Chapter I

Introduction
CHAPTER I
INTRODUCTION

1.1 INTRODUCTION

According to a well-known saying\(^1\), the Indian peasant is born in debt, lives in debt and dies in debt. The sting in this saying is no longer there. Once, rural debt was regarded as an unmixed evil and a millstone round the neck of the farmers. Now, the times have changed and debt is no longer looked upon as an evil force pushing one to the depths of perdition. Debt is an evil when it is incurred for consumption purposes. However, it becomes harmless and even desirable when it is imposed for productive purpose that serves as an instrument for agricultural development. It injects life into a lifeless agriculture. The recent green revolution in India has clearly demonstrated the role that loans and advances have played in bringing about the transformation of Indian agriculture. As the developmental aspect of credit in rural areas became important, the attitude of the planners and

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administrators towards rural finance underwent a change. Liberal rather than restricted flow of funds to the agriculturists became the desired objective.

For agricultural development, huge financial assistance is needed. The All India Rural Credit Review Committee (1969) estimated that the short-term credit requirements in 1973-74 were likely to be of the order of Rs.2000 crore, while the medium and long term credit needs for the fourth plan period were estimated to be of the order of Rs.500 crore and Rs.2000 crore respectively.

Desai also had estimated the requirements of short-term credit for agricultural production in India for various years. He made alternative assumption about the credit needs of the farmers. On the basis of conservative assumptions, the short term credit requirements of the farmers for agricultural production were estimated to be of the order of Rs.29464 crore in 1984-85. These were expected to go up to Rs.34156 crore, to Rs.40567 crore and Rs.49356 crore in the years 1990, 1995 and 2000 A.D. respectively. Dantwala, with still more conservative assumptions and estimated the total short term credit conservative assumptions and estimated
the total short term credit requirements for agricultural production to be of the order of Rs.35889 crore for the year 1999-2000 (at 1984-85 prices).

According to the Agricultural Credit Review Committee (1989), the total short term credit requirements for agricultural production for the year 1999-2000, were expected to be of the order of Rs.39834 crore.

These estimates were made about a decade or so back. The need for rural credit has in fact, gone up after the economic reforms. However, it is clear that even the earlier estimates for the present period, far exceed the present actual supply of institutional credit, which is the most suitable form of rural credit.

1.2 NEED FOR CREDIT

The growing importance of capital for the transformation of agriculture implied the increased need for credit, when the majority of the cultivators had very little "owned funds" to adopt the new technology. Credit was a powerful instrument for growth which had been described by Schultz in glowing terms. Once that the investment opportunities and

\(^2\text{Ibid., p.555.}\)
sufficient incentives, were provided, farmers would turn even sand into gold. In the early stages of the adoption of the new technology, owned funds were the main sources of finance for the farmers.

It is common knowledge that inadequate short term credit support for investment-credit which was of a long-term nature, often resulted in under production. Besides, when development credit was not forthcoming in areas where short term credit was made available to the farmers, it would be difficult to sustain the higher growth rate of agricultural productivity in such areas by the farmers of those areas. The provision of long term credit without the provision of adequate short-term credit or vice-versa defeats the very purpose of providing credit for the optimum economic development of agriculture. Ever since the breakthrough in the agricultural production technology took place, farm credit comprising about 60 per cent by way of short-term credit and 40 per cent by way of long term credit had played a

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crucial role in stepping up the agricultural production and the employment level in India\textsuperscript{4}.

Shetty was of the view that the credit to any sector should have some relationship with the real output of that sector, and hence the share of the credit measured over a period of time should not be disproportionately larger than the value of the output\textsuperscript{10}.

\subsection*{1.3 NEED FOR AGRICULTURAL FINANCE}

Agriculture in our country was considered as a depressed sector. In Indian agriculture, as the possibilities of the ploughing back of profits were meagre as compared with the other productive economic activities, credit as a source of capital had become a vital factor in the agricultural production function. After the harvest the produce was immediately sold, and the majority of the farmers in India were left with the bare minimum for their day to day consumption needs after meeting their entire production

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{4}S.P. Singh and Mruthyanyaya, “A Study of Cost of Short-term Agricultural Credit for Small and Marginal Farmers of Aligarh District in U.P.”, \textit{Financing Agriculture}, Vol.22, No.4, 1990, p.12.
\end{itemize}
\end{footnotesize}
expenses. Hence for the Indian farmer credit was very important even for the purchase of basic inputs such as seeds, fertilizers and water.

If institutional credit facilities were either limited or absent the greatest exploitation of the farmer took place through the middlemen and the money lenders. Hence the organisation and development of the co-operative credit societies should be regarded as one of the foremost among the first few steps that should be taken up in any plan for pursuing institutional reforms. Credit was one of the most urgent needs of the Indian farmers and without providing proper institutional facilities for advancing credit, other attempts to provide institutional facilities for other related services like co-operative marketing cannot result in helping the farmers very far.

All productive activities required some amount of credit for their sustained development. ‘Credit’ says an old French proverb, “supports the farmer as the hangman’s rope supports the hanged”. Agricultural credit was a problem when credit could not be obtained; it was also a problem when it

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6Tiruppathi Naidu, Farm Credit and Co-operatives in India, VORA and Co., p.12.
could be had; but only in such a way that, on the whole, it could do more harm than good to the farmers.

A farmer who could raise only one crop a year had to maintain not only himself and his family throughout the year, but also had to meet the entire cost of cultivation from out of the proceeds of his single harvest. Some farmers may have the means to do so. But many had to depend only on the credit that might become available to them. Multiple cropping might tend to reduce the duration of credit but not necessarily the required amount of credit. For over two generations, attempts had been made to reduce the debt burden of the farmers, partly by providing relief measures and partly by the provision of institutional credit on easier terms.

Recent changes in the agricultural practices and the progressive adoption of more modern production techniques had resulted in the need for the use of more inputs and this had enlarged the role of the credit. Farmers in the past needed credit for sustaining the traditional method of cultivation but now they needed credit for the purpose of increased and sustained production. The reason was that with the application of more inputs, they could get still larger returns leading to the higher incomes.
During the Seventh Plan period, agricultural production was envisaged to reach an average annual growth rate of 4 per cent. There was hope of a greater stability in agricultural production that ruled out annual fluctuations. The role of the banks was to concentrate on specific areas to serve the selected target groups; for example, the small and the marginal farmers and the farmers in the agriculturally backward areas. In particular, a rapid increase in the production of rice could be achieved; especially in the eastern states and in some of the southern states through specific area programmes. Warehousing and storage, marketing and credit were given a high priority in the Seventh Plan; both for sustaining a better distribution system as also for meeting the input needs of the farmers and also for promoting the agencies supplying those inputs.

