Chapter - VIII

Role of U.P. State Cooperative Village Development Bank Ltd. in Agricultural Development of Uttar Pradesh
CHAPTER – VIII

ROLE OF U. P. STATE COOPERATIVE VILLAGE DEVELOPMENT BANK LTD. IN AGRICULTURAL DEVELOPMENT OF UTTAR PRADESH.

The planning in Uttar Pradesh has two-fold objective, i.e., increasing production and social justice, which demand improvements in the levels of living of small farmers and weaker sections of the society. This is possible only by eradication of poverty. The Government is making all out efforts to reduce the number of persons below the poverty line. Our Five Year plans contain necessary provisions to ameliorate the economic upliftment of the weaker sections in the society, bridge the widening gap between rich and poor, and reduce the regional imbalances.

In Uttar Pradesh agriculture is the primary sector and has a major role to play in increasing production and increasing the quality of life in rural areas where about 76 per cent of the State’s population lives.¹ The State has done well in the field of agricultural production in the past, but much remains to be done particularly in the context of rapid growth of population which threatens to outpace the production. The substantial results in the production depends on the assured rainfall or irrigation facilities

coupled with modern techniques of agriculture like agricultural machinery, fertilizer, seeds etc. the capital formation being at low ebb, our cultivators are unable to finance agricultural development on their own accord. Here comes the role of the institutional agencies specially land development banks which are entitled to equip the farmers with capital weapon so that they may reap the benefits agricultural development.

In the initial stages of planning, it was though that the benefits of development would trickle down to the poorest of poor in the society, but somehow this did not happen. In the matter of institutional finances for agriculture benefits of credit in the past has gone mostly to the so-called well to do and big farmers mainly due to the conservative method of advancing loans against security as also cumbersome and lengthy loaning procedures, which usually dissuade small farmers from taking benefits. Another limitation has been that the percentage of small farmers in relation to total land-holding invariably high in most of Districts, and the total land held by them is invariably small. Since the land held by farmers other than small farmers is considerably large, it is natural that influential persons avail a major portion of credit provided by the Bank.

In order to make some perceptible dent in agricultural development and also to raise the levels of living of small and marginal farmers, it is extremely necessary that the Bank fulfils the requirements of all types of farmers. Small and marginal farmers who constitute the majority of farming population must be able to take advantage of improved methods of farming. The economic condition of these farmers being weak, they are not in a
position to adopt new and developed methods of agricultural production. They are in need of production credit as well as investment credit. Unless these farmers are helped and encouraged by some outside agencies in getting the necessary financial assistance, the possibility of increasing the productivity of their land is almost nil. In short, these farmers, of their own, are likely to remain as they are. In order to have some notable impact on agricultural production in general, the Land Development Banks which arrange for investment credit have come forward and extended their financial support to such farmers by giving incentives in the form of liberalization of some conditions, particularly in respect of security, interest rate, period of repayment of loan, etc.

It is, thus, clear that unless a policy is adopted to provide more and more facilities to small farmers and weaker section of the society and also concerted efforts are made in that direction, the national objective could not be achieved. A major breakthrough was made during the Fourth Five Year Plan when the Government gave preferential treatment to the small farmers and other weaker section of the society. Since then flow of institutional credit has continued in greater amount to the small and marginal farmers and other weaker section of the society. The Ninth Five Year Plan (1997-98 to 2001-02) declared its emphasis on reduction of unemployment in rural areas and under-employment of the workers engaged in small farm sector which
constitute the crucial component of rural unemployment. It is therefore, essential that small farm sector should adopt modern technology not only to increase agricultural production but also to secure higher level of employment. Admittedly, institutional credit acts as a catalyst in development process. Although institutional credit agencies are trying their utmost in providing credit for agricultural development their achievement still falls short of the total needs. For this purpose special programme, viz., SFDA, MFCA, (now both replaced by IRDP) IRDP, DPAP, etc., were designed to bridge this shortfall. It was also felt that there is a certain section of the society, which requires specific and concentrated attention. In order to focus the benefits in an integrated manner, programmes for the scheduled castes, scheduled tribes and backward classes were also formulated under special component plan and tribal sub-plan. These plans envisage raising 50 percent of the scheduled castes and schedule tribes families above the poverty line during the Ninth Plan.

