Chapter - III

Land Development Banking in Uttar Pradesh
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LAND DEVELOPMENT BANKING
IN UTTAR PRADESH

The previous chapter discussed the management pattern and organisational structure of Land Development Banks as prevailing in the different States of the union of India. The present chapter is devoted to trace out the need and origin of State Cooperative Village Development Banking in Uttar Pradesh and analyses its growth and role as a catalyst of economic progress and development of the State.

Uttar Pradesh is primarily an agriculture State. Agriculture development is important because it provides economic sustenance and builds up a strong industrial base. Capital formation and the level of economic activity depend upon the agricultural production. Thus, the development of agriculture is an ‘accelerator’ of the overall economic progress of the State and therefore, it is an imperative need to stabilize and strengthen the agriculture sector.

Credit Finance to Rural Sector
The agriculture sector is the major sector of the rural economy in which unemployment and underemployment prevail. Poverty is essentially a rural problem linked with the backwardness of
agriculture, which implies low productivity of land, low purchasing power of farmers and low capacity to employ more workers gainfully. Dandekar and Rath say that “Urban poverty is an overflow of rural poverty. Hence action against poverty has to be initiated in rural areas. The creation of optimal employment opportunities in agriculture reduces rural poverty. More employment in agriculture is possible when its productivity is raised. Fortunately, “there is a considerable scope for agriculture productivity because the present productivity is no more than one-third of what it could be. If agricultural productivity is doubled, it will give a boost to the secondary and tertiary sectors. Improving social as well as economic life of agriculturists depends very much upon the development of agriculture and horticulture. The Development of agriculture, horticulture, however depends upon several inputs, and the one significant input that can help the farmer to employ the other inputs is the capital namely CREDIT.

The credit provided by private agencies is cumbersome and its main aim is to bring the farmers in the grip of perpetual indebtedness. Similarly the majority of formal lending institutions whether public or private provide virtually no access to credit to poor and small land owners. The indigenous bankers and money lenders provide only short term loans. The working operations are also out dated and irrational. The Primary Credit Societies Central Co-operative banks and other apex banks provide only short and medium term loans on account of their meager funds. Thus the non-institutional credit has not proved beneficial to the farmers in as much as it hardly provides any incentive to effect improvement on the land. Agriculture requires special and separate treatment in
the field of finance as the condition in this profession is entirely different from those in manufacturing industries. There are small units of production to be dealt with. There is no control over the yield any quality and there is lack of organization and land is not a suitable security for loans. Thus the problem of rural finance is peculiar.

Types of Agriculture Credit

A purpose-wise classification of agriculture credit available to the farming community from the lending institutions is as follows.¹

1. **Capital Expenditure**: Purchase of land, land reclamation. Construction and repairs of bunds, well and other sources of irrigation, purchase and repairs for construction of farmhouses, additions, etc.

2. **Current Expenditure**: Purchase of Seeds, fertilizers, manure, fertilizers, fodder, hiring charges, rent, land revenue and other expenses.

The period-wise classification of agriculture credit is divided into three parts, as follows:

1. **Short-Term**: Short-term credit are usually made to agriculturists for period ranging from six to fifteen months and are primarily meant to meet seasonal requirements such as seeds.

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¹ Reserve Bank of India, “Rural Credit Follow Up Survey”, Bombay, 1959-60, p.76.
manure fertilizers and insecticides. Such advances are expected to be repaid at the time of harvest.

2. **Medium-Term:** The period of medium-term advances generally ranges from fifteen months to five years and they are for purposes such as the purchase of tractors, power-tillers, pump-sets, agricultural implements, bullocks, etc. They have to be repaid by half-yearly or annual installments which usually coincide with the period of the harvesting of crops.

3. **Long-Term:** This type of credit is given for a longer period varying from five years to fifteen years. (It may be in extended upto 20 years under special circumstances) and is meant for the purpose such as payment of old debts. Purchase of costly implements and also for carrying out permanent improvement involving high cost, construction of tube-wells and increasing the size of the holding.

The 9th Indian Congress, held on April, 26-28, 1982, had also adopted the following resolution regarding classification of agricultural credit:-

"The Congress recalls that the L.D.B. Federation and the 8th Indian Co-operative Congress had opined for classification of agriculture credit into production credit/working capital (Short term) and investment credit (term credit) since the present classification according to period of loans was found unscientific and confusing. Committee to Review Arrangements For Institutional Credit for Agriculture and Rural Development (CRAFICARD) has also made a similar recommendation. The
congress, therefore., urges upon the R.B.I. to take a decision in this regard so that the Land Development Banks could provide all types of investment credit irrespective of period constraint."

Need For Long-Term Credit

Almost all types of credit are needed by the farmers at different stages of farming like short-term, medium-term and long-term to make their agricultural operation, successful. The gainful utilization fund available from one source depends on the simultaneous availability and use of funds from other sources. Long-term has certain distinction over other kind of finances. Assets creation and permanent improvements in farm could be possible only by the use of long-term finance. The long-term finance is required for the following purposes:-

1. **To make the holding economically viable:** When the size of holding are small its is imperative to make the holding economically viable. A viable economic holding can be attained either by adding a new acreage to the exiting holding or by intensifying the agricultural operations on the existing holding. Since the consolidation of fragmented holdings due to pressure of population on land becomes a difficult task, the only alternative is to intensify the agricultural operation under the existing holding and this is possible only by means of making permanent improvement.

over the land and increasing the outlay on input. For this purpose, long term loans are needed

2- To provide permanent irrigation facilities: The farmers traditionally use wells as their permanent source of irrigation. But it needs improvement by way of deepening the well or erecting pump sets. Long-term finance is needed for such purposes. Even to dig new wells, heavy investment in the form of long-term credit is needed.

