If ploughmen fold their hands
There is neither food nor penance.
- Thirukkural

"In order to awaken the people, it is the woman who has to be awakened, once she is on the move, the house holds move, the village moves, the country moves and thus, we built the India of tomorrow".

- Pt. Jawaharlal Nehru

CHAPTER II

Review of Literature
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REVIEW OF LITERATURE

In this chapter, an attempt is made to present the literature reviewed. Review of literature dealing with NABARD’s activities and achievements and dealing with rural credit is presented. The review helped shaping the study.

2.1. Review of Literature on NABARD’s Activities and Achievements

In this section, a brief review of NABARD’s activities and achievements has been presented.

**National Bank Newsletter (Nov-1990):** During the year ended 31 March 1990, refinance provided by the National Bank for Schematic lending touched a new high of Rs.1703 crores as against Rs.1240 crores, in the previous year (1989) and opened 45 offices at district level and all the districts are proposed to be covered in a phased manner. ¹

**National Bank Newsletter (Nov-1990):** The Tamil Nadu Women’s Development Corporation (Mahalir Thittam), a State Government sponsored corporation, had drawn up a scheme for financing informal groups of women to avail credit for undertaking income-earning enterprises. The project involved a financial outlay of Rs.17 crores and beneficiary covered 40,350 poor women from three selected districts of Tamil Nadu. NABARD provided refinance to the extent of 90% of the loans issued by the banks. ²

**National Bank Newsletter (Apr-1991):** During the year ending March 1991, the maximum amount of refinance from NABARD went to IRDP programme (Rs. 603 crores), followed by minor irrigation (Rs. 495 crores) and farm
mechanization (Rs. 337 crores). The total of refinance disbursement for all the schemes was Rs. 1902 crores in 1990-91.  

**National Bank Newsletter (Jun-1991):** Vikas Volunteer Vahini (VVV) Programme was conceived by the NABARD, in 1982. As on 31 March 1991, 510 clubs were in operation. The largest number of clubs was in Tamil Nadu (140), followed by Orissa (68), Karnataka (42), Gujarat (35), Andhra Pradesh (37), Uttar Pradesh (33), Maharashtra (37), Goa (30), and Bihar (29). The remaining states and the union territories had less than 20 farmers’ clubs each.  

**National Bank Newsletter (Feb-1991):** NABARD has decided to raise the income ceiling from Rs.6500 to Rs.10,000 p.a in respect of direct loans by RRBs for non-agriculture purpose. Accordingly, the National Bank has advised all Regional Rural Banks to ensure that in respect of direct loans for non-agriculture purposes, the total pre-investment annual income of the prospective borrower does not, in any case, exceed Rs.10,000 per annum. The revised ceiling would also apply to agro-processing units and will cover all types of non-farm activities.  

**National Bank Newsletter (Jul-1991):** NABARD decided to continue to provide refinance assistance to the State Co-operative on behalf of Central Co-operative Banks for seasonal agricultural operations (SAO).  

**National Bank Newsletter (Aug-1992):** The Reserve Bank of India, advised Commercial Banks to extend financial assistance to SHGs by liberalizing terms and conditions. As a result, NABARD has decided to launch a Pilot
Project to cover 500 Self Help Groups promoted by NGOs, banks and other agencies for extending refinance, technical support and guidance to the agencies participating in the project.  

**National Bank Newsletter (July-1992):** The NABARD designed a scheme to provide refinance under its Automatic Refinance Scheme for financing mobile sales vans for developing marketing of rural non-farm goods, minimum margin of 5% for loans up to Rs. 1 lakh and 10% for loans above Rs. 1 lakh.  