Financial allocation in support of the various special programmes under the Plan were made to build up the institutions, as well as providing direct assistance to the small farmers and others in the form of subsidy, etc. The financing institution including the land development banks were expected to involve themselves in implementing such programmes. During the Ninth Five Year Plan period (1997-98 to 2001-02), a programme of Rs. 19,100 crores is envisaged for the LDBs. A major portion of this

2. IX Five Year Plan, National Co-operative Agriculture and Rural Development Bank’s Federation Ltd., Bombay, p.15,16.
3. Ibid, p. 18
target has been expected to be channelized for the benefit of small farmers, marginal farmers and other weaker sections under various special lending and normal lending programmes of the banks. The Integrated Rural Development Programme (IRDP) which has been introduced, is expected to cover the entire State; and naturally, the land development banks will have to play a definite role in the matter of term loans for development of agriculture, many other subsidiary occupations for increasing production, creating employment potential and enabling farmers and rural poor to supplement their incomes.\(^4\)

With the above background, an attempt has been made in this Chapter to analyse the role played by the Uttar Pradesh State Cooperative Village Development Bank Ltd. For small/marginal farmers and other weaker sections of the society in agricultural development.

**Loan to Marginal/Small Farmers**

Before reviewing the performance of U.P. State Cooperative Village Development Bank Ltd. in financing marginal/small farmer for agricultural purposes, it is relevant to state here the concept of small farmers. A small farmer has been defined, as per Agricultural Finance Corporation glossary as "a farmer who is potentially viable. He is having just enough land which would enable him to become a surplus producer with the adoption of new technology. For adopting new technology he requires special assistance for procuring necessary inputs including credit. Central Government has not laid down any uniform definition in terms of size of holdings for inclusion of farmers in SFDA schemes. Each

\(^4\) IX Five Year Plan, op.cit, p. 23
project implementation agency is permitted to determine the class of farmers eligible for assistance in the project area. This definition was adopted during the Fourth Five Year Plan. From the Fifth Five Year Plan farmers having below 5 acres or those having 2.5 acres of less of class I irrigated land as defined in the land ceiling legislation of the State will treated as small farmers.  

"A Marginal Farmer' is the farmer with a holding of size not more than one hectare (2.5 acres). The limit is applicable generally for an irrigated area. In case of other areas, this limit may be raised taking into account the availability of irrigation facilities, the soil type, the cropping pattern and other relevant factors. This is the definition adopted for the purpose of inclusion of farmers under MFAL programme, during fourth plan period. From the fifth plan, those farmers owing lands upto 2.5 acres or 1.2 acres or less of class I irrigated as defined in land ceiling legislation of the Sate, will be considered as marginal farmers."  

NABARD has adopted a new definition of small farmers and, according to them a small farmer shall mean any farmer cultivating land providing a pre-development net return to family resources to such farmers and his family not exceeding Rs. 3500 at 1978-79 (June-July) prices.

For the purpose of determining the said net return the following criteria shall apply:—

5. Agricultural Finance Corporation Ltd., Glossary of Terms in Agricultural Finance. Bombay, 1975, p. 70
6. Ibid, p. 67
(b) 'Land' shall include all land actually cultivated by the farmer notwithstanding the fact that ownership of such land may vest in one or more persons, and

(c) 'Net return to family resources' shall mean gross family income from land, less actually incurred including cash value of farmer's own inputs including seed, fertilizer, hired human labour, hired bullock labour, feed consumed by family bullock, irrigation charges, land revenue, interest or crop loan and rent on leased land”.

The above income ceiling has been further translated into acreage ceiling according to type of land, crops grown, etc. For different areas, such ceiling is again prescribed for rain field land and irrigated land. This exercise done for different States has considerably made the task easier in testifying, the small farmers in relation to standardised acreage. The ceiling, thus, fixed varies from 7.50 acres to 10 acres rain field and from 6.25 acres to 7.70 acres irrigated land or different districts of Uttar Pradesh.

The most acceptable definition of small farmers is one approved by the planning commission for SFDAs and MFLAs (now IRDP) programme, i.e., those cultivating between 2.5 and 5.0 acres of land. Those cultivating less than 2.5 acres are included in the category of marginal farmers. The Land Development Banks, however, do not distinguish between the small and marginal farmers. All farmers cultivating 5 acres of less are covered by the category of small farmers for purpose of the 'ordinary loaning programme' of land development bank.
The National Co-operative Land Development Banks Federation has also asked its member banks to compile the figure of advance under the category below 2.5 acres, 3.5 to 5.0 acres etc. In Uttar Pradesh, the U.P. State Cooperative Village Development Bank Ltd. has instructed to treat farmers with land holding up to 2 hectares (i.e. 5 acres) as the small farmers. Thus, the cultivators holding land below 2.5 acres and between 2.5 acres to 5 acres have been adopted as marginal farmers and small farmer respectively for the purpose of the study.

