family trouble (16.6%) and miscellaneous (13.3%) were the reported reasons for defaulting.

As per the study "Synthesising Development Potential with Rural Credit Plans at Grassroot level and Resource Planning for Development Lending by Nationalised Banks for Rural Development" by Narayanaswamy B.K. (Agricultural banker October-December 1997) it has been pointed out that the problem of non-repayment of loans by the farmers have become a cause of great concern to the banks. Recovery of loans is an important function of any bank. The increasing overdues problem will restrict the smooth flow of credit and consequently will affect the investment of working as well as fixed capital in rural development and its modernisation on a large scale. A minimum recovery percentage also cripples the bank's capacity to get refinance from NABARD as a bank's eligibility is now linked with recovery performance. The main factors responsible for overdues of loans are, low income of households, diversion of loan from the actual purpose, defective loan appraisal, selecting wrong practice for promotion, natural calamities like drought, flood, crop failures, etc. besides for adequate supervision and follow up and political policies and decisions. Poor recovery
reflects on the poor quality of lending. The deteriorating situation in nationalised banks arising out of non-repayment of loans has not received the attention it deserves.


According to Prem S. Sharnia (1996) in his article titled "Agriculture and Rural Development Banks" (Yojana, October 1996), there is an urgent need to improve the recovery climate in case of co-operative loans. The co-operative banks should assess correctly the various internal factors responsible for high level overdues like defective lending policy procedures, defective monitoring procedure etc. These banks should try to tie-up recovery of loans by forging necessary linkages with marketing societies and mandi committees for effecting recovery. Bank staff should also be given some incentives in the form of rewards for effecting recovery of large loans.

The views on credit policy, credit management, and follow up efforts, suggestions for better recovery on farm credit which is being handled by the bank officials has not been clearly spelt out in earlier studies on overdues of institutional credit. This forms a base of our research study. We intend to get detailed information both from the borrowers of the co-operatives and commercial banks and compare with each other. The views of the lender
plays an important role in disbursements and recovery efforts in farm credit which forms a base for agricultural production and productivity.

The research gap has been identified in view of earlier research work done in some places of India with the following aims in mind:

1. To have a comprehensive study on the pattern of overdues with all types of borrowers of co-operatives and commercial banks.

2. To have holistic views of the borrowers and lenders of institutional farm credit.

3. To find out the reasons for overdues in a cropped area where cent percent is under irrigated condition and where necessary infrastructural facilities exist - backward and forward linkages and an area having high credit absorption capacity.

4. To find out the attitude of the borrowers towards repayment of farm credit in view of banks policies on recovery. the helpfulness of their attitude in the case of calamities, neighbours influence; follow up efforts of the bank officials, effect of agricultural and rural debt relief scheme implementation, Banks’ financial status, banks attitude towards prompt repayers, etc. with a newly constructed attitude scale.
1.10 PRESENT STUDY

This study aims to analyse the multifarious factors/issues involved in the repayment of institutional farm credit from the borrower's point of view and the bank's point of view. The factors which hinder the regular repayment will also come to light as an outcome of the study. The objectives of the research are framed as follows:

1. To study the extent of institutional farm credit lent and recovered during 1990-91 to 1994-95 in Tiruchirapalli District
2. To enlist the factors responsible for regular repayment and the causes for default among the borrowers in the context of recovery and repayment.
3. To suggest measures based upon borrower's reactions and experiences of credit institutions to ensure prompt repayment and recovery of institutional farm credit.
4. To propose action points for effective institutional finance recycling.

In order to conduct the research effectively, two different tools, i.e. one for the borrowers and another for the bankers in the form of an interview schedule and questionnaire respectively were used for the purpose in the selected Block of Lalgudi in Tiruchirapalli District. Three different Bank Branches, i.e. one each from the commercial banks group, primary agricultural co-operative bank, and primary land development bank which are
in operation with regard extending farm credit aiming for agricultural/rural development were chosen.