**National Bank Newsletter (Mar-1992):** The Government of India had set up a high level committee under the chairmanship of Sri M.Narasimham to examine all aspects relating to the structure, organization, functions and procedures of the financial system. The committee submitted its report to the Government on November 16, 1991. The salient features of the report were as under:  

1. Reputed banks may enhance capital through public issues  
2. No bar on new private sector banks  
3. Liberal policy towards foreign banks  
4. Four-tier banking structure  
5. Abolition of dual control  
6. Depoliticisation of chief executives’ appointments  
7. Lower Statutory Liquidity Ratio (SLR) to 25%  
8. Phasing out of concessional interest rates  
9. New system for provision of debts  
10. Transparent balance sheets.
xi. Special tribunals for recovery of dues

xii. Scrapping of branch licensing

xiii. No further nationalization of banks

xiv. RBI should be more liberal in allowing foreign banks to open branches.

National Bank Newsletter (May-1992): As per the RBI instructions, the SHGs would be free to decide on the interest to be charged to its members provided the rate of interest is not excessive. Usually the SHGs have been observed to charge rates of interest of about 24 to 36 per cent. These rates are also purpose-dependent. 10

National Bank Newsletter (Apr-1992): During the year 1992, maximum of NABARD’s refinance amount of Rs.590 crores went to South India, out of which Andhra Pradesh got the first place with Rs.215 crores refinance and Tamil Nadu got the second place with Rs.136 crores of refinance. 11

National Bank Newsletter (Jan-1992): NABARD launched a pilot project during 1992 to cover about 500 SHGs under the following criteria basis: 12

i. Membership of the groups could be between 10 and 25

ii. The Group should have actively promoted savings habit

iii. The Group should be in existence for at least 6 months

iv. The Group should be formal (registered) or informal (unregistered)

National Bank Newsletter (Oct-1992): NABARD has assisted in promotion and development of several support programs exclusively for women. The Western Maharashtra Development Corporation was sanctioned a grant of
Rs. 23 lakhs for rehabilitation of Devadasis (destitute women). About 250 women benefited through reeling, twisting, warping, dyeing, wearing, and finishing. Punjab Ex-Servicemen’s Corporation (PESCO), Chandigarh, has been sanctioned a grant assistance of Rs. 13.70 lakhs to set up a training-cum-production centre (TPC) to help the war-widows and daughters of Ex-Serviceman in Punjab. Three hundred women were benefited.  

National Bank Newsletter (July-1992): Every year, more than 70% of the credit refinanced by NABARD goes for land based activities, such as minor irrigation and land development as also for other relevant diversified purposes towards assistance provided to small farmers.

National Bank Newsletter (Apr-1993): NABARD extends 100% refinance support and also consider selectively need-based grant assistance to meet the sponsoring agencies’ expenditure towards organization of Women SHGs, sensitization, training and other related components.

National Bank Newsletter (Aug-1994): NABARD has sanctioned an assistance of Rs.90 lakh to SBI for a poultry hatchery scheme in Sikkim to be implemented by the Sikkim Poultry Development Corporation. This project with a total financial outlay of Rs.171 lakh was the first of its kind to be sanctioned in the State of Sikkim. The bank loan for the project was Rs. 129 lakh.

National Bank Newsletter (Apr-1994): NABARD also sanctioned a loan of Rs.40 crores during 1993-94 to various State Governments including Tamil
Nadu for share capital contribution to cooperatives as against Rs.24 crores in the previous year.\textsuperscript{17}

**National Bank Newsletter (Mar-1994):** Refinance support from NABARD for promotion of agri-export which showed that several projects with NABARD refinance commitment of Rs.135.11 crores have been sanctioned so far (i.e., 1994).\textsuperscript{18}

**National Bank Newsletter (July-1996):** NABARD has provided assistance of Rs.17.71 crores, up to March 1996, to various research and developmental activities, under Rural and Development Fund, such as tissue culture technology, hatcheries management technology of giant fresh water prawn, development of vaccine for egg-drop syndrome, oyster culture, conversion and use of coir-dust as manure.\textsuperscript{19}

**National Bank Newsletter (May-1998):** NABARD on its part has been playing a vital role in supporting development of cooperative credit system as a professional banking system. Cooperatives have been given the largest share of refinance support in the NABARD’s annual refinance budget (SLDB share constituted 54% of total budget).\textsuperscript{20}