Coverage of Small Farmers by U.P. State Cooperative Village Development Bank Ltd.

The U.P. State Cooperative Village Development Bank Ltd. as such has no separate policy in the matter of advancing credit to the small farmers etc., and they follow the policies stipulated for them by the Government, Reserve Bank of India, NABARD and also National Co-operative Land Development Banks Federation. The Reserve Bank of India has introduced a scheme in April 1971 to uplift the sectorial imbalances under which the LDBs were required to ensure at least 20 percent of their annual credit disbursements to the small farmers.

It was envisaged by NABARD under the various credit projects assisted by the World Bank and other International Agencies that 50 percent of the total credit provided by the credit

9. Report of the Study Team on overdues in Co-operative Credit Structure, RBI, 1974, p. 58
agencies for agriculture including LDBs should go for small farmers and marginal farmers. This proportion was enhanced to 60 percent of the total disbursement under NABARD - III Credit Project. However, the National Co-operative Land Development Banks Federation decided to increase credit disbursement to small farmers to the level of 75 percent of annual advances in its national seminar held in 1981. The federation member banks were advised to aim at reaching this target during the course of coming years.

The Land Development Banks including U.P. State Cooperative Village Development Bank Ltd. have adopted the policy prescribed for them and have also made satisfactory progress in stepping up their advances to small farmers during the past years.

Sanction of loan to Farmers:

The performance of the Bank in agricultural development is further reflected through an analysis of the data concerning sanction of loans to the farmers.

The table 9.1 shows the loans sanctioned to the farmers by the Bank since its inception to the end of March 2002. The table reveals that in the year 1960-61 when the Bank started functioning, it sanctioned loan of Rs. 0.03 crore to the farmers which rose to Rs.5.97 crore in the year 1965-66 registering a tremendous growth of 19,800 percent. The rate of growth of the amount of loans remained modest. Although the quantum of loans increased in subsequent years. The Bank provided loans of Rs. 23.17 crore in 1975-76, Rs. 74.78 crore in 85-86 and Rs. 153.29
TABLE - 8.1

Loans Sanctioned to the Farmers by
Uttar Pradesh State Cooperative Village Bank Ltd.

(1960-61 to 2001-2002)

<table>
<thead>
<tr>
<th>Year</th>
<th>LoanSanctioned (Rs. in Crores)</th>
<th>Percentage of Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>0.03</td>
<td>-</td>
</tr>
<tr>
<td>1965-66</td>
<td>5.97</td>
<td>19800.00</td>
</tr>
<tr>
<td>1970-71</td>
<td>21.62</td>
<td>262.14</td>
</tr>
<tr>
<td>1975-76</td>
<td>23.17</td>
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<tr>
<td>1980-81</td>
<td>52.59</td>
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<td>1985-86</td>
<td>74.78</td>
<td>42.19</td>
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<td>1990-91</td>
<td>152.29</td>
<td>103.65</td>
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<td>1991-92</td>
<td>180.95</td>
<td>18.82</td>
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<td>1992-93</td>
<td>198.97</td>
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<tr>
<td>1993-94</td>
<td>211.36</td>
<td>6.23</td>
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<tr>
<td>1994-95</td>
<td>257.06</td>
<td>21.62</td>
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<td>1995-96</td>
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<td>1996-97</td>
<td>365.71</td>
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<td>1997-98</td>
<td>416.20</td>
<td>13.81</td>
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<td>1998-99</td>
<td>512.16</td>
<td>23.06</td>
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<td>99-2000</td>
<td>580.97</td>
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<td>2000-01</td>
<td>661.64</td>
<td>13.89</td>
</tr>
<tr>
<td>2001-02</td>
<td>680.15</td>
<td>2.80</td>
</tr>
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</table>

crore in 1990-91 which show an increase of 7.17 percent, 42.19 percent and 103.65 percent respectively. The Bank has recorded a continuous increase in sanctioning of loan to the farmers, although the increase was not uniform. Keeping its increasing pace in sanctioning of loan the Bank has disbursed Rs. 294.28 crore in the year 1995-96 and 416.20 crore in 1997-98, Rs. 580.97 crore in 1999-2000 recording an increase of 14.48 percent and 13.81 percent, 13.44 percent respectively it has given Rs 661.64 crore in 2000-2001 and Rs 680.5 crore up to the end of 31st March 2002 recording an increase of 13.89 and 2.80 percent compared to the preceding years.

