CHAPTER 2
Chapter 2.

Methodology and Review of Literature

The present chapter has been divided into two parts—methodology and review of literature. The first part deals with the methodology used in conducting the present study and the second part with review of literature published in various Journals, reports and Books.

Methodology: The findings of the present study are based on secondary data collected from different sources. The scope of the study covered the whole of state of Uttar Pradesh covering all the five Agro-Economic Regions viz. Eastern, Western, Central, Bundelkhand and Hill Regions.

The data, in respect of area, production and productivity of different crops in U.P., were obtained from the directorate of agriculture, U.P. Lucknow. The data published in Bulletins for agricultural statistics U.P. published by the department of agriculture, U.P. was also utilised for the purpose. The comparison of state figures was made with that of country and the world for which data were obtained from the Indian agriculture in Brief and Directorate of Economics and Statistics, Government of India, New Delhi. The impact of cooperative credit on agricultural productivity was studied on the basis of various case studies conducted for U.P. and published in Indian cooperative Review.

The data regarding short term credit requirement of farmers in U.P. were obtained from the "Report of the
study team on agricultural credit institutions in U.P. published by Reserve Bank of India, Bombay. As regards data for the contribution of commercial Banks and Regional Rural Banks in farm financing in the State, these were obtained from Directorate of Institutional Finance, U.P. Lucknow and Report of study team on agricultural credit institutions in U.P.

The data in respect of the contribution of Reserve Bank of India in farm financing were obtained from agricultural Refinance and Development corporation, Lucknow and from the annual reports of U.P. State cooperative bank limited, head office, Lucknow.

The progress of various cooperative credit institutions at the operational level and the apex institutions at the top had been assessed both quantitatively and qualitatively. The data in this regard were obtained from various sources viz. Important statistical Information Relating to cooperative movement in U.P." and sahkonita, both published by Registrar cooperative societies, U.P. Annual reports of U.P. State cooperative bank limited Lucknow, Annual reports and booklets of U.P. State cooperative Land Development Bank Ltd. Lucknow. Besides, some publications of Reserve Bank of India viz. Currency and Finance Trend and progress of banking in India and statistical statement relating to cooperative movement in India had also been consulted.
Period of Enquiry: The study was conducted during the period extending from 1976-77 to 1979-80. The data for different purposes were obtained from the period 1950-51 to 1979-79 for making comparative study.

Limitations: The main difficulties faced in the course of investigation for the present study were in collecting the data regarding farm financing institutions. As a matter of fact there was not a definite source of information where from the data in respect of supply of farm credit by cooperatives of commercial banks could be collected. There was a great paucity of data as regards requirement of credit for different purposes viz. short, medium and long term in U.P. However, little information was available as regard to short-term credit requirement. Tit bit data on medium and long-term credit requirements could be obtained from the studies made by Reserve Bank of India, Bombay and NCAER, New Delhi.

Terminology Used:

1. Credit: "Credit is that form of confidence reposed in person which enables him to obtain from another the temporary use of a thing of value. It may be accorded on the security of real estates, personal property or mere character and so is classified in three names from the kind of security taken."

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1. Herrick, M.T. Rural Credits, P. 3
2. **Agricultural Credit** is a credit required for farm production either in cash or in kind such as seeds, fertilizers, insecticides, pesticides etc. and investment credit for making permanent improvement on land.

3. **Short-term Credit**: It is a credit needed normally for short periods of less than 15 months to meet current expenses of farm production.

4. **Medium-term Credit**: It is a credit required for medium period ranging between 15 months and 5 years for the purposes of making some improvements on land, purchase of cattle, agricultural tools and implements etc.

5. **Long-term Credit**: It is a credit, required for long-term ranging between 5 years and 30 years for the purposes of making permanent improvement on land.

6. **Viable Society**:

   "A viable unit is that which may be expected with in reasonable time to render the more important services both adequately and to as large number of producers as possible without depending upon financial assistance from government except for limited period. The society should have the ability not only to command the services of the competent personnel to meet the expenditure on rent, audit supervision and provide for education fund reserves and reasonable returns on capital." *2

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*2 Report of the Committee on cooperative credit 1960, p. 74
7. Re-organisation of Societies:— It means the amalgamation of weak societies with better managed societies in the neighbourhood.

8. Primary cooperative Credit Societies:— It means the societies working at village level to cater to the credit needs of farmers.