**National Bank Newsletter (Sep-1999):** NABARD has introduced an award scheme for the cooperative credit institutions in both Short Term (ST) and Long Term (LT) structure, to accord recognition for their good performance from the year 1995-96.\textsuperscript{21}

**National Bank Newsletter (Aug-1999):** The Union Finance Minister during the budget speech for 1999-2000, said NABARD has established a Watershed
Development Fund (WDF) with a contribution of Rs.100 crore. A matching upfront contribution of Rs.100 crore will be forthcoming from the Government of India. The fund would cover 100 priority districts in 3 years. Fourteen states, viz; Andhra Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Orissa, Uttar Pradesh, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Rajasthan, Tamil Nadu and West Bengal have been identified; during 1999-2000, six states of Andhra Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Orissa and Uttar Pradesh would be focused. The blocks and the districts would be selected jointly by the NABARD and the State governments based on criteria like lowest irrigated area, backwardness of the district etc. 22

National Bank Newsletter (Apr-1999): NABARD has a programme to cover one lakh rural youth during the five year period from 1999-2000 to 2003-2004 under Rural Entrepreneurship Development Programme (REDP) through expansion and institutionalization of REDP to facilitate rural industrialization. 23

National Bank Newsletter (May-1999): NABARD has been extending financial assistance to SCARDBs, SCBs and DCCBs in setting up of technical monitoring and evaluation cells (TME Cell) besides imparting orientation training in their core areas. By March 1999, NABARD had sanctioned 67 Women Development cells in different states. 24

National Bank Newsletter (Jan-2000): Adivasi Development Programme in Gujarat implemented by Bharatiya Agro Industries Foundation (BAIF) in collaboration with NABARD and Kreditanstalt Fur Wiederaufbau (KFW)
German Development Bank has been selected by the German Ministry for economic co-operation and Development for presenting at UNDP forum of Ministers on Poverty and Environment in New York.  

**National Bank Newsletter (Sep-2000):** NABARD sanctioned Rs.307.49 crore under RIDF to 9 states viz. Andhra Pradesh (Rs.61.33 crore), Himachal Pradesh (Rs.11.15 crores), Jammu and Kashmir (Rs.48.38 crore), Kerala (Rs.27.89 crore), Madhya Pradesh (Rs.14.36 crore) and West Bengal (Rs.8.22 crore). These sanctioned projects related to Roads and Bridges sector (Rs.253.91 crore), Irrigation sector (Rs.22.60 crore), Flood protection (Rs.1.52 crore), Watershed Development (Rs.24.60 crore), Citizen Information Centre (Rs.0.36 crore) and Agro forestry (Rs.4.50 crore).  

**National Bank Newsletter (June-2000):** Cooperatives are enjoying the largest share of refinance support from NABARD for production credit. During the year 1999-2000 (July –June), a sum of over of Rs.6000 crore has been sanctioned to the cooperatives by way of short term loans. This works out to more than 80% of total ST credit support from NABARD. Likewise, the disbursement to the cooperatives under investment credit amounted to Rs.2,867 crore forming 55% of the total refinance disbursed by NABARD during 1999-2000. About 90% of the credit disbursed by the long term cooperative credit structure is out of their borrowings from NABARD.  

**National Bank Newsletter (Apr-2001):** NABARD decided to extend refinance support to banks for financing two wheelers for farmers, so that they can easily sell their product in the nearest market areas.
National Bank Newsletter (June-2001): Up to 2000-01, 2.64 lakh SHGs have already been formed and credit linked with banks, of which 85% are exclusively women groups. The success of the programme has been due to the active involvement of over 700 NGOs and 7,000 branches of 266 banks. NABARD has trained and given exposure to 11,000 bank offices and 191 faculty members of training colleges of banks. NABARD’s vision is to cover 1/3 of the rural poor, i.e., 100 million through 1 million SHGs by 2008. 29

National Bank Newsletter (Feb-2001): Extracts from Finance Minister’s budget speech for the year 2001-02, about the NABARD. 30

- NABARD has been very successful in upgrading rural infrastructure with about 1.84,000 projects sanctioned so far.
- NABARD proposes to reduce its rate of interest for funding the storage of crops, from 10 per cent to 8.5 per cent. Small farmers will particularly benefit from this scheme by avoiding distress sales.
- A micro finance development fund has also been set up in NABARD with contribution of Rs.40 crores each by NABARD and RBI. It is very much beneficial to the weaker sections in the society.