From the analysis of table 9.1 it can be said that the Bank has good performance in sanctioning of loan to the farmers which has ultimately contributed to the development of agriculture of the State.

Progress in Membership

The membership of the Bank also increased speedily over the years. Only those persons are given the membership of the Bank who have applied for loan and the Bank has granted the loan to them. So the increase/ decrease in membership reflects the overall performance of the Bank. From table 9.2 it can be observed that the Bank stared it business in 1960-61, had 604 persons as it members. But within a short period of five years its rose to 66248 persons, recording a tremendous increase in percentage terms. The membership rose to 346154 members in 1970-71, 706902 members in 1975-76 and 1137185 members in 1980-81 recording an
**TABLE - 8.2**

**Progress in Membership of the Bank**
*(1960-61 to 2001-2002)*

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Members</th>
<th>Percentage of Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>604</td>
<td></td>
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<tr>
<td>1965-66</td>
<td>66248</td>
<td>10868.21</td>
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<tr>
<td>1970-71</td>
<td>346154</td>
<td>422.51</td>
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<td>706902</td>
<td>104.22</td>
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<td>1980-81</td>
<td>1137185</td>
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<td>2623921</td>
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<td>2803715</td>
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<td>1994-95</td>
<td>2923406</td>
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<td>99-2000</td>
<td>3847362</td>
<td>6.69</td>
</tr>
<tr>
<td>2000-01</td>
<td>4024559</td>
<td>4.61</td>
</tr>
<tr>
<td>2001-02</td>
<td>4205528</td>
<td>4.50</td>
</tr>
</tbody>
</table>

*Source*  Compiled on the basis of progress at a glance, 37th Annual Report, 2001-2002 Uttar Pradesh Sahkari Gram Vikas Bank Ltd., Lucknow
increase of 422.51, 104.22 and 60.86 percent respectively. Though, the progress in membership was not uniform, it was having an increasing and decreasing trend, but overall membership had increases, which show the popularity of the Bank. Keeping its pace of progress in membership it registered 1529960 members in 1985-86, 2241924 members in 1990-91, which was 34.50 and 46.53 percent increase respectively.

After 1991 the progress in membership became slow, it was between 4.50 percent to 8.87 percent till the end of March 2002. Although the progress was slow but the number of members is increasing every year. The total membership of the Bank in the year 1999-2000 was 3847362, in 2000-2001, 4024559 and at the end of financial year 2001-2002 it stood at 4205528 members recording an increase of 6.69, 4.61 and 4.50 per cent respectively.

From the above analysis of the table 9.2 the conclusion can be drawn that the increasing trend of membership of the Banks shows the expansion of its role in agricultural development of the State.

**Branch Expansion of the Bank:**

Branch expansion in any organisation take place when its business expands. Uttar Pradesh State Cooperative Village Development Bank Ltd. has expanded its branch regularly. The Bank started its function with only thirty branches in 1960-61, which gradually increased to 115 in 1965-66 recording a tremendous increase of 283.33 percent. Its branches were 185 in 1970-71, 210 in 1975-76, 247 in the year 1980-81 and 276 at the
<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Branches</th>
<th>Percentage of Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>1965-66</td>
<td>115</td>
<td>283.33</td>
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<td>185</td>
<td>60.87</td>
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<td>1975-76</td>
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<td>1980-81</td>
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<td>7.29</td>
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<td>1990-91</td>
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</tr>
<tr>
<td>2001-02</td>
<td>334</td>
<td>4.05</td>
</tr>
</tbody>
</table>

Source: Compiled on the basis of progress at a glance, 36th Annual Report Uttar Pradesh Sahkari Gram Vikas Bank Ltd., Lucknow.
end of 1990-91 recording an increase of 13.51, 17.62 and 7.29, 4.15 percent respectively. The progress of branches were not uniform every year, there have been up and down trend in branch expansion, but it records a regular growth. Upto the year 1980-81, the percentage increase of branches were more than 13 percent every year. But after 1980-81 and upto the end of financial year 2001-2002 the Bank was having percentage increase between 2 to 7 percent except 1991-92, 1993-94 and 1998-99 when there was no branch expansion. There were 276 branches in 1991-92, which rose to 287, 288 and 298 in the year 92-93, 94-95 and 95-96 respectively recording the percentage increase of 3.99 percent in 1992-93, 0.35 percent in 1994-95 and 3.47 percent in the year 1995-96. The Bank was having 313 branches in 1998-99 and the number reached to 321 branches in 1999-2000, which is 2.50 percent more than preceding year. At the end of the financed year 2001-2002 the Banks has 334 branches in total which is 4.50 percent more than the proceeding year.