Table 1.1

Trends in Food-grains Productions

<table>
<thead>
<tr>
<th>Year (Average)</th>
<th>Production (Million Tons)</th>
<th>Productivity (Kgs./Hectare)</th>
<th>Area (Million hectare)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>50.8</td>
<td>552</td>
<td>97.3</td>
</tr>
<tr>
<td>1961-66</td>
<td>72.2</td>
<td>692</td>
<td>117.1</td>
</tr>
<tr>
<td>1980-85</td>
<td>151.0</td>
<td>1163</td>
<td>130.4</td>
</tr>
<tr>
<td>1989-90</td>
<td>178.10</td>
<td>1292</td>
<td>135.0</td>
</tr>
</tbody>
</table>

Source: The Sixth & Seventh Five Year Plan, p. 140.

Table 1.2

Sources of Agricultural Credit

<table>
<thead>
<tr>
<th>No.</th>
<th>Credit Agency</th>
<th>Percentage share of total credit (In percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>Institutional Credit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Governments</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td>b) Co-operative Societies</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td>c) Commercial Banks</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Sub Total</td>
<td>7.3</td>
</tr>
<tr>
<td>II.</td>
<td>Non institutional Credit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Professional Moneylenders</td>
<td>44.8</td>
</tr>
<tr>
<td></td>
<td>b) Agricultural Moneylenders</td>
<td>24.9</td>
</tr>
<tr>
<td></td>
<td>c) Relatives</td>
<td>14.0</td>
</tr>
<tr>
<td></td>
<td>d) Traders &amp; Commission Agents</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>e) Landlords</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>f) Others</td>
<td>1.00</td>
</tr>
<tr>
<td></td>
<td>Sub Total</td>
<td>92.7</td>
</tr>
<tr>
<td></td>
<td>Grand Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>
### Table 1.3

**Indicators of Banking Development (Commercial Banks)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Commercial Banks</td>
<td>423</td>
<td>85</td>
<td>136</td>
<td>205</td>
<td>275</td>
</tr>
<tr>
<td>No. of Bank Officers</td>
<td>4067</td>
<td>9011</td>
<td>31556</td>
<td>32180</td>
<td>61852</td>
</tr>
<tr>
<td>Officer per million of population</td>
<td>10.1</td>
<td>17.0</td>
<td>48.3</td>
<td>55.6</td>
<td>61.8</td>
</tr>
<tr>
<td>Total Deposits (Rs.in crores)</td>
<td>1159</td>
<td>5173</td>
<td>34174</td>
<td>50671</td>
<td>317917</td>
</tr>
<tr>
<td>Total Credit (Rs. in crores)</td>
<td>824</td>
<td>3729</td>
<td>21407</td>
<td>33238</td>
<td>180017</td>
</tr>
</tbody>
</table>

*Source: Reserve Bank of India Banking Statistics*

### Table 1.4

**Indicators of Co-operative Credit Institutions in India (Advances by Primary Agricultural Credit Societies) 1950-51 to 1989-90**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of Societies (Lakhs)</td>
<td>1.15</td>
<td>2.12</td>
<td>1.61</td>
<td>0.94</td>
<td>0.88</td>
</tr>
<tr>
<td>2</td>
<td>Membership (lakhs)</td>
<td>51</td>
<td>170</td>
<td>304</td>
<td>577</td>
<td>8.12</td>
</tr>
<tr>
<td>3</td>
<td>Loans &amp; Advances (Crores)</td>
<td>23.00</td>
<td>203.00</td>
<td>580.00</td>
<td>1769.00</td>
<td>4784.00</td>
</tr>
</tbody>
</table>