3- To liquidate the rural debts: Rural indebtedness has a cancerous growth and liquidated many farming families and converted them into the landless labour class. This caused the transfer of land from those who do done by hired labour. To avert such happening in future, it is possible only by means of providing long-term loans to pay off the old debts taken from private money-lenders.

4- To mechanize agricultural operation: One of the good effects of green revolution is the move towards mechanization. Mechanization started with erecting pump sets to the wells and non-tractorisation of agriculture as a tallest phenomenon is gaining currency. As heavy investment is needed for such machineries, the farmers are in need of long-term finance.

5- To reclaim land: When lands are brought under new irrigation projects under canal or river irrigation schemes, they need long-term finance to make the land fit for new cultivation. During such times they have to level the lands, make the bounds, remove the subsoil and deep ploughing in the lands which are traditionally cultivated without applying
any manures or fertilizers. For these purposes long-term loans are needed.

6- **To make new lands fit for cultivation:** To cultivate follow land and to bring new lands under cultivation, the deep ploughing, removing the tree and bushes in cash of forest lands, bunding and fencing activities must be undertaken which require heavy investment.

7- **To make permanent improvement in land:** When permanent improvements in the form of assured irrigation facilities, mechanization, etc. are made, the farmers can get assured income and concentrate more on making farming as a business. Incentives to produce more and to have higher standard of living is possible only or making agriculture as a business which, in turn, is possible by making permanent improvement on lands. Hence, there is need for long-term credit.

8- **To make viable the small and marginal farmers:** Small and marginal farmers cannot become viable farmers simply by depending on agriculture alone. They have to engage in other allied occupations like dairying, poultry and the like. Subsidiary occupations can enhance their income and can provide potential source of income to all kinds of farmers.

9- **To encourage the plantation crops:** Plantation crops, which are earning foreign exchange, need be encouraged. Their gestation period is long and also need heavy investment. To cost of cultivation and method of cultivation are having greater bearing on cost. For new years the farmers have to
invest money without any immediate returns. Long-term alone can give a relief to such farming

**Sources of Farm Credit**

The present system of agriculture credit in Uttar Pradesh mainly consists of two sectors viz., the institutional and non-institutional. The non-institutional sector consists of the professional money-lenders, agriculturists, traders and commissions agents, landlords, relatives and friends of the farmers and others. The institutional sector consists of the cooperatives, the commercial banks and the government. A relative significance of these agencies in supplying the agricultural credit was brought to light in comprehensive manner for the first time in 1951-52 by the All India Rural Credit Survey Committee (1954) in its survey report. After a decade, another survey was conducted by the Reserve Bank of India viz. All India Debt and Investment Survey, 1961-62. Similar survey was also conducted by the RBI in 1971-72. They show position of different agricultural credit agencies providing agricultural credit to the farmers which is shown in Table 3.1

**Table 3.1**

*Cash Loans Borrowed by the Classified According to Credit Agency - All India (%age)*

<table>
<thead>
<tr>
<th>S No</th>
<th>Credit Agency</th>
<th>1951</th>
<th>1961</th>
<th>1971</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government</td>
<td>3.3</td>
<td>2.6</td>
<td>7.1</td>
</tr>
<tr>
<td>2</td>
<td>Co-operative</td>
<td>3.1</td>
<td>15.5</td>
<td>22.0</td>
</tr>
<tr>
<td>3</td>
<td>Commercial Bank</td>
<td>0.9</td>
<td>0.6</td>
<td>2.4</td>
</tr>
<tr>
<td>4</td>
<td>Insurance</td>
<td>-</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>5</td>
<td>Provident Fund</td>
<td>-</td>
<td>-</td>
<td>0.1</td>
</tr>
</tbody>
</table>
At present the direct finance for agriculture is being provided under institutional sources by the Cooperatives, Commercial Banks, Regional Rural Banks and the Government. These agencies supply two types of credits viz. short and medium and long-term agricultural credit. The chart 3.1 illustrates the flow of credit to the farmers in the whole country.

Though the multi-agencies approach has been adopted in the agriculture credit, but the movement of cooperation in general and credit agencies in particular got impetus with the start of planning phase in Uttar Pradesh. The First Five Year Plan of the country very rightly recognized cooperative as an “Instrument of Economic action in democracy”. At present, the national policy is to promote...
CHART 3.1

All India Agricultural Credit Structure at A Glance

Source: Background paper 13th I.C.C., N.C.U.I., New Delhi.
cooperatives as the principal institution for promoting and energizing economic activities in rural area. In other words, cooperative agency has been recognized as better suited than the State for ensuring proper utilization of credit for productive purposes.

As evident from the chart 3.1 the short and medium term agricultural credit system, the cooperatives have a three-tier structure with the State Cooperative Bank at the State level, the Central or District Cooperative Banks at district level and the primary agricultural credit societies at the base or village panchayat level. The long-term credit cooperative are organized in a two-tier structure consisting of the State Land Development Banks at the State level and the Primary Land Development Banks / branches of the SLDBs at district / tehsil level.