From the analysis of above table a conclusion can be drawn that there has been considerable expansion of Bank in rural areas, though an ever increasing network of branches. The branch expansion has purveyed financial help to large number of farmers which in turn contributed to the development of agriculture and consequently the State as a whole.

**Concessions Provided to Small/Marginal Farmers by U.P. State Cooperative Village Development Bank Ltd.**

Keeping in view the handicaps of the small farmers, the land development banks have extended certain concessions in respect of
advancing loans to small/marginal farmers from time to time either on their own policy decisions or as a result of advice/instructions given by agencies like R.B.I., NABARD and the Government. The concessions extended to the marginal and small farmers by the U.P. State Cooperative Village Development Bank Ltd. are briefly enumerated as under:

(1) **Rate of Interest**: Generally small/marginal farmers required low amount of loan, so the rate of interest is also low as compared to high rate it is 13% upto Rs. 25,000/- and 14% upto Rs. 2 Lacs and above Rs. 2 Lacs it is 15%.

(2) **Repayment Period**: It is well known fact that the small and marginal farmers have lower repayment capacity than the big farmers due to their small holdings and the poor economic condition. It is, therefore, recognised that the small farmers need a longer repayment period for the term loan obtained. In general, the loans for construction of wells, tubewells & installation of pumpsets, etc. are given by the U.P. State Cooperative Village Development Bank Ltd. for nine years, but in case of small farmers, the repayment period can be increased upto 15 years consistent with the lower level of repayment capacity.

(3) **Down Payment or Margin Money**: As a matter of policy, no institutional credit is made available for investment in

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agriculture without the borrower having some stake by way of contribution towards a portion of unit cost of proposed development. At present, the down payment or margin money to be invested by small farmer is lower than that of other farmers. It is 5 percent in the case of small farmers and 15 percent in the case of other farmers. In other words, the credit is made available to the extent of 95 percent of the unit cost of investment and rest 5 percent of unit cost of investment shall be made by the beneficiaries of small/marginal farmers category out of their own resources against 15 percent in case of other frames.

(4) **Contribution towards Share Capital:** As a general rule, the prospective borrower has to become a member of the Bank and for this purpose, he has to purchase the shares of the Bank. Generally, LDBs charges the share money on the basis of percentage of loan advanced. The percentage of share money differs from state to state. In Uttar Pradesh the U.P. State Cooperative Village Development Bank Ltd. charges 5 percent of the loan as share money from the borrowers, whereas it is 3 percent in the case of small and marginal farmers. This enables them to avail themselves of loan from the Bank. Moreover, the farmers belonging to the scheduled caste/tribes who are not in a position to deposit the share money, have been provided interest free loan for purchase of shares of the Bank.

(5) **Loan Eligibility:** The loan advanced by the banks to the farmers are secured by the unencumbered first mortgage of
the land of the borrower. The U.P. State Cooperative Village Development Bank Ltd. advances the loans to the extent of 50 percent of the land valuation after proposed development. In case of small farmer, if the land valuation is low, the loan eligibility is determined to the extent of 75 percent of the value of land.

(6) **Subsidy by the Government:** LDB loaning has been coordinated with subsidies available under the IRDP. The small farmers are eligible to subsidy @ 25 percent of the cost of investment. Marginal farmers are eligible to a subsidy @ 33\(\frac{1}{3}\) percent and weaker section farmers can get subsidy to the extent of 50 percent of the total cost of development subject to the maximum of Rs. 5,000.

(7) The expenses for procuring non-encumbrance certificate by the advocate is borne by the bank.

(8) All farmers includes small/marginal farmers are given 1 percent rebate in interest on timely deposit of their installment.

(9) Small/marginal farmers are required to deposit evaluation fee @ 0.5 percent against the normal rate of 1 percent. The maximum evaluation fee is Rs. 100/- only.