In spite of the rural credit survey committee's repeated observation that, co-operation had failed, there had been hardly any efforts to make it succeed. The performance of the co-operative sector in the process of our planned development efforts had been greatly criticised but had not been subjected to a critical analysis.

Those who had the knowledge and enterprise to adopt and develop modern techniques in agriculture found that it was economically worthwhile to borrow larger amounts and invest. By doing so, their capacity to borrow and their creditworthiness also increased. This introduced a new and a dynamic element of competition in getting the available credit and in particular, from the institutional sources. These institutions advanced credit to farmers at a low rate of interest and on more favourable terms.

The need for credit normally depended upon the cost of credit on the one hand and the marginal efficiency of capital on the other. One might, therefore, safely conclude that the introduction of the new technology in agriculture with prospects of higher rates of return on the investments of capital had resulted in an ever increasing demand for external finance, although in an agricultural framework like ours, the subjective discounting of the marginal value of the product of capital by the farmers, owing to certain social and cultural traits associated with traditional societies such as ours, might partly inhibit them from incurring debts in a fully rational manner.

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As is well known, the need for credit in the case of a majority of the cultivators arose from the fact that their farm surplus out of which savings could be mobilized, was low or practically nil. Moreover, their incomes accrued during a particular period of the year, whereas the various expenses on agricultural operations got distributed throughout the year. Of course, even if their incomes were adequate for consumption and spread over the entire year there would still be a need for credit for them for meeting some part of their production expenses.

In addition to the borrowings for agricultural purposes, cultivators frequently resorted to credit for their personal consumption and unforeseen expenses not excluding treatment for serious illness, for marriage expenses and for death ceremonies etc. The agriculturists must shoulder the entire risk of their productive operations themselves. They could not transfer any part of their risk by inducing their lenders to share a portion of their profits. Hence farmers were compelled to borrow fully and shoulder the risks entirely.

Credit was very necessary in agriculture, as it took several months for farmers to receive the returns for their labour and for the supply of their
agricultural produce. The supply of the agricultural produce was seasonal whereas the demand for the produce was spread over the entire year.

According to Sir F.Nicholson, the chief purposes for which agriculturists needed credit were "to pay for the current expenses of the cultivators such as for the purchase of seeds, manures etc., for the purchase of cattle, implements and raw materials to acquire a new piece of land or improve their existing land by improving irrigation, drainage, weeding and planting, to pay off old debts, to build and repair old houses, to purchase food stuffs and other personal necessaries, to pay land revenues to the government, to meet expenses connected with marriage and other social events in the family, to buy jewellery and to conduct law suits"\textsuperscript{9}.

The significance of farm finance had become all the more important under the present conditions of food production. The cultivators could adopt improved farm practices, only when adequate and timely credit was made available to them and at reasonable rates. Agriculturists were the world's greatest producers and credit was the base for their agricultural production.

A good banking system was therefore very essential and this system should be strengthened through co-operative finance.

Co-operative Banks were the best institutions for providing agriculture credit. They could be easily established even in the rural and the remote areas. Co-operative banks established an excellent rapport with the borrowers and assessed the financial requirement of the farmers and took steps for the timely sanctioning of the loans for farming activities. Co-operative banks provided loan for the preparation of land, and for the purchase of seeds, fertilizers, ploughing equipments etc. The crop loan a scheme of the co-operative banks, was a very popular service scheme.

A co-operative credit society was commonly known as the Primary Agricultural Credit Society (PACS). The usefulness of the primary credit societies had been rising steadily. In 1950-51, they advanced loans to the extent of Rs.23 crores. This rose to the level of Rs.9406 crore in 1994-95, and further to Rs.20,665 crore in 1999-2000\textsuperscript{10}. The primary agriculture credit societies had also stepped up their advances to the weaker sections of the society.

\textsuperscript{10}The Tamil Nadu Journal of Co-operation, Vol.92, No.3, June 2000.
1.4 THE GREEN REVOLUTION AND THE DEMAND FOR AGRICULTURAL CREDIT

In recent years, Indian agriculture has undoubtedly witnessed a major technological breakthrough and a progressive commercialisation. The Intensive Agricultural District Programme (IADP) started in 1960-61 envisaged a package of superior inputs in selected districts with assured supply of water. In 1964-65 a programme known as the Intensive Agricultural Area Programme (IAAP) was taken up covering 117 districts to improve the cultivation of selected major food crops in these areas. The real breakthrough came with the large-scale adoption of the high-yielding varieties of seeds (HYV) programme in 1966. It is this which has mainly ushered in what has come to be known as the green revolution.

With these technological changes, the importance of capital in agricultural production in India has been rising remarkably, especially where the HYV and the intensive development programme have been in progress. Based as the new strategy of agricultural development is on the adoption of capital reliant techniques, demand curves for purchased inputs, e.g., fertilizers, pesticides, agricultural machinery and equipment etc., have shifted upwards leading to increased outlays by farmers on various inputs.
And the marginal value productivity of capital in agriculture having increased farmers are likely to have come to depend more and more on non-owned capital or external finance. This, one could postulate, has given new dimensions to the problem of agriculture credit.

The demand for credit, normally depends upon the cost of credit on the one hand and the marginal efficiency of capital on the other. One might, therefore, hypothesize that the introduction of a new technology, with prospects, of higher rates of returns on capital, has thrown up an increasing demand for external finance, although in an agriculture like ours the subjective discounting of the marginal value product of capital by farmers, owing to certain social and cultural traits associated with traditional societies, might still party inhibit them from incurring debts in a fully rational manner\(^\text{11}\).

\(^{11}\)"Credit Requirements for Agriculture" National Council of Applied Economic Research, New Delhi, 1974.
1.5 ROLE OF CO-OPERATIVES IN AGRICULTURAL CREDIT

Co-operative societies had been providing credit to the farmers at a relatively cheaper rates. The All India Rural Credit Survey Committee (1954) had stated that "co-operation has failed; but co-operation must succeed". It was true that the movement had not recorded much of a success before the year 1954. Since 1954, the co-operative credit societies had been meeting the requirements of the farmers in an increasing way. More than 60 per cent of the credit needs of the farmers was met by the co-operative societies and other institutional agencies.

The co-operatives had played a significant and increasing role in the rates of credit, agricultural production, agricultural processing, and agricultural marketing. Co-operative societies had also helped in improving the living conditions of the people in the rural areas;

In India, the number of co-operatives, had increased from the level of 70,019 in the year 1988-89 to 93,278 in 1997-98\(^\text{12}\).