Emergence of The Land Mortgage/ Development Banks

The modern cooperative movement was officially launched in India only in the year 1804, with the passing of the Cooperative Credit Thrift Societies Act, by the Central Government. The Act was revised and broad-based in 1912 and 1919. When cooperative became the State subject, different laws were passed in different States, since then, several primary credit societies cropped up all over the country. They provided short, medium and long-term credit to the farmers for productive purposes. But experiments in long-term credit by village cooperative credit societies miserably failed. Defaults were common and overdues mounted up without any timely action. Societies themselves could not tap long-term deposits and had to depend on central cooperative banks for
accommodation. As long-term finance involved questions relating to title, valuation of property, assessment of repaying capacity, etc. these technical aspects of the problem could not be met by the staff of ill-equipped village cooperative credit societies. Again, for long-term investment, commercial banks were considered as an unsuitable credit agencies due to composition of their funds accruing through deposits mostly payable on demand or at short notice. Though the increased stress laid on agricultural development in the new 20-point economic programme, the Union Government has decided to set up flow of credit to the agricultural sector by 19 percent through nationalized banks during 1982-83. But the Bank should not grant loans of a higher amount only because the security offered, if any, by the borrower would over a bigger loans and also if the land holding is small or return to be expected is small, the Bank should not grant loans and the borrower be asked to approach Land Development Banks (LDBs). The agency of indigenous bankers also dealt in money lending. But their meager resources does not permit them to invest their funds for long periods. Besides they charge high rates of interest and demanded principal and interest Bank in one installment. They also lacked friendly and sympathetic approach needed for long-term financing to cultivators. All this created a need for a separate agency for long-term agricultural credit.

Sir Janassan Maan did not altogether agree with Rothfield that the supply of long-term credit was necessarily a function of the State. But it was primarily the need to find an outlet for surplus cooperative land mortgage banks. Such banks would concentrate on the supply of long-term credit, generally to those
reasonably substantial cultivators who did not find the cooperative movement very attractive. The Central Banking Inquiry Committee also recommended that "it is now being realized by every competent authority on cooperative credit in India that the existing primary societies, central banks and provincial banks by reasons of character of their resources and other obvious limitations from a banking point of view, can supply only short and intermediate credit. They, therefore, be supplemented by other types of organizations dealing specifically with the problem of long-term credit. The separate agency for providing the long-term credit has been recommended by the various commissions and committees. Hence, arose the need for special type of credit institutions generally called "Land Mortgage Banks". These banks displaced not only the money lender but also the present unsatisfactory system of State loans and by lowering the rates of interest, they brought many productive improvements within the reach of the land-holders.

After the All India Rural Credit Survey Committee recommended the real growth of Cooperative Land Development Bank with State support start. Emphasising the need for strengthening the cooperative credit structure, the All India Rural Credit Survey Committee recommended organization of Central Land Mortgage Bank in all the States. Stress was also laid for reorienting their policies from financing old debts to provision of finance for improvement of land and development of agriculture. The committee further suggested the needs for simplifying the loan procedure and channeling by State government of all Takkavi funds through the Land Development Banks. To strengthen the
long-term credit structure, recommendation was made for share capital contribution from the Government to the Central Land Mortgage Bank at least upto 51 per cent to enable them to borrow funds and provide loans adequately.

As a result of the recommendation of All India Rural Credit Survey Committee, during the plan periods, the Land Mortgage Banks switched over the function from ‘Mortgage Banking’ to ‘Development Banking’. Agricultural Development Banks were organized in other States also in the subsequent year during the five year plans. At the end of Second Plan (1960-61), there were Land Development Banks in 18 States, including in Uttar Pradesh.

Establishment of Uttar Pradesh State Cooperative Village Development Bank Ltd.

In spite of much progress made in the filed of land mortgage banking in various States of the Country, the State of Uttar Pradesh remained far behind them. The agriculturists of the State were deprived of the benefits of land mortgage banking, even after one decade of the attainment of Independence and they remained dependent upon other sources of lending. After Independence, the All India Rural Survey Committee recommended in 1954 the establishment of Central Land Mortgage Banks in every state and also recommended that the teneure and tencany laws should be revised accordingly. In espite of these efforts, the people of Uttar Pradesh suffered due to non-existence of such a speicalised institution.

There was a growing need of heavy finances, particularly after the abolition of Zamidari, larger amounts were required to
meet the long-term credit needs of the farmers for purchase reclamation and permanent improvement of lands and also for the redemption of old debts. Moreover, the existing cooperative credit agency (the Provincial Cooperative Bank in the State was helpless without the Government's financial support to have a separate long term department or to establish a separate institution for dealing with long term agricultural credit in the state. The Reserve Bank of India was not in position to provide financial support for long-term purposes due to legal limitations.

This way, the prospects of establishing a Central Land Mortgage Bank in the State were bleak. But the second five year plan (1956-61), provided for the establishment of a land mortgage Bank in the State. The plan set a target for the cooperative sector to distribute long-term credit to the tune of Rs.25 crores through land mortgage Banks. Thus, provision were made in the cooperative development plans of the states for the establishment of new Central and Primary Land Mortgage Banks and for strengthening the existing ones.

At the same time, the Reserve Bank of India Act was amended in the year 1955 to enable the bank to play a constructive role in the sphere of rural credit and cooperation. In this amendment, provisions were made to set up a National Agricultural Credit (Stabilization) Fund for short-term facilities and a National Agricultural Credit (Long-term operations) Fund for Long-term facilities up to 20 years, by purchasing debentures of Central Land Mortgage Banks and for providing loans to State Governments for the purchase of shares of Land Mortgage Banks. In addition, the Reserve Bank of India, on the recommendation of
Rural Credit Survey Committee, initiated a scheme in November 1957, to encourage Central Land Mortgage Bank to float "Rural Debentures" for shorter periods, e.g. six or seven years to meet their short-term requirements. This scheme of rural debentures was further reviewed by Reserve Bank's Standing Advisory Committee in July, 1958, and a new scheme of rural debentures for a period from 7 to 15 years was announced by Reserve Bank of India in September, 1958.