9. Multinpurpose Society:— A multipurpose society is a society which undertakes all activities affecting the daily life and business of agriculturists and artisans.

10. Service Cooperative:— A service cooperative is an organisation of villagers who have willingly combined for mutual help and cooperation in meeting their common economic requirements and increasing agricultural production.

11. Central Cooperative Banks:— Central cooperative banks are the banks working at district level as an intermediary to link the primary credit societies with the money market and are serving as the balancing centre for adjusting surplus and deficiency of working capital of primary credit societies.

12. Apex Cooperative Banks:— Apex cooperative banks are the banks established at the state level with chief object of coordinating the work of central banks and linking up the cooperative credit organisation with the general money market and the Reserve Bank of India.
2.2. Review of Literature.

In the present sub chapter an attempt has been made to give a detailed review of literature consulted during the course of study concerning to the present problem. The reviews have been arranged on the basis of year in the following lines.

World Economic conference (1927)*¹ held by the league of Nations in Geneva observed that ""the increase of agricultural production is intimately bound up with the organization of agricultural credit ...... the best form of institution appears to be the cooperative credit society operating by means of resources which the very fact of association enables it to procure and to increase with or without the assistance of the public authorities "

H. Calvert (1945)*² observed that cooperative credit societies work ""as means of reaching the last man in the last village, cooperative credit has no rival except the money lender, it offers the only possible method of proved merit for reaching the people as a whole. It is the only practical alternative to usury "

*¹ Quoted by Dr. B.S. Mathur, cooperation in India 1977. P. 56
*² H. Calvert " Cooperation in the colonies " 1945, P.31
Agricultural Finance sub-committee (1945) *3

appointed under the chairmanship of Dr. D.R. Gadgil reported that "the spread of cooperation would provide the best and more lasting solution for most problems of rural economy in general and for the problems of agricultural credit in particular"

All India rural credit survey committee (1954) *4

observed that "to day more than ever before, there is every reason for an institutional system of rural credit to be based on a cooperative association in the village .......
The reorganisation of agricultural credit in India must be based on some form of cooperative association of cultivators with in the village it self"

A State level seminar on cooperation and village panchayats held at Aurangabad (1957) *5 concluded that the cooperative should be utilised to the fullest extent for extending better farming methods, for supplying short, medium and long term finances and making available supplies of seeds, fertilizers and insecticides etc. In order to make the financial structure of cooperative institutions strong it was suggested that savings could be diverted from public and Semi-public institutions to cooperative banks and the organisation of land mortgage banks at Taluka level would encourage farmers to take loans for permanent land improvement.

*3 Report of the Agricultural Finance sub-Committee. 1945, P. 31
*4 All India Rural Credit Survey Report, Vol. I, pp. 163-164
*5 Seminar on cooperation and village panchayat held at Aurangabad in 1957, Indian Journal of Agricultural Economic, October-December 1957 Vol. XII, No. 3, pp. 74-75.
A.S. Khalon and Gurninder Singh (1963) concluded that cooperative loans were mostly advanced for productive purposes but indirect evidence suggested that a part of these loans was used for unproductive purposes. It was also suggested that the coordination between Government loans and cooperative loans is necessary, otherwise maximum credit limit does not serve its real purpose and members get more credit than is warranted by their maximum credit limit.

Bhagwati Prasad and J.R. Arora (1965) made an attempt to study the working of Nanital District Cooperative bank, Haldwani, in respect of credit advanced under the high yielding varieties programme. The empirical data showed that the cooperative bank had been able to supply Rs. 7.9 lakhs as credit under this programme to 735 farmers. The total area covered by this bank was 3756 acres, which comes to 6.36 percent of its present capacity and 3.47 percent of its target coverage. It was concluded that the present finances of the cooperative bank are insufficient to meet the entire credit needs of the farmers without additional help from other sources.


M. Balasubramaniam (1969) reported that cooperative banks today are catering only to barely 30 percent of total needs of farmers as against 3.1 percent in 1951-52. All India Rural credit review committee (1969) observed that the proportion of borrowings from cooperative agencies to the total had gone up from 3.1 percent in 1950-51 to 15.2 percent in 1961-62. It may thus be seen that cooperative agency was the second most important in the field, where as in 1950-51 its contribution was lower than that of major agencies and even of Government.