**Diversification Programmes undertaken by Uttar Pradesh State Cooperative Village Development Bank Ltd.**

The following diversified schemes have been undertaken by U.P. State Cooperative Village Development Bank Ltd. to provide the supplementary income and employment avenues to the
small/marginal farmers and other weaker sections of the rural community of the State. A whopping amount of Rs. 377.39 crores has been distributed through these schemes in the year 2001-2002 to 124051 members. From its inception to 31st March 2002, Rs.1,728.94. crores have been distributed to 894289 persons under diversified scheme which is 30.31 percent of the total credit disbursed till 31st March, 2002.*

(A) Dairy Development Scheme:— The Bank has introduced the dairy development programme in the State. Loan is provided for purchase of two cows/buffaloes or more to small/marginal farmers for adopting the dairy farming as secondary occupation. The loan amount for 10 better Hybrid cow (Two) is Rs. 21,530/- and for two milk cattle is Rs.23,750/-, the loan is repayable in five years. The total loan of Rs.89,970.68 has been provided by the Bank for dairy development to 367747 persons by the end of March 2002. Among these loans Rs.224.02 crores has been provided to its 66578 persons in the year 2001-2002.

(B) Dunlop Cart: This scheme was started to facilitate the farmers to carry their agricultural produce up to the market and fertilizers and seeds to their fields. The Bank has provided Rs.41.47 crores to 26571 persons in the year 2001-2002, which is 6.10 percent of the total credit provided in this year. The Bank provides Rs.7,300 to Rs.9,300 for the

* By the courtesy of General Manager (Loan) U.P. State Sahkari Vikas Bank, Lucknow.
purchase of Dunlop Cart to each members who make request for it. Since its beginning to the end of March, 2002, the bank has disbursed Rs.352.95.50 crores to its 316163 members which is 6.19 percent of the total credit provided by the end of March, 2002.

(C) Animal Husbandry: Animal husbandry is the main source of income to the small/marginal farmers. Keeping this in mind the Bank has started this scheme. The Bank has disbursed total of Rs.153.44 crores to its 86805 members till the end of March, 2002 which is 2.69 percent of total credit disbursed till above date. In the year 2001-2002, the Bank has provided Rs.28.76 crores to 11818 members under this scheme which is 4.23 percent of the total credit disbursed in this year.

(D) Poultry: Poultry is the best source of income for these farmers who are having small amount of capital. Keeping this view the Bank has started this scheme. The Bank provides Rs.14,100 to Rs.17,100 for one hundred layer of poultry. For the year 2001-2002 the Bank has disbursed Rs.9.57 crores to 2573 members which is 1.41 per cent of the total credit provided in this year by the Bank. Under this scheme the Bank has disbursed a total of Rs.3,214.16 lacs to 15154 members by the end of March 2002 since its beginning which is 0.56 percent of the total credit disbursed till the above date.
(E) **Fisheries:** Fisheries development scheme approved by the NABARD has been launched by the Bank. The Bank provides up to Rs.41,700 for the development of ponds and inputs. These loans are repayable in five years. In the year 2001-2002, the bank has provided Rs.3.66 crores to its 707 members which is 0.54 percent of the total amount disbursed under this scheme. By the end of March 2002 since its beginning, the Bank has provided a total of Rs.21.39 crores to 7581 members which is 0.37 percent of the total credit provided by the Bank.

(F) **Horticulture Development:** The Bank has started a scheme of Horticulture Development. Under this scheme, the Bank has provided Rs.69.92 crores to 15804 members in the year 2001-2002 which is 10.28 percent of the total credit provided in the year.

Under this scheme, the Bank provides loan for growing flowers or floriculture, sericulture and hoticulture. A total of Rs.269.31 crores to 100893 members has been disbursed under this scheme by the Bank since its inception to the end of March, 2002.

**Problems of Diversified Loan Schemes:**

The diversified lending of the Bank has been emphasised to accelerate the living standard of small, marginal farmers and other weaker sections of the society and development of the nation as a whole. But the Bank has not shown that much progress in this regard as envisaged in the planned development of the State. The
reason are numerous but the main problems adversely influencing the progress of the Bank are discussed below:—

(i) **Un-awareness of the Schemes**: The small farmers and other weaker sections lacked knowledge and information about; the potentialities and scope of development of agriculture and other subsidiary activities and also the sources of credit from LDBs and procedures of securing it. It may be mentioned here that the majority of the eligible borrowers belonging to this category are illiterate person and the media used for publicity by the Bank is by brochures, radio, television only. As such, publicity through brochures, etc. has not been of much use. More desirable methods should be for the field staff to contact such borrowers personally and explain to them the salient features of various schemes formulated by the Bank and also the advantage that will accrue. Whenever, the schemes are formulated, details should be brought to the notice of eligible borrowers by contacting them personally or through block development officers: Associations and corporations established in the State for the welfare of these categories of person. It will fruitful to conduct face-to-face inter-action sessions in motivating the rural masses.