Besides rendering financial facilities to Central Land Mortgage Bank, the Reserve Bank of India also used to extend expert advice from time to time to these banks regarding the floating of debentures and financial operations.

Establishment of State Cooperative Land Mortgage Bank in Uttar Pradesh

As a result of recommendations of All India Rural Survey Committee and the allocation of funds in the Second Five Year Plan for Central land mortgage banks and also the amendment in the Reserve Bank of India Act, the Government of Uttar Pradesh realized the urgency of establishing a separate agency in the State. Thus, the Uttar Pradesh State Cooperative Land Mortgage Bank (known as Uttar Pradesh Sahkari Gram Vikas Bank Ltd. Since 9 June, 1994) was registered on March 12, 1959, under the Cooperative Societies Act 1912 (vide Registration No. 1505) with its headquarters at Lucknow. The actual functioning of the Bank started after a year of its registration in May 1960, only when a Board of Directors was nominated by the State Government in January, 1960.
Membership: Membership of the Bank was only 604 during the first year (1960-61) of it working. This rose to 3,46,154 in 1970-71 and 11,37,185 in 1980-81 and 22,41,924 in 1990-91. It membership further rose to 38,47,362 in 1999-2000 and 40,24,559 in 2000-01 and 42,05528 upto 31st March 2002.

Financial Position: The bank started its operations in 1960-61 with a very ordinary and poor financial base of 15.3 lakh only. But it improved its finance gradually so much so that on 31st March 2002 it total share capital was Rs. 167.69 Crores. Its share capital, working capital and owned capital is shown in the table 3.2

Share Capital: The share capital of the Bank, which was Rs.0.15 crore in the beginning, rose to Rs.6.10 crore in 1970-71, Rs.28.22 crore in 1980-81. Keeping its increasing trend it rose to Rs.53.27 crore in 1990-91, Rs.82.51 crore in 1995-96 and 150.65 crore in 2000-01 and mounted to Rs. 167.69 crore up to 31st March 2002. The Table shows that the amount of share capital has been gradually increasing during the last 42 years of the bank’s working and this increasing trend of share capital is primarily an outcome of constantly growing membership of the Bank.

Working Capital: The Bank started its operations with Rs.0.16 crore as working capital in 1960-61 which gradually rose to Rs.93.81 crore in the year 1970-71 and Rs.361.85 crore in 1980-81. The working capital of the bank was further increases to Rs.
TABLE  -  3.2
Capital Resources of U.P. State Cooperative Village Development Bank Ltd.
1960-61 to 2001 2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Share Capital</th>
<th>Working Capital</th>
<th>Owned Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>0.15</td>
<td>0.16</td>
<td>0.16</td>
</tr>
<tr>
<td>1965-66</td>
<td>0.88</td>
<td>9.15</td>
<td>0.95</td>
</tr>
<tr>
<td>1970-71</td>
<td>6.10</td>
<td>93.81</td>
<td>6.80</td>
</tr>
<tr>
<td>1975-76</td>
<td>14.91</td>
<td>226.85</td>
<td>19.50</td>
</tr>
<tr>
<td>1980-81</td>
<td>28.22</td>
<td>361.85</td>
<td>44.66</td>
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<tr>
<td>1985-86</td>
<td>35.21</td>
<td>441.03</td>
<td>76.27</td>
</tr>
<tr>
<td>1990-91</td>
<td>53.27</td>
<td>711.09</td>
<td>106.53</td>
</tr>
<tr>
<td>1991-92</td>
<td>57.78</td>
<td>805.29</td>
<td>115.80</td>
</tr>
<tr>
<td>1992-93</td>
<td>61.82</td>
<td>879.32</td>
<td>120.40</td>
</tr>
<tr>
<td>1993-94</td>
<td>68.25</td>
<td>977.94</td>
<td>128.07</td>
</tr>
<tr>
<td>1994-95</td>
<td>74.07</td>
<td>1129.15</td>
<td>156.39</td>
</tr>
<tr>
<td>1995-96</td>
<td>82.51</td>
<td>1287.82</td>
<td>183.05</td>
</tr>
<tr>
<td>1996-97</td>
<td>92.21</td>
<td>1465.56</td>
<td>202.56</td>
</tr>
<tr>
<td>1997-98</td>
<td>89.62</td>
<td>1673.93</td>
<td>209.26</td>
</tr>
<tr>
<td>99-2000</td>
<td>127.11</td>
<td>2191.50</td>
<td>246.77</td>
</tr>
<tr>
<td>2000-01</td>
<td>150.65</td>
<td>2528.58</td>
<td>283.99</td>
</tr>
<tr>
<td>2001-02</td>
<td>167.69</td>
<td>2983.96</td>
<td>309.45</td>
</tr>
</tbody>
</table>

Source: 36th Annual Report (2000-2001), Progress at a glance
711.09 crore in 1990-91 and Rs.1287.82 crore in 1995-96. It reached to Rs.2528.58 crore during the year 2000-01 and on 31st March 2002 the working capital of the bank was Rs.2983.96 crore. As deciphers from the table 3.3 there has been a regular increase in working capital of the Bank. This upward trend of working capital indicates soundness of the Bank’s financial base and its regularly expanding business.

**Owned Capital:** With the expansion of share capital and working capital, the owned capital of the Bank also rose to Rs.309.45 crore by the end of March 2002 as against Rs.106.53 crore in 1990-91, Rs.44.6 crore in 1980-81 and only Rs.0.16 crore in 1960-61. In other words, the Bank’s own contribution towards its funds seems to be quite satisfactory as witnessed by its increasing trend.