G.S. Lavana (1969) has concluded of coefficient of correlation and regression showing the relationship between cooperative credit gross value produce for different size groups of farmers members. He observed that the relationship given by all the regression values for all the three size groups of member farmer are quite strong and their coefficient of correlation are significant at one percent. The regression coefficient are not significant even at 5 percent level in the small and medium size groups. It is significant at one percent level only for big farmers suggesting that cooperative production credit affects the gross value of the produce significantly among big farmers.


*9. All India Rural Credit Review Committee report (1969) PP 100-101

*10. G.S. Lavana (1969), Cooperative credit and Agricultural Production A-Regression Analysis"Indian cooperative Review (VI.2)
J.S. Garg and et al (1970) reported that the members of cooperatives invested a total sum of Rs. 2933.12, while non-members only Rs. 2667 on wheat/hectare. This involvement by members was 5.81 percent higher than non-members. Members of cooperatives reaped 41.8 percent more yield than non-members in wheat while this margin in paddy was 25.8 percent so the members have received 67.65 percent more net income than non-members.

T.K.T. Acharya and et al (1970) reported that out of the total loan of Rs. 599.9 per holding the cooperative contributed Rs. 399, while the figures for money lenders and Government were Rs. 139.9 and Rs. 20.0 respectively, while examining the rate of interest it was observed that the cooperatives charge 9.50 percent per annum while it was as high as a 25-50 percent per annum with the money lender.

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Singh et al. (1971) in their paper "Institutional credit: A supply discrimination" have concluded that, despite the several agencies entering into the fray, the farmers of the lower section borrow mostly from the money lenders. However, the cooperatives have been relatively more in favor of smaller groups. They have further suggested that there should be differential rates of interest for different sections of farmers. It was also suggested that there should be differential rate of interest for different sections of farmers. It was also suggested that there should be separate credit institution for small groups of the farmers.

S.G. Apte (1971) reported that the closer analysis of increase in membership and the borrowing members revealed that the actual benefit of credit cooperatives (in terms of cheap credit) is going to a progressively declining chunk of their total membership. On the other hand, a close look at the overdue credit vis-a-vis the share capital and/or owned funds during the past decade reveals that the overdue loans have progressively swollen in all including the more developed states and have exceeded the share capital and area almost at par with the total owned funds.


H.C. Jain (1971)*15 reported that the progress and growth of the cooperative credit system in terms of coverage of villages and house holds, borrowing membership and lending operations is very impressive. No doubt, the quantitative performance of cooperative credit in agriculture is less than what was visualised to be achieved in the circumstances dominating in the rural areas. The quantitative performance of this agency to serve the farm sector is inadequate in relation to problems of overdue shortage of resources, lack of effort to mobilise deposits, dominance of cooperatives by vested interest and some policies and procedures followed which are not suitable to total environment etc.

S.R. Subramanian and et al (1971)*16 reported that the credit from government institutions was conspicuous by its absence, cooperatives helped only large farmers (32.04 percent) but account for 61.73 percent of the total credit supply. Commercial banks which have taken up farm financing only very recently have share of about 13 percent in the total credit supply.


S.C. Nagbiswas and G.K. Chakravarty (1971) observed that the performance of cooperative credit institutions is yet to make any significant impact in the development of agriculture. Private agencies are still financing about 44.7% percent at interest rate ranging between 25 percent to 75 percent. In the case of small farmers it is about Rs. 160 against Rs. 37 from Government agencies including cooperative societies and in the case of moderately big farmers it is about Rs. 400 against Rs. 168 respectively.

S.S. Gill and et al (1971) reported that the credit/capital requirements differed from area to area. Capital requirements per acre were Rs. 219.50, Rs. 128.68, and Rs. 89.95 respectively while credit requirement per acre to the extent of Rs. 107.50, Rs. 50.40, and Rs. 45.33 for the three different areas.

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R.I. Singh and Y.S. Chauhan (1971) conducted a study of changes in the cropping pattern of Uttar Pradesh and in Farrukhabad district with in a period of last two decades revealed that among the various credit supplying agencies the percentage contribution made by the Government agencies is only 12.4 while that of non institutional agencies is 87.6. The rate of interest in the case of non institutional agencies varied from 20 to 66 percent.