*Source: Centre for Monitoring Indian Economy: Basic Statistics August 1994*

### Table L5

**Indicators of Central Land Mortage Banks 1950-51 to 1989-90**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of Societies (Lakhs)</td>
<td>0.50</td>
<td>0.17</td>
<td>19</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Membership (lakhs)</td>
<td>0.10</td>
<td>1.86</td>
<td>9.12</td>
<td>27.71</td>
<td>40.67</td>
</tr>
<tr>
<td>3</td>
<td>Loans &amp;. Advances (Crores)</td>
<td>1.00</td>
<td>12.00</td>
<td>168.00</td>
<td>363.00</td>
<td>665.00</td>
</tr>
</tbody>
</table>

*Source: Centre for Monitoring Indian Economy: Basic Statistics August 1994*
Table 1.6
Indicators of Regional Rural Banks 1950-51 to 1989-90

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>No.of Regional Rural Banks</td>
<td>6</td>
<td>85</td>
<td>188</td>
<td>196</td>
<td>196</td>
</tr>
<tr>
<td>2.</td>
<td>District covered</td>
<td>12</td>
<td>144</td>
<td>333</td>
<td>380</td>
<td>397</td>
</tr>
<tr>
<td>3.</td>
<td>No.of Branches</td>
<td>17</td>
<td>3279</td>
<td>12006</td>
<td>14511</td>
<td>14540</td>
</tr>
<tr>
<td></td>
<td>Deposits (Rs lakhs)</td>
<td>20</td>
<td>19983</td>
<td>128582</td>
<td>426752</td>
<td>599370</td>
</tr>
<tr>
<td></td>
<td>Credit Level (Outstanding Rs. lakhs)</td>
<td>10</td>
<td>24338</td>
<td>140767</td>
<td>355517</td>
<td>418770</td>
</tr>
</tbody>
</table>


Table 1.7
ADVANCES TO AGRICULTURE

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of a/cs (Laldis)</th>
<th>Amount outstanding (Rs. 10 crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1969</td>
<td>1.77</td>
<td>162 (5.4% of NBC)</td>
</tr>
<tr>
<td>March 1994</td>
<td>217.90</td>
<td>21204 (15.0% of NBC)</td>
</tr>
<tr>
<td>March 1995</td>
<td>213.00</td>
<td>23513 (13.9% of NBC)</td>
</tr>
<tr>
<td>March 1996</td>
<td>208.00</td>
<td>26351 (14.3% of NBC)</td>
</tr>
<tr>
<td>March 1997</td>
<td>195.00</td>
<td>31012 (16.4% of NBC)</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India Bulletin 1997 P. 15! NBC - Net Bank Credit

Table 1.8
Recovery Performance in India under Direct Agriculture (Scheduled Commercial Banks) (in percentage)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Northern</td>
<td>59.8</td>
<td>68.9</td>
<td>60.9</td>
</tr>
<tr>
<td>2.</td>
<td>North Eastern</td>
<td>32.5</td>
<td>31.2</td>
<td>39.3</td>
</tr>
<tr>
<td>3.</td>
<td>Eastern</td>
<td>49.4</td>
<td>35.5</td>
<td>37.9</td>
</tr>
<tr>
<td>4.</td>
<td>Central</td>
<td>52.5</td>
<td>48.2</td>
<td>51.2</td>
</tr>
<tr>
<td>5.</td>
<td>Western</td>
<td>37.6</td>
<td>44.5</td>
<td>47.3</td>
</tr>
<tr>
<td>6.</td>
<td>Southern</td>
<td>55.1</td>
<td>54.5</td>
<td>58.6</td>
</tr>
<tr>
<td>7.</td>
<td>All India</td>
<td>50.0</td>
<td>54.2 * 1ru</td>
<td>54.2</td>
</tr>
</tbody>
</table>

Source: Rural Development : Selected Statistics - Indian Banks Association 1989
Table 1.9

