CHAPTER VIII
CONCLUDING OBSERVATIONS

So far an attempt was made to study the various aspects of the land development banking in the Gujarat State. In this chapter a brief resume of some of the main findings of the study is presented.

Overall Progress:

From the inception of Gujarat State, Co-operative Land Development banking movement has followed a unitary pattern of organisation. Hence the development of co-operative land development banking in Gujarat, is traced with reference to the progress made by the State Co-operative Land Development Bank between 1960-61 to 1972-73.

The Bank operates through the net-work of branches organised at taluka level. The number of branches increased from 101 to 182 over the span of analysis, covering almost all the talukas of the state. The number of members of the Bank increased from 1.53 lakhs to 5.37 lakhs, increasing by more than three and a half times over the period. By the end of the June 1973, the
The quantitative analysis of Bank's advances revealed a phenomenal expansion of credit provided to the farmers, during the period under reference. The loans outstanding increased from Rs.9.8 crores to Rs.112.4 crores, during the study period. The proportion of borrowing members to total members increased from 8 per cent to 97 per cent. The yearly advances of the Bank shot up from Rs.3.76 crores to Rs.19.44 crores. In terms of credit advanced per borrower, Gujarat ranked second only to Haryana in 1971-72. In that year credit per borrower amounted to Rs.6947 in Gujarat, against the all India average of Rs.4532.

Considering the total fresh advances of all the land development banks in India, in the year 1971-72, share of Gujarat state worked out to about 10 per cent,
even though it had only 6.40 per cent of the gross cropped area and only 3.3 per cent of the agricultural work-force of the country.

Geographical Spread of Credit:

In view of the importance attached to the balanced regional economic development in the state, under the Five Year Plans of the State Government, the study of geographical spread of credit assumes special importance. Hence, we conducted an inquiry into the distribution pattern of credit between the various districts of the state and the growth trends of credit in each district for the period 1960-61 to 1972-73. We found that the coverage of Bank's membership in terms of the cultivators ranged from about 5 per cent in Panchmahals district to about 35 per cent in Surendranagar as on 30th June, 1973 as compared with 15 per cent at the state level.

In order to know the exact differences in the levels of credit received by various districts, we have worked out cumulative credit per hectare, of net sown area, for each district for the period 1961-62 to 1969-70. In the state as a whole, credit per district, per hectare of net sown area, increased from Rs.16 to Rs.122 over the span of analysis. The minimum amount of credit per
hectare increased from Rs.0.27 in Vadodara to Rs.56 per hectare in Surat district over the period. Whereas, the maximum amount increased from Rs.59 per hectare to Rs.229 per hectare of net area sown in Junagadh district, which remained at the top of the rank structure of the districts when arranged in descending order of credit. The rank structure on the whole, during the period, was found to be considerably stable. The first four ranks were held by the districts belonging to the Saurashtra region, in most of the years. Two districts of South Gujarat region, Bharuch and Surat retained their positions in the last four ranks throughout the period. Vadodara was the only district to have made notable progress in the rank structure rising from the last rank in the first year to eighth rank in the last year of the period.

The significant and persistent inter-district variations in the credit levels, per hectare of net sown area, gave a clue that some real factors might have influenced the growth of credit in the various districts. Our analysis revealed that three factors namely, average size of land holdings, predominance of cash crops and consumption of fertiliser showed positive correlation with credit. Whereas, rainfall and the proportion of scheduled castes and tribes in total number of cultivators
were found to have negative correlation with credit. The last factor had the most profound influence on credit out of the five identified factors.

Purpose-wise Analysis of Loans:

The purpose-wise analysis of the Bank's advances revealed that throughout the decade of the sixties more than 80 per cent of yearly advances were given for construction and repairs of wells and installation of pump-sets. In 1970-71, the proportion of such advances declined to 77 per cent. In the following two years it was 61 per cent and 66 per cent respectively. The relative decline in loans for minor irrigation was the result of strict technical stipulations laid down by the Bank, since 1972. In some areas the under-ground water table had reached saturation for the purpose of exploitation by new wells and this slowed down the increase in credit. The only other purpose for which loans were advanced on a sizeable scale was mechanisation. Tractors accounted for not more than 10 per cent of yearly advances during the sixties. But in 1971-72, their share of credit shot-up to 25 per cent which further increased to 28 per cent, in the following year.