J.S. Sisodia (1971) in his study confind to the role played by cooperatives in farm financing reported that between 1963-64 and 1969-70 short term loans advanced to members went up from Rs. 54.90 lakhs to Rs. 119.02 lakhs and medium term loans from Rs. 11.07 lakhs to Rs. 26.19 lakhs. The proportional allocation of short term loans advanced to the cultivators showed that seasonal agricultural operations have always received top priority and among medium term loans, sinking of well and their repairs and purchase of pumps were given top priority.

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R. I. Singh and others (1971) reported that government loans accounted for about one fourth of the total borrowings from all sources, followed by cooperative which accounted for about 15 percent of the total borrowing. As regards bank loans (which include the loans from the State Bank of India and Land mortgage banks under Agricultural Refinance corporation), they accounted for about 11 percent of total advances. It is regrettable to note that its approach is limited to upper most strata (i.e. 4.5 hectares and above) of the farmers and rest of the section remained untouched. Thus, it is concluded that there is great difference in the pattern of allocation of credit through the institutional agencies.

P.D. Saikia (1971) interviewed a sample of 120 borrowers of two districts in Assam and concluded that the borrowers found it very difficult to get the Non-encumbrance certificates of the mortgaged land. There was big time lag between the date of application and date of actual receipt of loans. It was also observed that most of the borrowers have utilised the loans fruitfully and such loans helped them a lot in their economic regeneration.
Arup Chakrabarti (1971) reported that the Reserve Bank of India's credit support to cooperative banks has increased much in the recent past due to the introduction of certain flexible conditions in the granting of loans. But the banks have failed to utilize fully the credit limits, sanctioned by the Reserve Bank of India because of certain rigid provisions like Non overdue cover and minimum involvement which involve sufficient owned fund and not high level of overdues.

D.N. Ram (1972) attempted a study of visible effects of cooperative finance on the private money lenders based on the data collected from 20 selected farmers in Agra district of Uttar Pradesh using the case history method. It was found that cooperation has created a visible impact and is playing an important role in the process of agricultural development. A successful integrated programme of cooperative credit has proved to be the fulcrum prosperous economic socialism in rural areas.


S.P. Sinha and B.N. Verma (1973) in their study revealed that the procedure of issuing credit permits is full of complications and red-tape and as much the farmers in the district have been fund using only 30 percent of their total credit provided by cooperatives, government agencies etc. While 70 percent of the credit come from other sources, such as money lenders, traders large farmers etc. In order to improve the working of the cooperative agencies of and the supply condition as well as the marketing mechanism, some suggestions have been given viz, to check the unhealthy competition from the private traders, opening of prescribed sale depository by the cooperatives in remote areas, participation by the U.P. cooperative marketing federation in the equity and in the management of indigenous producers to create additional storage capacity in the cooperative sector and financial assistance should be provided by the commercial banks to cooperative societies for supply and storage of fertilizer.

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C.S. Misra (1973) on the basis of the study of two villages viz Kurra and Charoda purposely selected from the Dharasian Block of Raipur District Madhya Pradesh concluded that the cooperative sector which had the monopoly in fertilizer trade in the state till recently continues to sell the bulk of fertilizer even now. It was recently observed that the cooperative banks financed the entire purchases of fertilizers in Charoda, while in Kurra 73.5 percent of purchases were financed by the cooperative sector. The cooperative credit has gone disproportionately in favour of the largest size of holdings in both the villages.

J.S. Chawala and R.P. Singh (1974) reported that the per acre aggregate credit requirements (for foodgrains and cash crops) varied from Rs. 70.37 to Rs. 89.35 on different farm categories. It was observed that a major portion of credit came through cooperatives, which varied from 52.16 to 65.17 percent on different size groups. Further, the cooperatives followed by commission agents and friends and relatives were the main sources of credit.

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*27. J.S. Chawala and R.P. Singh 1974 “Capital and credit requirement of food and cash crops on different farm sizes: A case study in district Amritsar” Indian Journal of Agricultural Economics Jan-Mar 1974, Vol. XXIV No. 1, P. 165
N.L. Agrawal and R.K. Kumawat (1974) reported that the credit needs of the farmers are expected to increase further with the change in technology. Therefore, efforts have to be made by the lending institutional agencies to extend credit facilities to the farmers based on their crop plans in order that the rate of adoption of new technology is not impeded. Further, the small farmers should be given particular attention in advancement of credit as they are more capital starved so that the fruits of improved technology are harvested by all the section of farming community.