National Bank Newsletter (Aug-2001): An expert committee set up by NABARD, recommended that the credit for agriculture production is the largest and most important component of rural finance. Its demand is likely to
at least treble in the next five years, from the current level of Rs.28,000 crore to a minimum of Rs.86,000 crore. 31

Y.L. Sapra states in his report that NABARD has advanced Rs.140 crores to the Tamil Nadu Government for development of infrastructure facilities in power, health, educational sectors and to expand the rain water harvesting facilities in the state for 2002. 32

The Hindu (a premier English daily) reports that the NABARD launched the project in Tirunelveli and Tiruchirapalli districts, with a view to providing job opportunities to 50,000 rural youths, over five years (2002-07) with a credit involvement of Rs.295 crores. 33

The Hindu reports that the NABARD has introduced District Rural Industries Project (DRIP) as an experimental basis in five districts throughout India in 1993. Encouraged by the success achieved in the pilot districts, it is now being implemented in 62 districts in India. In Tamil Nadu it is introduced in Villupuram and Vellore districts. 34

The Hindu reports that the NABARD is encouraging more income generation units under District Rural Industries Programme (DRIP) throughout India. Especially in Tamil Nadu, handlooms, readymade garments making, gem cutting and polishing, fabrication units, modern bakeries and rubberized coir, korai mat weaving units have benefited under this scheme. 35

The Hindu reports that the wastage of agricultural/horticultural produce due to post-harvest losses is over 35%. The cold storage facilities
established by the NABARD in 17 places across the state in the last couple of years have helped the farmers to get attractive returns for their produce besides preventing wastage of horticultural products.\textsuperscript{36}

The \textit{Hindu} reports that the NABARD sanctioned over 5,500 rural infrastructural works from its Rural Infrastructure Development Fund (RIDF) in India for the last nine years.\textsuperscript{37}

The \textit{Hindu} reports that the NABARD decided to extend watershed projects in Dharmapuri, Vellore, Tiruvannamalai, Namakkal, Theni and Krishnagiri districts in Tamil Nadu.\textsuperscript{38}

Export-Import Bank of India reports that the contribution of NABARD to agricultural growth on the one hand and empirically justified the relationship between agricultural growth and poverty reduction on the other hand in the following ways.\textsuperscript{39}

The \textit{Hindu} reports that the NABARD’s special scheme to help the unemployed graduates to set up agri-clinics and agri-business centers evoked poor response in Tiruchirapalli district due to lack of awareness. But this scheme has been successful in Dharmapuri, Dindigul and Coimbatore districts.\textsuperscript{40}

The \textit{Dina Malar} (A vernacular Daily) reports that pursuant to the announcement made in the Union Budget for 2004-05 the Government of India have recently framed, in consultation with NABARD, a water harvesting scheme for Scheduled Caste and Scheduled Tribe farmers with 50% subsidies.\textsuperscript{41}
The *Hindu* reports that during 2003-2004, SHGs of Dharmapuri, Dindugal and Tiruchirapalli districts got the maximum benefit from NABARD. Especially the SHGs in Tiruchirapalli districts sold Rs.30,000 worth of artistic goods within 7 days at the exhibition in Tiruchirapalli with the help of NABARD. 42

**National Bank Newsletter (July-2004):** The Chair Person of NABARD reports: 43

- Up to 2004, NABARD has sanctioned District Rural Industries Project (DRIP) in 80 districts. It is proposed to extend it to 100 districts in the next 2-3 years.