(ii) **Land as Security**: Despite the fact that there had been a shift in emphasis from security oriented to production oriented credit, the U.P. State Cooperative Village
Development Bank Ltd., in practice, continues to rely on the land security for determining the loan eligibility. This is noted as a major problem of small farmer and other weaker section as their credit eligibility was restricted due to inadequate security of land. Unless the attitude of the Bank to advance credit against securities other than mortgage of land, particularly for diversified purposes, is changed, the small farmers would not be able to take benefit of Bank's credit.

(iii) **Psychological Fear**: Due to lack of technical knowledge for the projects undertaken by the borrowers out of credit from Bank, the project could not generate the estimated incremental income and often, the project totally failed. As a result thereof, the borrower shall become defaulter and coercive action of the Bank shall make them landless. These actions create a psychological fear in the mind of farmers, i.e., losing la land if the project fails. This is bound to discourage them from taking up any development programme requiring bigger investment through loans, specially LDBs loan. In order to remove psychological fear on the part of marginal/small farmers and other sections in raising bigger loans for capital need, it is suggested that the site scene may be arranged for prospective borrowers to the successful projects undertaken by the borrowers financed by LDB. The beneficiary borrowers may explain to the prospective borrower the techniques of the project, as well as,
benefits and additional income accruing therefore. Such site scenes definitely have an effective impact on the farmers and create a confidence to bear the risk which lead to undertaken the development programmes by them.

(iv) **Rate of Interest:** The multi-agency approach has been adopted to provide the agricultural credit in the state. The Differential Rate of Interest (DRI) scheme has been evolved for distribution of credit to the people in rural areas including scheduled caste/tribes. This scheme requires the Commercial Banks to lend a minimum of one percent of their aggregate advances to the identified persons. The rate of interest shall be charged @ 4 percent per annum on such loans. This enabled the Commercial Bank to accelerate their business for diversified purposes, but this facility is not available to the LDBs. Hence, it is suggested that this benefit should also extended to the LDBs, so that, they should also enhance their lending to marginal farmers and weaker sections.

(v) **Burden of Old Debts:** The Reserve Bank of India is issuing guidelines to LDBs for advancing loans, from time to time, one of the suggestions made by the RBI is that loans should not be advanced for redemption of debts, as far as possible, while it is desirable that most of the loans should be for the productive purposes. Moreover, a clear and maketable title to the land is necessary for bank loans. In case, the farmers are already
indebted to the money lenders etc., which is usually against their land, they do not have clear title to their holdings. As a result, such persons can not obtain the loan from the Bank. If the loan for redemption of such debts are not advanced by the LDB; such borrowers will continue to remain perpetually in debts.

In view of old burden and consequent limitations for growth, it is suggested that for small and marginal farmers the provision of loan for redeeming old debts should be made alongwith development oriented loans.

(vi) **Lack of Extension Services:** Loaneees experience great difficulty in getting suitable technical advice. Virtually, there is no arrangement for this at branch level. In the absence of it, the loaneees are after misled by the vested interests. It is suggested that the bank should also provide the extension services to the borrowers simultaneously with the advancing of loans. For this purpose, the Bank must build up their own technical staff at the State level, district level and also at branch level. They are not only for preparation of schemes and technical appraisal of loans, but also to give guidance to the borrowers on technical aspects and for adopting appropriate technology.

(vii) **Period of Loans:** It is observed that the period of loans are fixed by the U.P. State Cooperative Village Development Bank Ltd. for different purposes in a
mechanical manner without working of borrowers. Thus, the Bank provides loans to the borrowers for fixed period for different purposes which generally vary from 7 to 10 years. There is a provision that the period of loans to the small farmers are extendible upto 15 years which provision is limited in the file only. It may be noted that the shorter loan period to the small farmers have been responsible for increased overdues in LDB to a certain extent.

It is necessary that loans to small farmers should be sufficiently for longer periods to facilitate easy repayments and consistent with their repaying capacity after allowing a large portion of incremental income for meeting consumption need of family.