V. Behari and et al. (1975) reported that the availability and source of credit indicated that 62.29 percent of total short term credit was met by cooperatives in case of the small size farm (0-1 hectare), 72.25 percent in the 1-2 hectare and 79.39 percent in the 2-3 hectare size group of farms, followed by relatives and money lenders respectively. The medium and long term credit was mostly obtained from the land development Bank i.e. 97.03 percent in the 0-1 hectare, 94.73 percent in the 1-2 hectare and 53.46 percent in the 2-3 hectare size groups of farms, followed by others.


*29. V. Behari, R.I. Singh, D. Singh "A study of requirement Availability, cost and sources of credit of small farmers in Block Tanda, distt. Faizabad (U.P.)" Indian Journal of Agricultural Economics, January-March 1975, Vol XXX. No. 1
D.S. Shukla and et al (1975) reported that cooperative societies with 49 percent (highest) of the farmers approaching them were the most popular agency, while the land development bank with 35.9 percent of the total advancement proved to be a most effective and rich resource of credit. Though only 12 percent of the farmers approached it. It was also observed that the credit required was greater than the credit supplied. Per farmer and per acre credit gap was worked out to Rs. 31.94 and Rs. 44.16 respectively.

R.V. Srinivasan (1975) in a case study pointed out that the rigid nature of rules regarding the repayment, are detriment to many of the farmers going in for loans from the land mortgage bank and state Bank of India. Those who have borrowed from these institutions have asked for time to repay their loan. But computing the net income of these farmers it is found that even after paying for agricultural operations, land taxes and interest on loans, they still have a surplus in income under normal circumstance these farmers ought to be able to repay their loan.


J.P. Misra and et al (1977) concluded that about 53.34 percent of the total cooperative advance was given in cash for meeting the requirement of agricultural operations, 26.84 percent for fertilizer, 17.72 percent for purchase of bullocks and 2.16 percent for seed. The Land development Bank gave loan mainly for minor irrigation purposes of which 18.99 percent was for pumps, 18.32 percent for persian wheel and 10.43 percent for wells.

S.D. Suryawanshi and et al (1978) observed that before nationalisation of banks used to give agricultural loan in the form of indirect finance to the extent of 70 percent. But after nationalisation direct advances increased from 32 percent in 1967-68 to 75 percent in 1976 while indirect finance decreased from 68 percent to 25 percent of the total advances to agriculture during the same period.


Suryawansi and et al (1973) observed that big farmers received a larger share of loans advanced by different financing agencies of the total borrowed amount of Rs. 1970 per farm, the share of cooperatives was the maximum i.e. 44.02 percent. The percentage share of the amount of loan advanced by cooperative banks was relatively larger (46 to 52 percent) in case of small farmers. In case of Nationalised Banks, the Loan advanced were more to the large cultivators. It was also observed that private money lenders were, still playing an important role in supplying rural credit and the proportion of borrowings from this source was higher in case of small farmers.

N.S. Ganahi and et al (1973) concluded that Vidarbha region would require a minimum of Rs. 780-90 crores if it is proposed to assist the farmers to the extent of 25 percent of total farmer expenses for the next five years. It was also revealed that District cooperative bank of Wardha and Bhandara district had advanced Rs. 4.43 crores and 1.58 crores as short term loans during the year 1976-77 whereas these districts require a minimum of Rs. 15.70 crores and Rs. 10.20 crores respectively.

S.D. Suryawansi, R.G. Patil, P.M. Kapase "Credit requirement, availability and its gap on farms in the Girna Command Area of Maharashtra" Indian Journal of Agricultural Economics, October-December 1973 Vol. XXXIII, No. 4

N.S. Gandhi, Prasad and B.G. Sapate (1973) "Projections of short term credit requirement for different districts of Vidarbha Region for the period of 1973-1983" Indian Journal of Agricultural Economics, October December 1973, Vol.XXXXIII, No. 4
D.V. Kasar and R.G. Patil (1973) *36 concluded that growth of farm credit is insignificant looking to the total credit requirement of the farm sector in the country. The institutional credit system has met only 40 percent of the total credit need of rural population. There is a need to reformulate the agricultural Credit policy and the organisational structure and working procedure of Institutional credit agencies need to be modified for lowering the cost of credit.