**Loan Disbursements**

The Land Development Bank is one of the major sources of long-term credit for investment in the state agriculture. Since its establishment, the bank disbursed loans to the tune of Rs.5702.85 crore through its 335 branches to its 4205528 members upto 31st March 2002.\(^1\) Loan amounting to Rs.5702.85 crore were disbursed by the bank during the year 2001-2002 alone. The bank disburses loans mainly for Minor irrigation which is 50.89 percent of total loan disbursed to 43.13 lakh benefiters to whom Rs.5702.85 crore has been sanctioned by the bank in the last 43 years. Among these loans Rs.2901.97 crore has been sanctioned to 31.53 lakh

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benefiters for minor irrigation only. At present, the bank has irrigated 52.37 lakh hectare extra land through its irrigation scheme. The bank has sanctioned loan of Rs.680.15 crore against its target of Rs.630.00 crore in the year 2001-2002. The Bank has disbursed loan amounting Rs.174.05 crore upt 31.07.2002 against its target of Rs.725 crore in the year 2002-2003.

Besides these the bank is providing loan to the other purposes for improving the economic condition of farmers through the development of agriculture and allied sector. The bank is providing loans for the following purposes:

1. Minor irrigation
2. Farm mechanization
3. Dunlop cart
4. Dairy
5. Animal husbandry
6. Poultry
7. Fisheries
8. Horticulture
9. Non-Farm section
10. Rural Housing
11. Bio-Gas
12. S.R.T.O

Recovery of Loans: In the sphere of loaning activities, timely repayment of loans is more important than expansion in its lending. The lending on sound footing requires smooth flow of funds and the clogging in proper refunding weakens the financial structure of the loaning institutions. Therefore, the Uttar Pradesh
<table>
<thead>
<tr>
<th>Year</th>
<th>Due for repayment</th>
<th>Recovery of Loans</th>
<th>Percentage of recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1965-66</td>
<td>0 45</td>
<td>0 41</td>
<td>91 11</td>
</tr>
<tr>
<td>1970-71</td>
<td>8 48</td>
<td>7 46</td>
<td>87 97</td>
</tr>
<tr>
<td>1975-76</td>
<td>40 78</td>
<td>33 88</td>
<td>83 08</td>
</tr>
<tr>
<td>1980-81</td>
<td>88 31</td>
<td>62 04</td>
<td>70 25</td>
</tr>
<tr>
<td>1985-86</td>
<td>114 37</td>
<td>87 26</td>
<td>76 30</td>
</tr>
<tr>
<td>1990-91</td>
<td>304 13</td>
<td>197 75</td>
<td>65 02</td>
</tr>
<tr>
<td>1991-92</td>
<td>281 85</td>
<td>197 20</td>
<td>69 97</td>
</tr>
<tr>
<td>1992-93</td>
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<td>1993-94</td>
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<td>1994-95</td>
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<tr>
<td>1997-98</td>
<td>390 58</td>
<td>316 89</td>
<td>81 13</td>
</tr>
<tr>
<td>1998-99</td>
<td>430 69</td>
<td>354</td>
<td>82 19</td>
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<tr>
<td>99-2000</td>
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</tr>
<tr>
<td>2000-01</td>
<td>648 68</td>
<td>559 16</td>
<td>86 20</td>
</tr>
<tr>
<td>2001-02</td>
<td>815 61</td>
<td>701 34</td>
<td>85 99</td>
</tr>
</tbody>
</table>

State Cooperative village Development Bank pay much more attention to recover the loans instalment and interest on loan within the prescribed time limit. In spite of this, the cent percent recovery of dues is not possible on account of natural as well as human factors. The year wise progress of repayment of loans for the period from 1960-61 to 2001-2002, in table 3.3

Amount due for repayment and its recovery in table 3.3 between 1980-80 to 1992-93 indicates that there has been a widening gap between the two. This is on account of implementation of special schemes and Bank’s diversification of its funds towards different sector of agricultural development. Thus, the disbursement of loans has been expanding not only due to the special schemes but also on account of the banks loaning facilities to small and marginal farmers, who constitute a large chunk of rural population. However, the recovery percentage of bank in succeeding years has been improved from 70 per cent in 1991-92 to 86 Per cent in the year 2001-02.

Expansion of Branch Network


These branches worked under the guidance of Uttar Pradesh State Cooperative Land Mortgage bank, and provided long-term credit to individual agriculturist and cooperative farming societies, for the following purposes:

1. Liquidation
2. Redemption of mortgages on land or other immovable property;
3. Improvement of land, that included the raising of orchards, construction of cattle sheds and godowns at the farm for storage of agriculture produce and introduction of better methods of cultivation;
4. Minor irrigation scheme such as pumping sets, tubewells, oil engines, masonry wells, persian wheels, bundhies etc, and
5. Purchase of land intervening between the field of the borrower so as to consolidate his holdings, and of land contiguous to his holdings so as to secure more efficient and economic cultivation thereof.

**Sanction and Disbursal of Loans by Branches**

Loans provided by the branches ranged from a minimum of Rs.500/- to Rs.15,000/- to an individual member and up to Rs.50,000/- to a cooperative society. These loans were advanced for the period extendable up to maximum of ten years, at the interest rate of 7.5 percent per annum. Rebate was also allowed at the rate 0.5 percent to an individual member and 1 percent to a cooperative farming society, in case they repay the loan and
interest within the prescribed time. Loans were advanced on the mortgage of unencumbered, bhumidari lands up to 50 percent of their value. The value of the land was calculated on the basis of a uniform formula prescribed by the State Land Mortgage Bank. It was 80 times of the actual land revenue or 40 times of the revenue calculated on the basis of circle rate, whichever was higher, plus 20 times of the difference of both the above revenues. However, loans were not provided to the holders of Sirdari and Asami lands and members of joint and collective cooperative farming societies.