\(^\text{12}\)Indian Co-operative Movement – A Profile, National Resources Centre of National Co-operative Union of India, New Delhi, 2000, p.90.
1.6 FLOW OF INSTITUTIONAL CREDIT OF AGRICULTURE

The total credit flow to agriculture and allied sector during the Ninth Plan (1997-2002) was expected to have reached Rs.2,33,700 crore as against the projection of Rs.2,29,000 crore. For the Tenth Plan Period (2002-2007) the credit flow into agriculture and allied activities from all banking agencies is projected at Rs.7,36,570 crore, which is more than three times the credit flow during the Ninth Plan. The target for credit flow for the agriculture and allied sector for the current year is Rs.82,073 crore (Table 1.1).

1.7 KISAN CREDIT CARD (KCC) SCHEME

The Kisan Credit Card Scheme, introduced in 1998-99, as an innovative scheme to facilitate access to short term credit by farmers, has gained popularity and its implementation has been taken up by 27 Commercial Banks / State Cooperative Banks and 196 Regional Rural Banks throughout the country. The number of Cards issued and the amount sanctioned under the scheme have increased in each successive year since its inception to reach a total of over 271 lakh cards involving an amount of over Rs.64,000 crore by September 2002 (Table 1.2). With a view to generating greater awareness about the scheme so that all the eligible agricultural
farmers are covered under the scheme by 31 March 2004 and to educate the card holders to use the cash credit facility more optimally and efficiently, NABARD has formulated a model scheme to channelise its financial support out of its Co-operative Development Fund (CDF) by way of one time grant to all SCBs and DCCBs, with a budget allocation of Rs.6 crore. The scheme announced in 2002-2003 budget for personal insurance cover for accidental death or permanent disability for the KCC holders (upto maximum amount of Rs.50,000 and Rs.25,000 respectively) has been operationalised by a number of banks.\textsuperscript{13}

\textsuperscript{13}www.indiabudget.nic.in.
TABLE 1.1

FLOW OF INSTITUTIONAL CREDIT TO AGRICULTURE

(Rs. crore)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative Banks</td>
<td>14,085</td>
<td>15,957</td>
<td>18,363</td>
<td>20,784</td>
<td>27,080</td>
<td>35,111</td>
</tr>
<tr>
<td>Percent Share</td>
<td>44</td>
<td>43</td>
<td>40</td>
<td>39</td>
<td>42</td>
<td>43</td>
</tr>
<tr>
<td>Short-term</td>
<td>10,895</td>
<td>12,571</td>
<td>14,845</td>
<td>16,564</td>
<td>21,542</td>
<td>24,711</td>
</tr>
<tr>
<td>Medium/Long term</td>
<td>3,190</td>
<td>3,386</td>
<td>3,518</td>
<td>4,220</td>
<td>5,538</td>
<td>10,400</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>2,040</td>
<td>2,4060</td>
<td>3,172</td>
<td>4,219</td>
<td>4,956</td>
<td>5,745</td>
</tr>
<tr>
<td>Percent Share</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Short-term</td>
<td>1,396</td>
<td>1,710</td>
<td>2,423</td>
<td>3,239</td>
<td>3,415</td>
<td>3,145</td>
</tr>
<tr>
<td>Medium/Long Term</td>
<td>644</td>
<td>750</td>
<td>749</td>
<td>980</td>
<td>1,541</td>
<td>2,600</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>15,831</td>
<td>18,443</td>
<td>24,733</td>
<td>27,711</td>
<td>31,964</td>
<td>41,217</td>
</tr>
<tr>
<td>Percent Share</td>
<td>50</td>
<td>50</td>
<td>53</td>
<td>53</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Short Term</td>
<td>8,349</td>
<td>9,622</td>
<td>11,697</td>
<td>13,480</td>
<td>16,004</td>
<td>17,073</td>
</tr>
<tr>
<td>Medium/Long Term</td>
<td>7,482</td>
<td>8,821</td>
<td>13,036</td>
<td>14,231</td>
<td>15,960</td>
<td>24,144</td>
</tr>
<tr>
<td>Total</td>
<td>31,956</td>
<td>36,860</td>
<td>46,268</td>
<td>52,714</td>
<td>64,000</td>
<td>82,073</td>
</tr>
<tr>
<td>Per cent increase</td>
<td>21</td>
<td>15</td>
<td>26</td>
<td>14</td>
<td>21</td>
<td>28</td>
</tr>
</tbody>
</table>

$ Provisional  @ Estimated
Source : NABARD.
### TABLE 1.2

**NUMBER OF KISHAN CREDIT CARD AND AMOUNT SANCTIONED**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Cards issued (lakh no.)</td>
<td>Amount Sanction (Rs. crore)</td>
<td>No. of Cards issued (lakh no.)</td>
<td>Amount Sanction (Rs. crore)</td>
<td>No. of Cards issued (lakh no.)</td>
</tr>
<tr>
<td>Cooperative Banks</td>
<td>34.95</td>
<td>3606</td>
<td>56.14</td>
<td>9412</td>
<td>54.36</td>
</tr>
<tr>
<td>RRBs</td>
<td>1.73</td>
<td>405</td>
<td>6.48</td>
<td>1400</td>
<td>8.33</td>
</tr>
<tr>
<td>Comm. Bank</td>
<td>13.66</td>
<td>3537</td>
<td>23.90</td>
<td>5615</td>
<td>30.71</td>
</tr>
<tr>
<td>Total</td>
<td>51.34</td>
<td>7548</td>
<td>86.52</td>
<td>16427</td>
<td>93.40</td>
</tr>
</tbody>
</table>

Source: NABARD.

1.8 AGRICULTURAL CO-OPERATIVE BANKS – ORIGIN

Co-operatives in India had merged as they felt the need to solve the problem of credit faced by the agrarian economy; where nearly 70 per cent of the population depended on agriculture for their livelihood. At the beginning of the 14th century, India was exposed to serious problems, such as the small size of the holdings and fragmentation on the one hand and usurious lending and land grabbing by the Indigenous money lenders on the
other. Even the state sponsored loans popularly known as the "TACCVI" loans were discontinued by the first quarter of the 19th century. The problem of Rural indebtedness had assumed alarming proportions. By the middle of the 19th century, the equilibrium of the Indian rural economy was paralysed, distributed to a very great extent, due to the non-availability of credit for the farmers.

Riots and Violence were on the increase. The explosive atmosphere shook both the government and public. The poor economic conditions of the peasants emphasized the need for creating a suitable agency for providing adequate agricultural credit. The remedy for solving the stagnation in agriculture was found by forming the credit co-operatives.