S.D. Suryawansi and et al (1973) *37 concluded that amongst the different agencies, the proportion of loan advanced by the cooperative societies was the highest followed by nationalised Banks, money lenders and Government agencies and in the under developed Region private money lender played an equally important role in supplying rural credit. It was seen that the per hectare credit gap was in the range of Rs. 110.56 to Rs. 405.12.

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*37. S.D. Suryawansi, R.G. Patil and M.P. Dhongade "Impact of credit Gap on Productivity in the developed and under developed Regions of western Maharashtra" Indian Journal of Agricultural Economics, October-December 1973, Vol. XXXIII, No. 4
V.C. Kale and et al (1978) concluded that district central cooperative bank is operating in tune with the needs of small and medium farmers attaching more importance to short term loans which formed 30 percent of the growth in total advances followed by other advances for other needs. The growth in medium term advances was negligible. In the case of L.D.B.s the compound growth rate in advances for new wells is estimated at 12 percent and Rs. 3.36 lakhs per annum followed by renovation of old wells with a growth rate of 11 percent and Rs. 0.17 lakhs per annum.

V. Balkrishanan and V. Puhazhendhi (1979) observed that the commercial banks accounted for only 5.53 percent of the total supply of credit to the farms, cooperative institutions and private sources provided the bulk of farm credit (93.28 percent).


*39. V. Balkrishanan and V. Puhazhendhi " An Economic appraisal of the flow and structure of farm credit in Nilgiris district, Tamil Nadu " Indian Journal of Agricultural Economics, October-December 1978, Vol XXXIII, No. 4
V. Vankata Ramana (1978) concluded that the crux of the problem of rural finance is not the inherent unsuitability of the cooperative organisation as such but the weakness of rural economy characterised by low productivity, under employment and consequent poverty of the people. He suggested that rural banks, commercial banks and other agencies should lend only through cooperatives so as to avoid duplicate financing.

Dr. J.S. Garg and et al. (1978) concluded that amount of credit advanced by U.P. State Cooperative Land development bank, nearly doubled from Rs. 5.9 lakhs to Rs. 10.2 lakhs between 1968-69 and 1976-77. The percentage of recovery was very satisfactory which ranged from 85.75 percent in 1969-70 to 95.15 percent in 1976-77. Between 1967-68 and 1977-78 the amount of credit advanced by district cooperative bank more than doubled from Rs. 6.4 lakhs to Rs. 15.3 lakhs and percentage of recovery increased from 65.14 to 82.23 during the same period.

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*40. V. Vankata Ramana "Reorganization of rural credit Indian Journal of Agricultural Economics, October December 1978. Vol XXXIII, No. 4.

D.C. Sah and R.B. Singh (1973) observed that out of the total credit amounting to Rs. 1035.7 million disbursed in the rural area by institutional financing agencies about 84 percent was contributed by cooperative financing agencies alone.

Dr. J.S. Garg and et al (1973) concluded that the small and marginal farmers, agricultural labourers/landless labourers and rural artisans were the major beneficiaries of regional Rural Banks advances. The largest beneficiaries were the small and marginal farmers. It was also observed that Regional Rural Banks have helped in mobilising rural savings to a large extent.

D.S. Singh and et al (1973) concluded that there was positive correlation between the size of farmers of level of long term credit and between production supporting credit and output. It was also concluded that Economic use of long term credit may be raised to a larger extent with the increased used of production credit.

*42. D.C. Sah and R.B. Singh "flow of Rural credit in Madhya Pradesh" Indian Journal of Agricultural Economics, October-December 1973, XXXIII, No. 4


R.M. Srivastava and et al (1979) conducted a study about the impact of cooperative credit on capital formation in agriculture based on the data collected from a sample of 30 farms, selected from five villages in Chaparia Block of Gonda district of Uttar Pradesh. They reported that in case of long term credit, an average borrower borrowed a sum of Rs. 2519.20 for a duration of 7.4 years. An average borrower of short term credit borrowed a sum of Rs. 274.95 for a period of nine months. It was found that the amount borrowed increased with an increase in the size of holdings of the borrowers. Almost, all the borrowers used the loan for productive purposes and investment.

B.B. Barik and S.K. Sinha (1979) concluded that cost of borrowing, excluding the interest, is higher mainly due to complicated and time consuming procedure involved. The higher rate of interest also played an important role in increasing the cost of credit.