- NABARD has opened 330 DDM offices, covering 360 districts, over the last 12 years. These are one-man offices mainly intended for credit planning, coordination and monitoring at district level.

- NABARD has successfully linked the SHGs with the vast spread of rural branches of commercial banks, cooperatives and RRBs. Bank credit to SHGs today is around Rs.3600 crore and recovery is close to 98%.

- NABARD has been instrumental in forming over 9000 farmers' clubs and has plans to have more than 15,000 clubs by next year.

**National Bank Newsletter (Aug-2004):** A.S.Dhinsa 44 mentioned in his speech about “What farmers want from NABARD”. He focused mainly on the loaning procedures, lack of awareness, marketing problems and other
problems in the availability of infrastructure facilities in agriculture. He particularly mentioned that the cumbersome procedure for getting loan leads to 70% of the farmers to depend on money lenders. In addition, suppose a farmer wants to marry off his daughters, he needs a quick amount of Rs.2 lakh. But he cannot get loan for this and can only avail of a tractor loan. He would buy the tractor for Rs.3 lakh on loan and sell it for Rs.2.5 lakh to get cash for a marriage or he goes to money lenders and pays 2% interest per month. In both cases the farmer is the looser and won’t be able to repay the loan properly. Why can’t the financing agencies give cash loan against the required security?. He suggests that the financing agencies must give cash loan to farmers against the security.

National Bank Newsletter (July-2004): N.G. Hedge 45 emphasizes the significance of NABARD for the following reasons:

- High level technical expertise
- Strong presence in every district with various development agencies, financial institutions and industries.
- Close contact with ground realities.
- First-hand experience of successes and failures of various programmes.

National Bank Newsletter (July-2004): M.S. Swaminathan 46 suggested that we have to change our age-old mind set of “beneficiary approach” into “partner approach”. “When the banks give crores of rupees to an industrialist, banks do not call him “beneficiary”. I think the whole mindset of banking and
credit has to change”. NABARD should take a pro-active approach for developing bankable projects and make a wide publicity that may reach every farmer in the remotest corner of India.

The Hindu reports that the NABARD has pioneered a model for micro finance through a bank-Self Help Group linkage. That has become by far the most successful route. As on March 2004, more than a million SHGs had been linked to banks. Ninety per cent of these belong to women. An estimated 16.7 million rural families were brought into the fold from 11.6 million of a year earlier. At present 560 banks-48 commercial banks, 196 regional rural banks and 316 co-operative banks-ares actively involved in the programme. 47

The Economic Times (a premier business daily) reports that the NABARD has planned to launch a new scheme for sick sugar industry. Under this scheme, the interest rate charged by NABARD is less than 2% of ordinary bank interest paid and repayment period will start after two years of loan granted. 48

2.2 Review of Literature on Rural Credit

In this section, a brief review of literature on rural credit and its importance is presented.

Driver (1947) 49 has conducted a study, in which he had concluded that the main causes behind the rural indebtedness were the unscientific and wrong policies in respect of lending and repayment and unproductive use of loans.

All India Rural Credit Survey of 1951-52- Reserve Bank of India (1954) 50 Important empirical studies on rural credit have been made. The
survey was conducted with a view to assessing the magnitude of the credit requirements, performance of the existing credit organizations and to draw up long-term programmes of rural credit.

Committee on Co-operation in India (1957) \(^{51}\) and Nicholson (1960) \(^{52}\) emphasized in their report about high rates of interest, heavy debt burden of the farmers and the malpractices of the moneylenders

Singh (1961) \(^{53}\), Rao (1962) \(^{54}\), PaniKar (1963) \(^{55}\), Karve (1964) \(^{56}\), and Mada (1965) \(^{57}\) have emphasized the production aspect of rural credit. Their work seems to have been based on the implicit assumption that the major constraint in the agricultural growth was lack of finance. In other words, it was taken for granted that the flow of credit would automatically lead to the growth of agricultural production.