The peculiar feature of the co-operative movement was that it came into existence to meet not only more obvious material requirement of provision of credit to farmers but also to remove the underlying moral deterioration to which the poor farmers had been driven. The Famine Commission of India 1901 had remarked that the probability of the lasting success of the cooperatives would have been greatly strengthened if the rural credit institutions took deep roots and flourished well in the country. Sir
Frederick Nicholson, in his report to the Government of Madras, in 1897, had made a strong plea for the introduction of the co-operative credit societies in India.

As in the case of most of the developing countries, the evolution of the financial institutions in India had reflected the political and economic histories in India to a very great extent. The measures initiated to reduce the rural indebtedness of the farmers and for regulating the money lending activities in the villages had failed to provide a lasting solution to the problem of rural indebtedness. In this backdrop, the state took upon itself the onerous task of providing financial assistance to the rural sector, particularly the agricultural sector on the one hand and in restructuring the rural credit operations of the village co-operative societies on the other. After a detailed study of the then prevailing European systems, the Raiffeisen type of co-operative societies that existed in Germany was considered to be the lasting solution to the problem of the rural farmers in the Indian context. Basically, the approach was to distribute agricultural credit to the agriculturists in the villages.
In order to provide the necessary legislative support to this endeavour the co-operative Societies Act was passed in the year 1904. With this legislative support, the co-operatives were formed in the rural areas, mainly for providing credit for agricultural purposes. The provision of credit through the co-operatives however, was a very limited minimal for quite a long time, and it could account for only 3.1 per cent of the total rural credit that was disbursed in the year 1951-52. Subsequent to India's Independence and following a comprehensive survey of the rural credit system, co-operation was included in the state list in the Indian Constitution. All the states in India enacted their own state co-operative societies acts, replacing the central act \(^{14}\).

The history of the co-operative credit system had been a history of fluctuating periods of growth, stagnation as well as reorganization. Yet, the achievement of the co-operative system could by no means be considered as insignificant. This pertained not only to the credit sector in the system but also to other sectors as well. Towards the end of March 1997, there were 452,657 million co-operative societies at all levels in our country. In terms of members, there were 204,511 million members in all the different types

of societies and the co-operatives had spread widely and taken deep roots in the country. The percentage of the rural population covered by the agricultural credit co-operative societies was a mere 7.8 per cent in the year 1957 but by the 1960-61 it rose to the level of 36 per cent. As on 31st of March 1998, there were 364 central co-operative Banks and 91720 primary agricultural co-operative credit societies, in the short term credit structure and there were 19 state level bential land development Banks and 748 primary land Development Banks in the long term credit structure of the co-operatives.

1.9 FUNCTIONS OF PRIMARY AGRICULTURAL CO-OPERATIVE BANKS

The main function of the primary Agricultural co-operative Bank is to provide short and medium-term credit, supply agricultural inputs and other requisites to the farmers and arrange for the marketing of the agricultural produce. The co-operative Banks are also expected to inculcate the habit of thrift and mobilize the savings of the members.

In the context of the national drive for increasing agricultural production and productivity and the consequent need for making credit
available to the farmers, the primary credit societies have a very important role to play. The old concept of a Bank advancing loans in the farm of cash has now given place to the new concept of providing all types of services such as provisions of seeds, fertilizers and insecticides; so that the farmers may not hesitate to switch over to the new modern methods of advanced cultivation practices. The Primary Agricultural Co-operative Banks, now a days are expected to help in formulating and implementing plans for increased agricultural production for the rural villages. They are also expected to undertake educative, advisory and welfare oriented programmes.

The committee on co-operative credit (1960) had stated that a primary agricultural co-operative Bank should render certain basic services and should also discharge certain other obligations. The more important functions were stated to be the following.

1. To associate itself with all the programmes of agricultural production.
2. To lend adequate amounts of credit to all the producers, specifically to the agricultural producers, and in this process, cater to the needs of the small producers to a greater extent.
3. To address the consumption needs of the smaller producers as well as the agricultural labourers provided the prospective borrowers
were creditworthy and had adequate means for repaying the loans they had borrowed.

4. To equip itself financially by borrowings or otherwise, so as to meet its obligations fully.

5. To attract local savings to the maximum possible extent so that its share capitals well as its fixed deposits might increase steadily and continuously.

6. To make use of its own funds and borrowed funds to the maximum extent.

7. To recover the loans and to see that the loans are repaid promptly and as per schedule.

8. To distribute fertilizers, seeds, agricultural implements and the like either on its own or by way of acting as an agent on behalf of others.

9. To supply certain consumers' goods which were found to be in common demand such as kerosene, rice, sugar and like,

10. To collect or purchase agricultural produce, wherever necessary on behalf of other institutions such as a consumer's society, the marketing society or the government.

11. To provide storage facilities.

12. To associate itself generally with welfare or economic programme, for the benefit of the village community.
1.10 PROGRESS OF THE PACBs IN INDIA

In this section, an attempt has been made to study the progress of the PACBs in India during the period 1993-94 to 2000-01. Table 1.3 presents the progress of the PACBs, in India.

TABLE 1.3

PROGRESS OF THE PACBs IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Societies</th>
<th>Membership (in crores)</th>
<th>Owned funds</th>
<th>Deposits</th>
<th>Borrowings</th>
<th>Working capital</th>
<th>Loans issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>66111</td>
<td>9.20</td>
<td>2095</td>
<td>2722</td>
<td>6959</td>
<td>14089</td>
<td>7158</td>
</tr>
<tr>
<td>1994-95</td>
<td>66178</td>
<td>9.65</td>
<td>2324</td>
<td>2868</td>
<td>8338</td>
<td>15809</td>
<td>8300</td>
</tr>
<tr>
<td>1995-96</td>
<td>87114</td>
<td>8.57</td>
<td>3457</td>
<td>3378</td>
<td>9685</td>
<td>19438</td>
<td>10883</td>
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<td>1996-97</td>
<td>89018</td>
<td>9.21</td>
<td>2785</td>
<td>4028</td>
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<td>12594</td>
</tr>
<tr>
<td>1997-98</td>
<td>93278</td>
<td>9.31</td>
<td>2843</td>
<td>6729</td>
<td>12515</td>
<td>25628</td>
<td>16686</td>
</tr>
<tr>
<td>1998-99</td>
<td>93278</td>
<td>9.32</td>
<td>3064</td>
<td>2528</td>
<td>11425</td>
<td>25628</td>
<td>16686</td>
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<tr>
<td>1999-2000</td>
<td>542231</td>
<td>12.58</td>
<td>6072</td>
<td>2948</td>
<td>11672</td>
<td>39472</td>
<td>17472</td>
</tr>
<tr>
<td>2000-01</td>
<td>542233</td>
<td>12.58</td>
<td>6752</td>
<td>3146</td>
<td>118389</td>
<td>50474</td>
<td>18197</td>
</tr>
</tbody>
</table>

Table 1.3 makes it clear that the number of primary Agricultural Co-operative Banks in India had increased from 66,111 in 1993-94 to 542,233 in 2000-01. The Membership of the PACBs in India had shown a fluctuating trend. It varied between 9.20 crores in 1993-94 to 12.58 crores in 2000-01. The owned funds of the PACBs in India which stood at the level of Rs.2,095 crore in 1993-94 had increased to Rs.6,752 crore in 2000-01. The deposits of the PACBs in India had steadily increased from the level Rs.2,722 crore in 1993-94 to the level of Rs.3,146 crore in 2000-01.