In spite of the sincere efforts, the progress of Land Mortgage bank in Uttar Pradesh was rated to be not so encouraging in the first year of its establishment. Only 597 members could be enrolled in 30 districts of the State, out of which only 272 borrowed loans totaling to Rs. 2.72 lakhs, while working capital of the bank was Rs. 16.04 lakhs.

It was pointed out that the scheme could not run successfully unless the filed staff of the Cooperative Department treated it as a part of its routine duties and gave to it the attention that it required.

By the end of the second year of its establishment, the bank had disbursed Rs.16.25 lakhs through its branches against Rs.25.98 lakhs sanctioned to 1,138 loanees upt June 1962, although the number of applicants was as high as 2,500. The Bank failed to advance loans to other applicants due to non-availability of required funds from the Government.

To overcome the financial difficulties, the state government was approached to stand guarantee for temporary loans from the State bank of India, to the extent of Rs. 50 lakhs which could be
repaid by floating debentures. But the government agreed to a sum of Rs.25 lakhs only, which was equivalent to half of the total requirement.

With such limited resources, the bank has no other alternative, except to seek help once again, from the Registrar, Cooperative Societies and Managing Directors of the District Cooperative banks of the State for opening of more Branches in the remaining district of the State. The Registrar Cooperative Societies put at the disposal of the Bank the services of one cooperative Inspector in each district where new Bank branches were to be established. The District Cooperative Banks provided part-time services of one of their accounts clerks at each new branch and also provided free accommodation in their premises for the new branches.

With the establishment of Bank branches in almost every district of the State, the Uttar Pradesh State Land Mortgage Banks also decided in November 1962 to advance long-term loans against the simple mortgage of "Sirdari Lands" to agriculturist, possessing unencumbered lands under the conditions and procedure governing the loans in the case of Bhumidhari lands, with the following exceptions:

1. The maximum limit of loan advanced was 30 percent of the value of Sirdari Land.

2. The purposes for which loans were advanced included:
   a. Minor irrigation, e.g. tube wells, oil engines, pumping sets, Persian wheels, masonry wells and bundhies.
   b. Purchase of costly agricultural implements.
c. Permanents improvement of land including orchards.

Considering the growing need of long-term finances, the Bank also agreed in March 1963 to provide long-term loans to cooperative collective farming societies, on the same terms and conditions as in the case of individual borrowers, except that:

a) The maximum loan admissible to cooperative collective farming societies was Rs. 50,000/- as against Rs.15,000/- to an individual.

b) Rebate in the rate of interest for timely payment of loans installment was 1 percent instead ½ percent to an individual.

Initially, the Bank was unable to advance loans to cooperative Joint Farming Societies, since such societies did not possess the right to mortgage the pooled lands of its members as the ownership continued to vest in the individual members. But legal experts suggested a via-media that enabled the Bank to finance joint farming societies also. According to this, each member of such society having mortgageable right over his land, and desiring to get long-term loan, had to execute separate deed in the office of the Sub-Registrar (Registration) of the concerned areas to enable the society to get loans as many times as the society authorized by its members to do so.

To provide sufficient amount of loans on the mortgaged property, the Bank revised the existing formula for valuation of land in November and December, 1963. This was applicable to all the districts of the State except the districts of Kumaon, and Uttrakhand Division and the hilly areas of Dehradun District. The revised formula was: “Hundered times the actual land revenue or fifty times the revenue calculated on the basis of the circle rate
whichever is high, plus twenty-five times the difference of both, the actual and calculated revenues.”

The formula was applicable for the valuation and advancement of loans on fixed assets and groves which were mortgaged to the bank, in all the districts of the state, except the districts of Kumaon and Uttrakhand division and Dehradun district. Thus, the value of hypothecation was enhanced by about 15 percent over the earlier formula.

Bank, which was depending till then on the “Interim Finance” form State Bank Of India, with the State government Guarantee and Share money, raised its own funds for the first time in January 1963, through the main source, i.e. floating of debentures.

The first series of Uttar Pradesh State Cooperative Land Mortgage Bank’s Debenture, which was opened at 10 a.m. on January 24, 1963, had been oversubscribed within a few hours and therefore closed down at 2 p.m. on the same day. The overwhelming support from investors was on account of some of the advantage of these debentures.

These debentures were guaranteed by the State Government regarding repayment of the principal amount and payment of interest. They were secured on the first mortgage of agricultural land of double value than the mortgage amount. A debenture redemption Fund was created for the repayment of debentures on maturity. These debentures were free from Income Tax for all cooperative institution. They could be sold on the Stock exchange, like any other securities. The State Bank of India and the Reserve Bank of India could permit overdrafts and loans on the security of
these debentures similar to this, other series were issued subsequently

Besides financial support to the Land Mortgage Bank, the State government also made certain concessions to encourage the prospective borrowers of the bank, since February 1964, the borrowing member of the Land Mortgage Banks were exempted from paying any stamp duty on the loans amounts up to Rs 5,000/- and if the amount of loans exceeded this limit, the stamp duty was charged at half of the prescribed rate. In November 1963, the borrowing members of this Bank were also exempted from the payment of any registration fee on mortgage deeds. Further, in December 1962, members of the Bank were exempted from stamp duty on affidavits filed for completing the formalities for getting long-term loans.