Chowdhury et al (1969), \(^{58}\) have found that 92 per cent of the farmers needed seasonal credit for hiring labour and for buying fertilizers, 96 per cent required credit for the installation of tube-wells, 8 per cent for the pump sets, 79 per cent for the purchase of tractors and 39 per cent needed long-term credit for leveling of lands.

Ramamoorthi et al (1972), \(^{59}\) in their study have found that the co-operatives, commercial banks and money-lenders are the main sources of supply of credit to the sample farmers of two districts of Tamil Nadu. The credit from the Government institutions is conspicuous by its absence. The study further shows that the co-operatives are the most important sources accounting for 61.73 per cent followed by the commercial banks and money -
lenders constituting 12.61 and 25.66 per cent, respectively. They have observed that the commercial banks which started financing agriculture recently had made a significant contribution in the field of agricultural finance.

Das and Rout's (1972), 60 showed that, while 79 per cent of the total credit is met by the institutional agencies, only 21 per cent of the total loan comes from non-institutional agencies.

Mittal (1975), 61 found out that inadequate availability of capital has been identified as a major cause of low productivity and also low adoption of technology in majority of our farms. He stressed that it becomes impossible for the nonviable small farms to adopt new technology and to take advantage of the same. He also remarked that inadequacy of the credit to supplement one's own resources is one of the most important constraints on Indian farms.

Mittal (1975), 62 reports that the credit needs of the farmer are expected to increase further with the change in technology. Therefore, efforts have to be made by the leading institution agencies to extend credit facilities to the farmers based on their crop plans so that the rate of adoption of new technology is not impeded. Particularly the small farmers who are capital starved should be given due attention while advancing credit so that the fruits of improved technology are reaped by nearly all sections of the farming community.

Saini and Sidhu (1976), 63 have concluded that introduction of improved technology on the normative cropping pattern leads to a
tremendous increase in credit requirements. They have found that with an investment of one rupee in small, medium and large farms, returns were Rs. 1.47, 1.58 and 1.50 respectively. The total credit needs worked out at Rs. 1,411, 2,987, 8,798 and Rs. 3,836, 11,058 and 25719 at existing and improved technology on small, medium and, large farm situations, respectively.

Gangwar and Gakhar (1976), 64 have revealed that the farmers' own working capital is inadequate even for the optimum farm plan with the existing level of technology, not to say about improved level of technology.

Saini and Sindhu (1976), 65 have reported that the total credit requirement of three farm situations viz. small, medium and large farms situation at existing and improved level of technology. The percentage of increase in credit needs due to improved technology was 171.8; 270.2 and 215.1 on small, medium and large farm respectively.

According to Lipton (1976) 66, urban interests conspire against the rural poor and deny them access to significant amounts of formal credit.

Gonzalez Vega (1976) 67 argues that widely used concessional interest rate polices, combined with relatively large lending transaction costs for serving small or new borrowers, discourage financial institutions from lending more to the rural poor. A third, and more popular, explanation is that the poor do not seek formal credit because they lack profitable investment opportunities. They are not aware of the availability of formal credit, nor do they know how to use the formal credit, and “are too timid to request formal loans”.

53
Adams and Nehman (1979) 68, however, focus on differences in borrowing costs among various types of formal borrowers. These differential costs of borrowing act as a disincentive to the rural poor to borrow from formal lenders.

Bell (1990) 69 reaffirmed by two independent surveys about the informal sector in the rural credit in India. The first was the World Bank Research Project, RPO 671-89, which covered forty households in each of thirty-four villages spread over the states of Andhra Pradesh, Bihar and Punjab. The second survey was the village studies program of the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT). It covered forty house holds in each of six villages in Maharashtra. The conclusion drawn was that although the moneylender did lose ground compared to institutions over the period 1951-81, he remained a very important source of finance to rural households, and the expansion of aggregate debt implied that his volume of business grew.

M.V. Parate (1990) 70, calls for streamlining the credit systems in the context of the Government’s decision to accord top priority to agriculture and rural development

A micro-empirical study was conducted by Swaminathan (1991) 71 in the Madurai district of Tamil Nadu, and he found that, “interlinkage with other markets, particularly the labour market, is, in many cases an important feature of contract enforcement on loans”.