Further, Table 1.3 shows that the borrowings of PACBs in India which stood at Rs.6,959 crores in 1993-94 had increased to the level of Rs.118,389 crores in 2000-01, which is a more than two fold increase. The working capital of the PACBs in India had increased from Rs.14,089 crores in 1993-94 to Rs.50,474 crores in 2000-01. The loans issued which stood at Rs.7,158 crores in 1993-94 had increased to Rs.18,197 crores in 2000-01, registering, a more than four-fold increase.

The number of co-operative banks and the membership of the Primary Agricultural Co-operative Banks in the different states in India are presented in Table 1.4
TABLE 1.4

THE NUMBER OF BANKS AND THE MEMBERSHIP OF THE PACBs IN DIFFERENT STATES IN INDIA (2000-01)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>State/Union Territories</th>
<th>Number of Banks</th>
<th>Total Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Andhra Pradesh</td>
<td>4973</td>
<td>3603</td>
</tr>
<tr>
<td>2.</td>
<td>Arunachal Pradesh</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>3.</td>
<td>Assam</td>
<td>707</td>
<td>707</td>
</tr>
<tr>
<td>4.</td>
<td>Bihar</td>
<td>7057</td>
<td>4235</td>
</tr>
<tr>
<td>5.</td>
<td>Gujarat</td>
<td>8135</td>
<td>4207</td>
</tr>
<tr>
<td>6.</td>
<td>Haryana</td>
<td>2196</td>
<td>2132</td>
</tr>
<tr>
<td>7.</td>
<td>Himachal Pradesh</td>
<td>2181</td>
<td>204</td>
</tr>
<tr>
<td>8.</td>
<td>Jammu and Kashmir</td>
<td>381</td>
<td>204</td>
</tr>
<tr>
<td>9.</td>
<td>Karnataka</td>
<td>4267</td>
<td>2452</td>
</tr>
<tr>
<td>10.</td>
<td>Kerala</td>
<td>1974</td>
<td>1436</td>
</tr>
<tr>
<td>11.</td>
<td>Madhya Pradesh</td>
<td>5863</td>
<td>4759</td>
</tr>
<tr>
<td>12.</td>
<td>Maharashtra</td>
<td>25383</td>
<td>15694</td>
</tr>
<tr>
<td>13.</td>
<td>Meghalaya</td>
<td>180</td>
<td>162</td>
</tr>
<tr>
<td>14.</td>
<td>Manipur</td>
<td>203</td>
<td>11</td>
</tr>
<tr>
<td>15.</td>
<td>Mizoram</td>
<td>355</td>
<td>273</td>
</tr>
<tr>
<td>16.</td>
<td>Nagaland</td>
<td>447</td>
<td>342</td>
</tr>
<tr>
<td>17.</td>
<td>Orissa</td>
<td>3814</td>
<td>2661</td>
</tr>
<tr>
<td>18.</td>
<td>Punjab</td>
<td>4084</td>
<td>3251</td>
</tr>
<tr>
<td>19.</td>
<td>Rajasthan</td>
<td>5248</td>
<td>3768</td>
</tr>
<tr>
<td>20.</td>
<td>Sikkim</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>21.</td>
<td>Tamil Nadu</td>
<td>4595</td>
<td>2133</td>
</tr>
<tr>
<td>22.</td>
<td>Tripura</td>
<td>213</td>
<td>202</td>
</tr>
<tr>
<td>23.</td>
<td>Uttrakhand</td>
<td>8929</td>
<td>7115</td>
</tr>
<tr>
<td>24.</td>
<td>West Bengal</td>
<td>8968</td>
<td>5830</td>
</tr>
<tr>
<td>25.</td>
<td>Andamans</td>
<td>45</td>
<td>28</td>
</tr>
<tr>
<td>26.</td>
<td>Delhi</td>
<td>42</td>
<td>6</td>
</tr>
<tr>
<td>27.</td>
<td>Goa</td>
<td>87</td>
<td>83</td>
</tr>
<tr>
<td>28.</td>
<td>Pondicherry</td>
<td>53</td>
<td>15</td>
</tr>
<tr>
<td>29.</td>
<td>Chandigarh</td>
<td>32</td>
<td>17</td>
</tr>
<tr>
<td>30.</td>
<td>Dadra and Nagar Haveli</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>31.</td>
<td>Daman and Diu</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100604</strong></td>
<td><strong>65787</strong></td>
</tr>
</tbody>
</table>


Note: N.A denotes Not Available.
It could be seen from Table 1.4 that there were 100,604 Primary Agricultural Co-operative Banks in India as on the 31st March 2001. The state of Maharashtra had the largest number of 20,383 Primary Agricultural Co-operative Banks followed by the state of West Bengal with 8,968 Primary Agricultural co-operative Banks. The state of Tamil Nadu had 4,595 Primary Agricultural Co-operative Banks as on that date.

Table 1.4 had disclosed that there were 10,98,32,118 members in the Primary Agricultural Co-operative Banks in India as on March 31, 2001. The state of Orissa had the largest membership of 1,72,28,310 in the Primary Agricultural Co-operative Banks followed by the Maharashtra state with 1,64,88,960 a membership of the Primary Agricultural Co-operative Banks. The state of Tamil Nadu had a membership of 88,85,700 in the Primary Agricultural Co-operative Banks.