(viii) Biased Attitude of Bank and Its Employees: The biased attitude of the Bank and its employees is also responsible for slow progress in loan distribution to the small farmers and other weaker sections, as the higher work loan and higher cost in retailing credit and servicing is involved in distributing the target amount to the small farmers and other weaker sections. This is because of small amount of loan and larger number of borrowers and also because of adjustment of part of loans against subsidy. The loans to these categories also required more supervision for its proper use and extension services.

This, the employees favour the big loan viz., purchase of tractors, machinery, etc. which enable them to achieve the target easily. The verification of proper use of such loans is also easy, i.e. merely the possession of the assets purchased out of Bank loan is a sufficient proof.

In order to achieve the objective and social obligation of servicing the economically weaker sector of the community, it is necessary to change the attitude of the Bank, as well as, of its employees. Hence, it is suggested that a specific percentage of a annual disbursement should fixed say 50 percent of annual disbursement for small/marginal farmers and other weaker sections. Further, the State Government should come to the aid of the Bank by providing managerial subsidy if the viability of the bank affected by higher cost involved in retailing credit to small farmers, etc., and servicing of a large number of loans over long period.

(ix) Credit to Defaulters: As a matter of policy and discipline, the Bank do not provide credit to their defaulters even if a small amount which is overdue through the proposed investment in viable activity. Inspite of RBI's directive of March, 1980 that one cultivating upto one hectare irrigated land or upto 2 hectare of dry land, if he was in default to a credit agency under short-term, medium term or long-term, fresh credit
may be provided by a Land Development Bank.\textsuperscript{13} He is treated as a non-defaulter provided the Bank is satisfied that the default was non-willful. The amount of default together with the fresh investment credit should be granted to him which is within the repaying capacity of the borrowers. As a result of this concession, the Bank is in a position to provide credit even to defaulters of past loans/provided, he has capacity to repay the past loan installments and the installments of new loans.

Thus, the Bank should extend the above facility to genuine cases after due consideration of all relevant fact and not as a matter of course.

The ultimate objective of economic growth in developing countries is to seek the well being of its people by raising standard of living and maximising per capital income. In an economic like that of Uttar Pradesh, this warrants for selected approach based on realistic assessment of potentialities available. It is, therefore in this context that our State suggests the development of agriculture as a real potential to stimulate economic growth. Agriculture occupies a major place in the set up of Uttar Pradesh economy. Its development operation has snowball effects over whole of the economy and constitutes the most important constraint by supplying food for the population and some basis raw material for expansion of certain Consumer goods industries. Agriculture industry has indeed become a bulwark of rural economy in shaping its economic destiny.

\textsuperscript{13} Report of Agriculture Credit Review Committee (A review of the Agriculture Credit System in India), RBI, 1983, p. 86
Long-term loans required by the farmers are taken for purposes which are expected to bear fruits gradually over a considerable period of time. Hence, their repayment is expected only out of the net savings of the borrower and not out of his gross which, otherwise, is bound to disturb his normal business and adversely affect the standard of his living. The success of such loans will therefore, depend upon: (i) the amount of loan; and (ii) the manner of repayment. Obviously, the amounts lent must be sufficient for achieving the purpose. The rate of interest must be low and the amortisation must be allowed in convenient annual instalments spread over a sufficiently long period during which the loans must have yielded sufficient return on the investment by the borrower. It is also necessary that the borrower must make full disclosures of his liabilities and the purpose for which the loan is required. The credit must on the proper utilisation of the loan. If fixing up the annual instalments, consideration must be had to the repaying capacity of the borrower. For this purpose, the Uttar Pradesh State Co-operative Land Village Development Bank Ltd. came into existence in the year 1959 to cater the financial requirements of the Agriculturists under long-term programme. It is a poineer Bank which introduced Agricultural Development Scheme in the State for the first time in the year 1968 to cater the financial needs of agriculturists in the State. During the existence the Bank advanced huge amount under Agriculture Development. The overall performance of the bank on account of recovery and loaning for the purpose of agriculture development remained highly remarkable.
Loans Advanced for Agriculture Development

The amounts raised by issuing special development debentures should be utilised for financing NABARD approved scheme. The funds raised through ordinary debentures are utilised for financing various purposes, which are called normal/general loans.

To be eligible for financial support from the NABARD, the Bank has to prepare schemes and get the approval of NABARD. The scheme should have the following qualifications:

Any scheme drawn-up for the development of agriculture production, technical feasible, economically sound and commercially remunerative. It is necessary that the scheme should be drawn – up for specific areas or for certain specified crops and should be compact and composite in character and amenable to close and intensive supervision.21