J.S. Garg and et al (1978) in their study based on intensive enquiry of 100 cultivator's holdings, 50 borrowers and 50 nonborrowers, randomly selected from ten villages of Sikrara Block in Jaunpur District of U.P., concluded that the level of productivity of all crops on the borrowers farms was much higher than those on non-borrowers farms. The long term loan has also helped to enhance the level of income of the borrowers to a considerable extent. The net income on an average amounted to Rs. 2116.10 per acre on non borrowers farmers. It was higher at Rs. 2989.67 per acre on non borrowers farm.

J.F. Singh (1979) observed that the large share of cooperative credit advanced to the farmers goes to small farmers. The large farmers utilised credit to a greater extent for productive purposes as compared to small farmers, most of the credit utilised for productive purposes goes to fertilizers and labour charges.


*48. J.F. Singh "An Analysis of cooperative short term credit credit in operational Reserch project areas, cuttak, District(Orrisa) "Indian Cooperative Review, October 1978, Vol XVI, No. 1
H.D. Yadav and et al (1978) observed that the entire amount of loan advanced to the sample farmers was fully utilised for productive purposes. The amount of loan supplied by Land Development Bank to the sample farmers was not adequate to meet their requirements on an average, as against total demand of Rs. 53515, the amount of loan supplied by the bank came to Rs. 45610, which constituted of the total demand.

S.B.L. Gupta and et al (1978) observed that disparity is found to be as much as 550 times in 1970-71 and about 720 times in 1975-76 between two extremely placed states viz. Punjab and Assam. It was also observed that the supply of cooperative credit in progressive regions is increasing disproportionately thereby widening the inequalities further, between agriculturally developed and under developed regions.

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*50. S.B.L. Gupta, H.M. Bhalerao and U. Venkateswarlu "Regional Inequality in the supply of cooperative credit in India" Indian Journal of Agricultural Economics, October-December 1978, Vol. XXXIII, No. 4
J.K. Hajela (1978) observed that the share of credit cooperative in total agricultural credit requirement has increased from 3 percent in 1951-52 to 41 percent in 1975-76. But the growth of credit cooperative is hampered by poor deposit base, lack of trained and inexperienced personnel, domination of vested interest, lopsided development, parochial outlook, neglect of consumption credit and mounting overdues etc. Due to these constraints the cooperatives have failed to achieve the expected results commensurate with agricultural credit requirements.

Rajendra Singh and et al (1978) observed that there is a big gap between credit requirement of farmers and the advancement by cooperative society and the percentage of borrowings is higher in case of small size group in comparison to medium and larger group farmers. Further, it was also observed that the loans are not advanced to cultivators when they really need it, hence, they take loan from other agencies and when they borrow from cooperatives, they utilise this borrowed money to repay the old debt.

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*51. J.K. Hajela "Problems of Agricultural Financing in Indian Economy- An analysis" Indian Journal of Agricultural Economics, October-December 1978 Vol XXXIII, No.4

reported that the Reserve Bank of India's working group on multi-agency approach in agricultural financing, has recommended that the prime role in providing credit for agriculture and allied activities should be that of cooperatives, the commercial banks and Regional Rural Banks playing a supplementary role. It was also observed by the working group that until the cooperatives at the field level are well established and placed on a viable footing, the other two institutions would have to supplement the credit disbursal of weak cooperatives.

In the Economic Times March 4 (1978) under title 9% interest rate for rural credit was reported that the loan outstanding at the end of June 1978, societies and farmers service societies will retain a minimum margin of 1.5 percent in the case of term loan maturing in less than three years and sanctioned for land development and minor irrigation schemes.

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*53. The National Herald, dated 7th July 1978
   "Role of Commercial Banks, cooperatives stressed."

*54. The Economic Times, March 1979 "9 percent interest rate of Rural Credit."
The Economic Times dated 16 March (1979) *55 reported that minister of Finance in his speech:

The budget and Banks disclosed that certain concessions are being extended to agricultural refinance and development corporation to enable it to reduce the rate of interest at which it refinances loan for minor irrigation and land development, about percent.

To sum up the chapter it may be said that the review of literature consulted, centred round the role played by cooperative credit in agricultural finance. Some reviews also dealt with the assessment of credit requirement on one hand and the impact of cooperative credit in increasing the production and productivity in agriculture, on the other.

*55. The Economic Times, dated 16th March 1978
'The Budget and banks.'