Overdoes of the Various Credit Institutions in India

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks (Rs.Crores)</td>
<td>200</td>
<td>737</td>
<td>893</td>
<td>1086</td>
<td>1744</td>
</tr>
<tr>
<td>Percentage of overdue</td>
<td>48.00</td>
<td>47.00</td>
<td>48.00</td>
<td>47.00</td>
<td>43.00</td>
</tr>
<tr>
<td>Regional Rural Banks (Rs. crores)</td>
<td>N.A.</td>
<td>54</td>
<td>89</td>
<td>158</td>
<td>413</td>
</tr>
<tr>
<td>Percentage of overdue</td>
<td>—</td>
<td>48.00</td>
<td>50.00</td>
<td>49.00</td>
<td>51.00</td>
</tr>
<tr>
<td>Primary Agricultural Co-operative Societies  (Rs. crores)</td>
<td>561</td>
<td>1376</td>
<td>1205</td>
<td>1308</td>
<td>1807</td>
</tr>
<tr>
<td>Percentage of overdue</td>
<td>34.00</td>
<td>43.00</td>
<td>50.00</td>
<td>40.00</td>
<td>41.00</td>
</tr>
<tr>
<td>Land Development Banks (Rs. crores)</td>
<td>92</td>
<td>291</td>
<td>252</td>
<td>269</td>
<td>29X</td>
</tr>
<tr>
<td>Percentage of overdue</td>
<td>34.00</td>
<td>46.00</td>
<td>40.00</td>
<td>44.00</td>
<td>39.00</td>
</tr>
</tbody>
</table>

Source : Report of ACRC (Khusro Committee) - A Review of the Agricultural System in India - Reserve Bank of India Bombay 1988 p. 538

Table 1.10

Overdues in Co-operatives

<table>
<thead>
<tr>
<th>Institution</th>
<th>Year</th>
<th>% of overdue</th>
<th>Amount of overdues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Co-operative Banks</td>
<td>June 1972*</td>
<td>3.6%</td>
<td>Rs.319 crores</td>
</tr>
<tr>
<td>Primary Agricultural Credit Society</td>
<td>June 1972*</td>
<td>44.00%</td>
<td>Rs.377 crores</td>
</tr>
</tbody>
</table>

* - This relates to 1974 Committee
Table 1.11

Self Help Groups in Asia Pacific Countries

<table>
<thead>
<tr>
<th>Country/Project</th>
<th>Bank Branches</th>
<th>Self Help Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDONESIA</td>
<td>111</td>
<td>263</td>
</tr>
<tr>
<td>THAILAND</td>
<td>42</td>
<td>47</td>
</tr>
<tr>
<td>PHILIPPINES</td>
<td>20</td>
<td>53</td>
</tr>
<tr>
<td>INDIA</td>
<td>100</td>
<td>201</td>
</tr>
<tr>
<td>NEPAL</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>BANGLADESH</td>
<td>40</td>
<td>42</td>
</tr>
<tr>
<td>TOTAL</td>
<td>316</td>
<td>609</td>
</tr>
</tbody>
</table>

Source: APRACA - Rural Finance - Journal April-Dec. 1977

Table 1.12

SHG - Bank - Financing in India

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs (Cumulative)</th>
<th>No. ofSUU/es/ U.Ts</th>
<th>Bank Loan (Rs.million)</th>
<th>NABARD Refinance (Rs.million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>255</td>
<td>10</td>
<td>2.89</td>
<td>2.68</td>
</tr>
<tr>
<td>1993-94</td>
<td>620</td>
<td>11</td>
<td>6.53</td>
<td>4.59</td>
</tr>
<tr>
<td>1994-95</td>
<td>2112</td>
<td>13</td>
<td>24.4</td>
<td>23.03</td>
</tr>
<tr>
<td>1995-96</td>
<td>4757</td>
<td>17</td>
<td>60.58</td>
<td>56.61</td>
</tr>
<tr>
<td>1996-97</td>
<td>6484</td>
<td>19</td>
<td>90.00</td>
<td>80.20</td>
</tr>
</tbody>
</table>

Source: APRACA - Rural Finance - Journal April-Dec. 1977