Details relating to the working of Agricultural Co-operative Banks in the different states in India as on the 31st of March 2001 are presented in Table 1.5.
**TABLE 1.5**

WORKING OF THE PRIMARY AGRICULTURAL CO-OPERATIVE BANKS IN INDIA AS ON 31ST MARCH 2001

(Value Rs. in lakhs)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>State/ Union Territories</th>
<th>Share</th>
<th>Deposits</th>
<th>Working Capital</th>
<th>Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Andhra Pradesh</td>
<td>44237.00</td>
<td>42411.40</td>
<td>578822.42</td>
<td>365189.95</td>
</tr>
<tr>
<td>2.</td>
<td>Arunachal Pradesh</td>
<td>138.09</td>
<td>NA</td>
<td>190.29</td>
<td>144.67</td>
</tr>
<tr>
<td>3.</td>
<td>Assam</td>
<td>444.19</td>
<td>28783.49</td>
<td>38767.62</td>
<td>717.62</td>
</tr>
<tr>
<td>4.</td>
<td>Bihar</td>
<td>4732.52</td>
<td>4825.65</td>
<td>46445.52</td>
<td>34382.15</td>
</tr>
<tr>
<td>5.</td>
<td>Gujarat</td>
<td>28536.95</td>
<td>10147.41</td>
<td>2885539.80</td>
<td>190694.19</td>
</tr>
<tr>
<td>6.</td>
<td>Haryana</td>
<td>19227.40</td>
<td>10180.00</td>
<td>263730.67</td>
<td>216625.52</td>
</tr>
<tr>
<td>7.</td>
<td>Himachal Pradesh</td>
<td>3831.67</td>
<td>27191.43</td>
<td>45189.51</td>
<td>6829.82</td>
</tr>
<tr>
<td>8.</td>
<td>Jammu and Kashmir</td>
<td>313.97</td>
<td>45.14</td>
<td>3400.75</td>
<td>1341.37</td>
</tr>
<tr>
<td>9.</td>
<td>Karnataka</td>
<td>21681.34</td>
<td>64711.33</td>
<td>228929.86</td>
<td>124091.17</td>
</tr>
<tr>
<td>10.</td>
<td>Kerala</td>
<td>25347.15</td>
<td>448304.63</td>
<td>535552.88</td>
<td>92023.33</td>
</tr>
<tr>
<td>11.</td>
<td>Madhya Pradesh</td>
<td>26849.62</td>
<td>25905.60</td>
<td>280381.09</td>
<td>196699.73</td>
</tr>
<tr>
<td>12.</td>
<td>Maharashtra</td>
<td>73645.40</td>
<td>88240.27</td>
<td>580434.88</td>
<td>363880.66</td>
</tr>
<tr>
<td>13.</td>
<td>Meghalya</td>
<td>210.06</td>
<td>90.57</td>
<td>761.59</td>
<td>447.18</td>
</tr>
<tr>
<td>14.</td>
<td>Manipur</td>
<td>584.66</td>
<td>9050.00</td>
<td>3136.90</td>
<td>37157.00</td>
</tr>
<tr>
<td>15.</td>
<td>Mizoram</td>
<td>152.90</td>
<td>508.07</td>
<td>199.02</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Nagaland</td>
<td>312.66</td>
<td>6419.23</td>
<td>602.74</td>
<td>903.99</td>
</tr>
<tr>
<td>17.</td>
<td>Orissa</td>
<td>21526.15</td>
<td>20674.36</td>
<td>405077.71</td>
<td>99165.56</td>
</tr>
<tr>
<td>18.</td>
<td>Punjab</td>
<td>142583.15</td>
<td>28299.42</td>
<td>209911.14</td>
<td>122403.63</td>
</tr>
<tr>
<td>19.</td>
<td>Rajasthan</td>
<td>18403.74</td>
<td>6624.49</td>
<td>144645.46</td>
<td>82053.28</td>
</tr>
<tr>
<td>20.</td>
<td>Sikkim</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>21.</td>
<td>Tamil Nadu</td>
<td>28951.22</td>
<td>249357.83</td>
<td>544533.55</td>
<td>2603710.93</td>
</tr>
<tr>
<td>22.</td>
<td>Tripura</td>
<td>584.34</td>
<td>40.36</td>
<td>5046.87</td>
<td>29168.33</td>
</tr>
<tr>
<td>23.</td>
<td>Uttrapradesh</td>
<td>20647.00</td>
<td>6820.00</td>
<td>125926.99</td>
<td>97076.36</td>
</tr>
<tr>
<td>24.</td>
<td>West Bengal</td>
<td>6557.10</td>
<td>22264.19</td>
<td>74615.85</td>
<td>2214.82</td>
</tr>
<tr>
<td>25.</td>
<td>Andamans</td>
<td>26.00</td>
<td>4.00</td>
<td>122.00</td>
<td>80.00</td>
</tr>
<tr>
<td>26.</td>
<td>Delhi</td>
<td>1.65</td>
<td>0.75</td>
<td>0.14</td>
<td>NA</td>
</tr>
<tr>
<td>27.</td>
<td>Goa</td>
<td>309.89</td>
<td>553.24</td>
<td>1848.09</td>
<td>512.43</td>
</tr>
<tr>
<td>28.</td>
<td>Pondicherry</td>
<td>362.69</td>
<td>1198.29</td>
<td>3571.25</td>
<td>1191.52</td>
</tr>
<tr>
<td>29.</td>
<td>Chandigarh</td>
<td>6.08</td>
<td>5.83</td>
<td>17.81</td>
<td>2.42</td>
</tr>
<tr>
<td>30.</td>
<td>Dadra and Nagar Haveli</td>
<td>12.00</td>
<td>NA</td>
<td>64.00</td>
<td>178.00</td>
</tr>
<tr>
<td>31.</td>
<td>Daman and Diu</td>
<td>52.00</td>
<td>17.00</td>
<td>176.00</td>
<td>14.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>361943.59</td>
<td>1099616.95</td>
<td>4408333.25</td>
<td>229507.15</td>
</tr>
</tbody>
</table>


Note: N.A denotes Not Available.
It could be observed from the Table 1.5 that the performance of the Primary Agricultural Co-operative Banks in the Maharashtra state had topped the list in respect of their share capital followed by the states of Andhra Pradesh and Tamil Nadu. Kerala state cornered the first place in respect of collection of Deposits, followed by Tamil Nadu. Tamil Nadu maintained the top place as regards the working capital of the primary banks. Andhra Pradesh state had topped the list in respect of their borrowings followed by the state of Maharashtra.