Almost all other states had their separate Acts of Land Mortgage Banks. But in Uttar Pradesh, the State Cooperative Land Mortgage Bank was functioning under the Cooperative Societies Act of 1912 and was primarily meant for the regulation of cooperatives in general rather than for highly technical and specialized land mortgage banking. In the absence of any separate Act, the Bank faced various technical and procedural difficulties in its functioning in Uttar Pradesh.

**Uttar Pradesh State Cooperative Land Development Bank’s Act 1964.**

To improve the functioning of the Land Mortgage Bank, the Uttar Pradesh State Cooperative Land Development Bank’s (Uttar Pradesh Act No. XVI of 1964) was passed in 1964, which came
into practice from 15th August of the same year. The name of the Bank was also changed from "Uttar Pradesh State Cooperative Land Mortgage Bank Ltd." to Uttar Pradesh State Cooperative Land Development Bank Ltd. so as to make its name indicative of the purpose of the Bank rather than its procedure and eliminate the fear from the minds of agriculturists arising out of the word 'mortgage' associated with its name earlier. Soon after the enactment of the Act, branches of the Bank were opened at Tehsil level in various districts.

Moreover, to provide special facilities and funds for minor irrigation, the Government of Uttar Pradesh took a major policy decision in October, 1965, to channel Taccavi Funds through the Land Development Bank for development of Private minor irrigation works. This decision was implemented on an experimental basis in seventeen districts of the state where the Land Development Bank was the solo financing Agency.

To provide long-term loans to farmers with the coordinated efforts of the Land Development Bank and other Governmental agencies, the scheme of channeling the Taccavi Funds through the Bank produced better results as would be evident from table. In deciphering from the above, there was a sudden spurt in advancement of loans during the year 1965-66, resulting from the channeling of Taccavi Funds through the Bank. Over the period, there was an upward movement in loan disbursement and, by the year 1967-68 the Uttar Pradesh State Cooperative Land Development Bank stood at the fourth place in the country so far as loan advancement is concerned.
For the benefit of small farmers, some more special schemes were implemented and special facilities were provided by the Bank in the year 1970-71.

**Small Farmers Development Agency (S.F.D.A.)**

Under this scheme, four backward districts of the State, viz. Rae Bareilly, Fatehpur and Badaun were selected and special facilities for development of minor irrigation works were provided to small farmer having cultivable land between 2.5 ha. and 7.5 ha. The farmers were allowed to deposit their share money from the amount of loans granted to them, instead of deploying their own meagre resource. Besides they were required to pay only 3 percent of share money instead of 5 percent.

**Marginal Farmers and Agricultural Labourer’s Development (M.F.A.L.)**

Under this scheme, Mathura and Ballia districts of state were selected in 1971 to provide finance for development of minor irrigation works and for purchase of milch cattle to marginal farmers having cultivable land upto 2.5 acres and also to those of agricultural labourers.

**Control and Coverage of New Schemes by the Bank.**

To have a better control and supervision over the Bank’s branches, the Uttar Pradesh State Cooperative Land Development Bank established its Regional Offices at Allahabad, Faizabad, Varanasi, Gorakhpur and Lucknow in September 1975. Further, Regional Offices were also established at Meerut, Agra and

**Fixed Deposit Scheme**

For the first time in the history of the Bank, a fixed deposit scheme was introduced in May 1972 with the prior permission of the Reserve Bank of India, to meet the internal financial requirements with its own resources. Under this scheme, the rate of interest offered was 7 percent per annum for a period of one year and 7.5 percent for two years against the fixed deposits. Later, in the year 1974-75, the rate of interest was raised to 8 percent per annum for the period up to two years. The scheme was an additional source of funds for the Bank and proved successful as witnessed by the deposits of Rs.66.59 lakhs and Rs.94.86 lakhs in the first and the second years respectively.

**World Bank Scheme**

For the first time, a World Bank Scheme was introduced in the districts of the State in 1973. after an agreement between the Uttar Pradesh State Government, the Agricultural Refinance and Development Corporation and the World Bank (International Development Agency) on June 8th, 1973. Under this scheme, 34,500 tube-wells, 15,000 pumpsets, 2,131 borings and rehats and 4,047 irrigation wells were constructed in three years period with total cost of Rs.45.93 crores inclusive of the World Bank share of Rs.28 crores.
Participation of (State Cooperative Village Development Bank) in 20 Points Programme:

The Uttar Pradesh State Cooperative Village Development Bank Ltd, in pursuance of the twenty point programme of the late prime Minister Mrs Indira Gandhi, extended its operation to provide the following additional facilities to the cultivators:

1. Agriculturists owning cultivable lands of 4 acres and 2 acres became eligible for tractor loans and tube-well loans respectively.

2. The limit of loans for tractors was raised from Rs 30,000/- to Rs 50,000/-.

3. Pass-Books were issued to every borrowing member to maintain full record of borrowing and repayments, and adjustments of repayments were allowed from the amount of interest on share money and dividends of the borrowing members.

4. Direct payment to agriculturists through order cheques was allowed to procure electric motors of their own choice.

5. Dealers were required to deliver pumpsets and diesel engines to agriculturists only at the offices of the Bank and in the presence of the branch manager, to ensure delivery and authentic quality of the machines. Besides this, the dealers of the pumpsets and engines were bound to provide three services of the delivered machines free of cost.

6. To provide sufficient amount of loans for minor irrigation works, the formula for valuation of land was revised, the loan amount was raised to 800 times of land revenue of Bhumidari land instead of 533 times, and to 600 times of
land revenue of Shrīdhārī land instead of 250 times. For the hill districts, the revised rates were 01,500 times for irrigated lands and 750 times for non-irrigated lands.