Considering the cumulative advances of the Bank, upto 30th June 1973, it was observed that about 77 per cent
of credit was given for minor irrigation. Tractors accounted for about 10 per cent and tenancy finance for 3 per cent. In view of the problem of saturation of ground water resources in some areas of the state, it becomes pertinent to identify new purposes for which credit can be advanced in future, if the growth trend in the Bank's credit is to be sustained. There is good scope in the state for lending credit for land improvement and levelling, bunding, construction of cattle shades and farm houses, prevention of soil erosion, plantations, orchards, processing of agricultural produce, pisciculture, sericulture, poultry, dairying, cattle rearing etc. As a first step towards diverting credit to allied activities, the Bank should give up the stipulation of furnishing land as security for advances. Instead, as recommended by the Committee on the Co-operative Land Development Banks (1975), loans should be given against personal security and surety signatures, together with a legal charge created on the land of the borrower, under the co-operative acts.

The large scale investment of the Bank's credit in minor irrigation and tractors has made it the largest financier of these farm assets in Gujarat. By the end of June, 1973, out of the total number of irrigation
wells, pump-sets and tractors in the state, 53 per cent, 45 per cent and 56 per cent respectively, were financed by the Bank. This shows that the Bank's contribution towards creation of modern farm assets in the state was substantial.

Credit to Small Farmers and Backward Areas:

It deserves to be noted that there is an increasing flow of credit to the small farmers in recent years. Our study covering the period 1970 to 1974, revealed that in the first three years, the small farmers — having holdings of less than 2 hectares — accounted for 18 to 20 per cent of total borrowers of the Bank and received about 10 per cent of yearly advances. However, in 1972, special concessions were granted to the small farmers by the Bank in its lending policy. Moreover by that time the operations of the special development agencies established for the benefit of small and marginal farmers also had made some impact on the operations of the Bank. Both these factors pushed up the proportion of small farmers in the total number of borrowers to 28.41 per cent and their share of yearly credit given by the Bank touched the peak of 21 per cent in the year 1972-73. Thus the Bank has been able to meet the minimum requirement (i.e. 20 per cent of total advances to small farmers) of the guideline laid down by the Reserve Bank of India. However,
as the small farmers constitute 43 per cent in the year 1972-73, the Bank should further augment the quantum of credit to the small farmers.

For examining the relative position of the backward region in the state with respect to credit received by the developed region and the state as a whole we divided the state into three regions - agriculturally developed, average and backward. The distribution of Bank's credit was found to be much in favour of the developed region, throughout the period of the Fourth Five Year Plan. As on 30th June 1974, credit in backward region formed about 36 per cent and 53 per cent of credit given in the advanced region and in the state as a whole respectively. The level of credit per hectare, of cultivated area, in the backward region, however, increased from Rs.43 to Rs.92 over the Plan period. Over the period, the growth rate in the level of credit in the backward region was higher than the growth rate in the level of credit in the developed region. In future credit can be diverted to the backward region on a larger scale by preparing special area development schemes suitable to the local conditions of each such area. Moreover, if the allied and auxiliary economic activities are brought in the fold of the Bank's operation, the backward areas can get considerable advantage.
Problem of Overdues:

A disquieting feature to be noted in the working of the bank is the rising trend of overdues which were as high as 61 per cent and 45 per cent of the demand during the years 1972-73 and 1973-74 respectively. Apart from drought conditions some other factors were also responsible for high overdues. They were misutilisation of loans and lack of supervision over the end-use of credit.

Viability of Branches:

On the basis of the norm of Rs. 35 lakhs of outstanding loans for making a branch viable as suggested by the Committee on Co-operative Land Development Banks (1975) and which was found to be suitable for Gujarat, the light of our analysis, the viability position of each branch of the bank was examined. Our analysis revealed that out of the 182 branches in the state, 121 were viable, 24 were potentially viable and 36 non-viable. As one branch was newly organised, it was not covered in our analysis. Thus about one-fifth of the branches in the state were found to be non-viable.

In view of the large credit business the Bank is expected to handle under the fifth Five Year Plan of
the state, it becomes pertinent to make the branch net-
work fully viable in the shortest period possible. A
programme of rationalisation should be formulated and
implemented on a priority basis. All possible steps should
be taken to increase the business turnover of the
potentially viable and non-viable branches. Besides
giving them financial aid and management personnel, efforts
should be made to prepare specific development projects
needed to be financed in each area.

Need for Staff Training:

In view of the rapid expansion of the Bank's loaning
business and the increased complexity of the lending
policy as a result of the introduction of the monetary
and technical discipline, it was imperative to train the
officers and staff of the Bank, so that efficiency of
management is assured at all levels. The Bank has been
successful in imparting training to most of its personnel
working at the top and middle levels. But the position
of training of the junior staff was very unsatisfactory
as not even one-fifth of the staff had been trained.
However, it deserves to be noted that the Bank has recently
organised a training centre in which special courses are
conducted for the junior staff on a regular basis.
Thus, on the whole, land development banking in Gujarat has registered a spectacular progress in recent years and has made a significant contribution to the agricultural development of the State. As a matter of fact, Gujarat has emerged as one of the leading States of India in the sphere of land development banking.