The performance of the Primary Agricultural Co-operative Banks in different states in respect of the loans issued by them, total demand, total overdues and loan outstanding are presented in Table 1.6
### TABLE 1.6

THE PERFORMANCE OF THE PRIMARY AGRICULTURAL CO-OPERATIVE BANKS IN INDIA AS ON 31ST MARCH 2001

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>State/Union Territories</th>
<th>Total Loans</th>
<th>Total Demand</th>
<th>Total Overdues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Andhra Pradesh</td>
<td>202151.42</td>
<td>251669.78</td>
<td>105582.54</td>
</tr>
<tr>
<td>2.</td>
<td>Arunachal Pradesh</td>
<td>74.64</td>
<td>62.77</td>
<td>56.82</td>
</tr>
<tr>
<td>3.</td>
<td>Assam</td>
<td>188.93</td>
<td>1808.72</td>
<td>1749.49</td>
</tr>
<tr>
<td>4.</td>
<td>Bihar</td>
<td>3468.00</td>
<td>31522.38</td>
<td>25656.22</td>
</tr>
<tr>
<td>5.</td>
<td>Gujarat</td>
<td>155700.83</td>
<td>162403.13</td>
<td>77474.52</td>
</tr>
<tr>
<td>6.</td>
<td>Haryana</td>
<td>246924.53</td>
<td>304009.08</td>
<td>74264.13</td>
</tr>
<tr>
<td>7.</td>
<td>Himachal Pradesh</td>
<td>7409.60</td>
<td>9933.31</td>
<td>4132.45</td>
</tr>
<tr>
<td>8.</td>
<td>Jammu and Kashmir</td>
<td>894.18</td>
<td>1771.10</td>
<td>1233.64</td>
</tr>
<tr>
<td>9.</td>
<td>Karnataka</td>
<td>153611.88</td>
<td>121545.88</td>
<td>45963.61</td>
</tr>
<tr>
<td>10.</td>
<td>Kerala</td>
<td>340675.16</td>
<td>325977.86</td>
<td>67271.36</td>
</tr>
<tr>
<td>11.</td>
<td>Madhya Pradesh</td>
<td>106738.38</td>
<td>185953.74</td>
<td>82625.33</td>
</tr>
<tr>
<td>12.</td>
<td>Maharashtra</td>
<td>289124.74</td>
<td>319789.12</td>
<td>158912.29</td>
</tr>
<tr>
<td>13.</td>
<td>Meghalya</td>
<td>208.31</td>
<td>491.49</td>
<td>456.99</td>
</tr>
<tr>
<td>14.</td>
<td>Manipur</td>
<td>35937.00</td>
<td>30603.00</td>
<td>13182.00</td>
</tr>
<tr>
<td>15.</td>
<td>Mizoram</td>
<td>94.86</td>
<td>19.52</td>
<td>16.23</td>
</tr>
<tr>
<td>16.</td>
<td>Nagaland</td>
<td>156.86</td>
<td>663.98</td>
<td>602.38</td>
</tr>
<tr>
<td>17.</td>
<td>Orissa</td>
<td>240471.23</td>
<td>241532.05</td>
<td>52232.23</td>
</tr>
<tr>
<td>18.</td>
<td>Punjab</td>
<td>213899.90</td>
<td>245040.17</td>
<td>43157.31</td>
</tr>
<tr>
<td>19.</td>
<td>Rajasthan</td>
<td>87733.15</td>
<td>102880.50</td>
<td>28747.00</td>
</tr>
<tr>
<td>20.</td>
<td>Sikkim</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>21.</td>
<td>Tamil Nadu</td>
<td>269347.92</td>
<td>229690.65</td>
<td>93755.94</td>
</tr>
<tr>
<td>22.</td>
<td>Tripura</td>
<td>480.65</td>
<td>2258.21</td>
<td>2064.32</td>
</tr>
<tr>
<td>23.</td>
<td>Uttar Pradesh</td>
<td>79747.00</td>
<td>121663.94</td>
<td>51586.94</td>
</tr>
<tr>
<td>24.</td>
<td>West Bengal</td>
<td>36580.00</td>
<td>29092.52</td>
<td>27465.00</td>
</tr>
<tr>
<td>25.</td>
<td>Andamans</td>
<td>80.00</td>
<td>120.00</td>
<td>33.60</td>
</tr>
<tr>
<td>26.</td>
<td>Delhi</td>
<td>3.07</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>27.</td>
<td>Goa</td>
<td>978.00</td>
<td>911.49</td>
<td>247.18</td>
</tr>
<tr>
<td>28.</td>
<td>Pondicherry</td>
<td>1154.39</td>
<td>1359.35</td>
<td>502.89</td>
</tr>
<tr>
<td>29.</td>
<td>Chandigarh</td>
<td>5.80</td>
<td>10.16</td>
<td>7.20</td>
</tr>
<tr>
<td>30.</td>
<td>Dadra and Nagar Haveli</td>
<td>1.00</td>
<td>2.00</td>
<td>0.00</td>
</tr>
<tr>
<td>31.</td>
<td>Daman and Diu</td>
<td>16.00</td>
<td>31.00</td>
<td>17.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2473857.43</td>
<td>2722816.90</td>
<td>958996.61</td>
</tr>
</tbody>
</table>

Source: Indian Co-operative Movement – A Profile, National Resource Centre of the National Co-operative Union of India, New Delhi, 2002, p.108.

Note: N.A denotes Not Available.
Table 1.6 exhibits the performance of the PACBS in various states. Maharashtra state had stood first in respect of the total loans issued followed by Tamil Nadu and Kerala. Tamil Nadu occupied the top position in respect of total demand followed by the Maharastra and the Kerala states. Maharastra state had topped the list as regards total overdues from members followed by Tamil Nadu and Kerala. In respect of total loan outstandings, Tamil Nadu state had stood first in the list followed by the Maharastra and the Kerala states.

1.11 PROGRESS OF PACBs IN TAMIL NADU

Tamil Nadu had been in the forefront of co-operative development ever since the movement had started in India. The first village Co-operative credit society in Tamil Nadu was started at Tirur in the Chinglepet district in 1904. In Tamil Nadu, as in the many other states of India, the societies had become multipurpose co-operative societies providing credit, marketing services and a number of other related services from the early sixties. Table 1.7 presents details relating to the progress of the primary co-operatives banks in Tamil Nadu.
TABLE 1.7
PROGRESS OF THE PACBs IN TAMIL NADU

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Societies</th>
<th>Membership (in crores)</th>
<th>Owned funds (in crores)</th>
<th>Deposits (in crores)</th>
<th>Beneficiaries' capital (in crores)</th>
<th>Working capital (in crores)</th>
<th>Loans issued (in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>4602</td>
<td>78.06</td>
<td>107.08</td>
<td>216.69</td>
<td>725.08</td>
<td>1452.55</td>
<td>509.31</td>
</tr>
<tr>
<td>1994-95</td>
<td>4547</td>
<td>78.06</td>
<td>94.52</td>
<td>118.74</td>
<td>840.33</td>
<td>972.79</td>
<td>392.85</td>
</tr>
<tr>
<td>1995-96</td>
<td>4597</td>
<td>76.02</td>
<td>128.94</td>
<td>384.26</td>
<td>874.21</td>
<td>1448.38</td>
<td>523.67</td>
</tr>
<tr>
<td>1996-97</td>
<td>4597</td>
<td>76.42</td>
<td>128.95</td>
<td>302.26</td>
<td>874.22</td>
<td>1448.39</td>
<td>523.68</td>
</tr>
<tr>
<td>1997-98</td>
<td>4566</td>
<td>77.35</td>
<td>207.71</td>
<td>422.80</td>
<td>1063.09</td>
<td>1972.11</td>
<td>778.19</td>
</tr>
<tr>
<td>1998-99</td>
<td>4548</td>
<td>80.51</td>
<td>356.96</td>
<td>781.13</td>
<td>1252.25</td>
<td>3223.78</td>
<td>1808.42</td>
</tr>
<tr>
<td>1999-2000</td>
<td>4589</td>
<td>79.69</td>
<td>205.27</td>
<td>1100.23</td>
<td>1901.27</td>
<td>3439.15</td>
<td>2345.15</td>
</tr>
<tr>
<td>2000-01</td>
<td>4585</td>
<td>83.40</td>
<td>270.46</td>
<td>2196.13</td>
<td>2281.03</td>
<td>4747.66</td>
<td>3111.28</td>
</tr>
</tbody>
</table>

Source: Indian Co-operative Movement-A Profile National Resources Centre of the National Co-operative Union of India, New Delhi, 2002, p.90.