7 To avoid unnecessary expenses of the farmers, they were exempted from the condition of producing non-encumbrance certificates at the time of borrowing loans. Instead, the legal advisors of the Bank branches were required to procure such certificates from the Tehsil.

8 All the borrowers were allowed to deposit 5 percent of their share money at the time of repayment of the first installment of their loans and 0.5 percent rebate was allowed to them on the repayment installment of their loans within a month of the due date.

9 Dealers and manufactures were required to deposit certain amounts as security in the Bank's branches, for obviating malpractices and safeguarding the interests of the borrowers.

The Bank also provided some of the following additional facilities to agriculturists during the year 1976-77 so as to cover all possible requirements of agriculturists in the State and provide means for agricultural development:

1 For utilization of ground water resources, the cultivators were allowed loans for installation of pumpsets only.

2 Loans were allowed to every borrower for an additional boring on his separate plot of agricultural land.

3 Loans were allowed even for boring purposes to provide irrigation facilities to small farmers.

4 For the first time, the Bank agreed to advance loans to Uttar Pradesh State Electricity Board, under an Agricultural
Refinance and Development Corporation Scheme, to help the Board tide over the financial problem in meeting the cost of electrification of tubewells.

5. Prices of pumpsets and diesel engines were reduced from Rs.500/- to 1,000/- on the recommendation of sub-committee appointed by the Government of Uttar Pradesh.

6. Proposals for amendment to the by-laws, were sent to the State Government to enable the Bank to advance loans to borrowers on Government guarantee and without any mortgage of agricultural lands.

Besides, the following new special scheme were submitted by the Bank to the A.R.D.C. for acceptance and refinancing in 1976-77 to implement in the State.

1. On Farm Development Scheme: These scheme were meant for the construction of water drains for carrying irrigation water from the ground water source to low lying agricultural fields.

2. Soil Conservation Scheme: For protection of agricultural land from erosion, the scheme of soil conservation was initiated by the Bank with the financial help of A.R.D.C.

3. Scheme of Electrification of Tube-wells and Pumpsets: To provide loans to Uttar Pradesh State Electricity Board to meet the cost erection of electric lines in the agricultural fields for the clarification of tube-wells and pumpsets, these schemes were implemented by the Bank with the help of Agricultural Refinance and Development Corporation. Under
these schemes the Bank advanced loans to Uttar Pradesh State Electricity Board

4. Horticulture Scheme: The Bank with the help of refinancing facility of A R D C introduced horticulture scheme for the development of orchards in plains as well as hill areas of the State.

Along with these developments, through special schemes, during the year 1976-77, the Bank also did a commendable job by disbursing higher amount of loan vis-a-vis other State Cooperative Land Development Banks, during the same period. For this achievement of disbursing loans to the tune of Rs 3,934.06 lakhs, the Bank was awarded the first National Shield by the then Prime Minister of India, at a function held on the occasion of the “Half Century of Land Development Banking in India” in Delhi on 16 08 1977.

On the other hand, the Bank also received a set-back on account of failure of its branches out of 215 to recover 75 percent of the loans disbursed by them. The result of this failure was the imposition of restrictions for further loading through these branches, under the Regulation of Advances of Reserve Bank of India.

Factors largely responsible for the low percentage of recovery were identified as the Parliamentary elections in March 1977 and the Assembly Elections in June 1977, and late winter rains which affected the rabi crops resulting in late harvesting.

To cope up with the problems of low percentage of recovery, the Bank then intensified its efforts through the filed staff and
provided vehicles and transport facilities for visiting rural areas to persecute the defaulters for non-payment of loan installments. To create a better working spirit for recovery of loans, the Bank also introduced the scheme of providing “incentives” on their performance in the shape of cash prizes to its officers and staff. Under this scheme, the Bank distributed cash prizes of Rs.31,280 as “Rin Vasole Purushkar” (loan recovery prizes), to its different categories of officers and staff.

Besides this, the Bank also realised the importance of training the staff, to make them efficient. It established its own training centre called Uttar Pradesh State Cooperative Land Development Bank’s Training Center at Lucknow in the year 1976-77, under the guidance of the agricultural Refinance and Development Corporation. In addition, the Bank also had the facilities of training for its staff at State Cooperative Training Centre, Mosem Bagh, Lucknow and Baikunt Nath Mehta national Institute of Cooperative Management, Pune.

The Bank, which was primarily concerned with financing of the development of irrigation, contributed greatly to the “Green Revolution” in the State. It diversified its efforts by paying attention to other allied sector agricultural development and played a signification role in bringing about a “White Revolution” in the State. The Bank introduced Dairy Development Schemes in 16 districts of the State during the year 1978-79, with the help of refinance facility provided by the A.R.D.C.

1. **Fisheries Farms Development Schemes**: The Bank also agreed to finance agriculturists for the construction of
fishponds and the development of fish farming with the help of A.R.D.D.

2. **Cold Storage Construction Schemes**: For the preservation of potato and other perishable agricultural products, the Bank launched a scheme for the construction of cold storages in the State.

3. **Sugar Godown Scheme**: To provide storage facilities for sugar stocks the Bank submitted a scheme for the construction of sugar godowns with the help of A.R.D.C.

4. **Dunlop Cart Scheme**: The Bank also drew up schemes to advance loans to agriculturists for the purpose of Dunlop carts, which form one of the best and the cheapest means of transportation as well as an additional source of income for agriculturists particularly small farmers and peasants in the rural areas.