54
Jag M. Chona (1991)\textsuperscript{72}, traces the steps taken over the years to strengthen agricultural credit, culminating in the Service Area Approach, evolved by banks and co-operatives, and stresses that effective monitoring of the system will help improve rural lending.

Ramanathan (1993)\textsuperscript{73}, mentioned in his article about the performance of rural credit in Sri Lanka and the need for linkages. The performance of rural credit for over 3 decades has not been encouraging despite the expansion of the network of branches and the introduction of a large number of credit schemes. Very low credit utilization has been observed as denoted by the key indicators below.

- Out of an estimated 1.3mn. farmers about 1, 00,000 had access to formal credit in any given year.
- The proportion of total cultivated area which had benefited from bank credit had remained less than 10\% up to 1991.
- Credit requirement of small-holder agriculture which is estimated at Rs.5000 mn. had an actual utilization of Rs.1000 mn. per year which is about 20\% total requirements.

Asia Pacific Rural and Agricultural Credit Association (1993)\textsuperscript{74}, attempted to bring out the importance of Rural Credit Cooperatives in China. In China, more than 80 per cent population is farmers. With the development of Rural Credit Cooperatives, the amount of capital increased gradually, the area of operation got wider and wider. In 1953, there were only 53 million Yuan share and deposit in the whole country’s credit cooperatives, and 55.45
million Yuan loan was granted to the farmers. In 1979, the number of share and deposit reached 21.50 billion Yuan, and 8.8 billion Yuan loan was granted to the farmers.

R.N. Hedge (1993) 75, states in his article that in Asia Pacific Region, every farm poses special problems and demands specific solutions and that banks should think of strengthening the extension education set-up in the jurisdiction of their territory on their own, if they wish to get benefit for their massive investments in the agriculture sector.

Pittyapol Nattaradol (1994) 76, states in his article about the assessment of lending practices by Bank for Agriculture and Agricultural Cooperative (BAAC). BAAC considers three criteria in assessing its lending practices:

- “Farmers out reach”, or reaching large numbers of small-scale farmers.
- Loan recovery performance; and
- Control of administrative costs

The articles on People’s Bank of Sri Lanka (1994) 77, have observed that the agricultural financing was poor. Formal sector credit for agriculture was confined only to 5% of the land and 3% of the farmers. About 48,000 farmers, out of 1.8 m availed of credit from this sector. There has been a further drop of 37% to bring down the number to 37,177 farmers. Thus over 90% of the farmers patronize informal sector to obtain credit at exorbitant cost, thus finding it difficult to free themselves from indebtedness, which works in a vicious circle owing to the land-holding pattern and subsistence
nature of farming. Formalities, procedural delays, delayed credit, lack of exposure to credit, etc., are contributory factors for the farmer’s inclination towards informal credit, despite formal credit being made available at a cheaper rate.

_N.A. Majumdar (1998)_ 78, has revealed in his article the need for adequate credit support to priority sectors and he concluded this would facilitate broad-based and decentralized growth and could translate into reality the concept “shared growth” which characterized the development experience of the East Asian tigers.

_Pallavi Charan and R. Ramakumar’s (2002)_ 79, have reviewed empirical evidence on NGO-led micro-credit programmes in several developing countries and compared them with state-led poverty alleviation schemes in India. The study shows that micro-credit programmes have been able to bring about a marginal improvement in the beneficiaries’ income.

The studies reveal that a few years ago, the problem of rural credit was discussed under the name of indebtedness. Therefore, experts on the subject emphasized more on the structural and organizational changes in the agricultural finance. Later on, there was a shift in emphasis on the role of credit to be viewed in the context of agricultural development. The importance of credit as a technique of increasing productivity has been stressed by several experts in the field. The underlying assumption is that the growth of agricultural productivity is closely associated with the availability of credit, and that lack of credit acts as a constraint.
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