From Table 1.7 it could be seen that the growth in the membership of the PACBs in Tamil Nadu had shown an increase from the level of 78.16 lakhs in 1993-94 to the level of 83.40 lakhs in 2000-01. The share capital of the PACBs in Tamil Nadu had increased from 107.08 crores in 1993-94 to Rs.270.46 crores in 2000-01 registering a more than two fold increase.
Further, it could be noticed from the Table 1.7 that the deposits of the PACBs in Tamil Nadu which was of the order of Rs.216.69 crores in 1993-94 had significantly increased to the level of Rs.2,196.17 in 2000-01, recording a ten fold increase. The borrowings of the PACBs in Tamil Nadu had increased from 725.08 crores in 1993-94 to Rs.2,281.03 crores in 2000-01. The working capital of the PACBs in Tamil Nadu which stood at 1452.55 crores in 1993-94 had jumped to Rs.4,747.66 crores in 2000-01, registering a more than four fold increase during that period. Similarly the loans issued by the PACBs had also increased from Rs.509.31 crores to 1993-94 to Rs.3,111.28 crores in 2000-01.

1.12 STATEMENT OF THE PROBLEM

Co-operative Banks are the best institutions for providing agriculture credit. They could be easily established even in rural and remote areas. Co-operative banks established an excellent rapport with the borrowers and assessed the financial requirement of the farmers and took steps for the timely sanctioning of the loans for farming activities. Co-operative banks provided loan for the preparation of land, and for the purchase of seeds,
fertilizer, ploughing equipments and the like. The crop loan scheme of the Co-operative banks was a very popular service scheme.

The present study is an attempt in this direction and plans to assess the impact of the provision of agricultural credit on agricultural production in the Thoothukudi District. It is believed that a study of this type would help the planners to formulate suitable schemes and strategies to increase the agricultural production.

Many studies had shown that there had been a high impact of the bank loans on agricultural development through an increased yield, greater financial stability of the beneficiary and accent on the larger adoption of improved crop technology. The impact of the bank loan in the study area demonstrated the irrefutable fact that the majority of the respondents had increased the use of the improved seeds, the fertilizers and the implements leading to better irrigational facilities. It was very difficult for the ordinary farmer to cope with the rising expenditure and adopt the improved agricultural practices without help from the banks. The availability of credit was a major factor that influenced the capacity as well as the decision making tendency of the farmer in adopting modern techniques. The
significant difference between the beneficiary and the non-beneficiary in the adoption of modern technology had obviously contributed to the differences in the productivity of the lands. Farmers were able to spend more money for adopting the innovative practices with the help of these co-operatives, and as a result there had been a significant and remarkable increase in the agricultural production.

To put it in a nutshell, the present study attempts to analyse the impact of the agricultural credit on agricultural production with reference to plantain cultivation through a close scrutiny of the beneficiary and the non-beneficiary groups of farmers in Thoothukudi District.

1.13 OBJECTIVES OF THE STUDY

The major objectives of the study were to examine the impact of agricultural credit on production with reference to the plantain cultivation and find out how far the credit had helped the farmers to cope with their expenditure among the beneficiary and non-beneficiary groups and different size groups.
The specific objectives of the present study were:

1. To study the trend and growth of the loans issued, recoveries of loans, outstanding loans and over dues of the co-operative bank in the Thoothukudi District.

2. To analyse the farm structure and the investment pattern of the agricultural credit of the sample farmers in the study area.

3. To measure and compare the costs and the returns of the beneficiary and the non-beneficiary groups of farmers cultivating plantain.

4. To examine the nature and the extent of the inequalities in the distribution of the per acre value of the net incomes of the different size groups of the beneficiary and the non-beneficiary.

5. To study the impact of the agricultural credit on agricultural production.

6. To examine the structural differences between the beneficiary and the non-beneficiary groups of farmers through the impact of agricultural credit.

7. To analyse the problems faced by the beneficiary for obtaining agricultural credit from the co-operative banks.
1.14 LIMITATIONS

No records were maintained in the farms studied. Hence, the cost and return particulars were obtained orally from the farmers. The accuracy was limited by their recall bias. However, to minimise the lapses of memory, suitable cross checks and rechecks were made so that the final figures arrived at were more on less dependable.

This is only a sample survey in a limited area (Thoothukudi District) for a specific time-period of one crop-year (2002-03). Hence, the generalization of findings must be done with care.
1.15 SCHEME OF THE WORK

The report of the present study has been organised and presented in seven chapters.

Chapter I introduces the subject and discusses the development in the field of Indian agriculture, the role of credit in agricultural development, origin of the co-operative banks, agricultural development in Tamil Nadu and Thoothukudi District, the statement of the problems, objectives, limitations and the schemes of the work.

Chapter II attempts to review the earlier studies in relation to agricultural credit in India. Further, it describes the Methodology adopted including the choice of the study area, the sample design, the collection of the secondary, and the primary data, and the method of analysis and the tools of analysis.

Chapter III discusses the profile of the study area in terms of the rainfall, the land use pattern, the agricultural holdings, the sources of irrigation, the area under major crops, the yields of the major crops, the operations of the financial institutions and the infrastructure facilities and the
like. Further it discusses the characteristics of the sample beneficiaries’ and non-beneficiaries’ groups.

Chapter IV analyses the flow agricultural credit, and the investment pattern in agriculture, in terms of the financial and the physical assets.

Chapter V measures and compares the costs, returns and income distribution of the beneficiaries’ and the non-beneficiaries’ in the study area.

Chapter VI studies the impact of the agricultural credit on agricultural production and the problems faced by the beneficiaries’ groups.

Chapter VII presents the summary of findings, conclusions, and suggestions based on the findings and also on the policy implications.