CHAPTER - II

REVIEW OF LITERATURE
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According to Nicholson, the main purpose for which an agriculturist needed money was to pay for current cultivation expenses and for family expenses. The agricultural credit was not only essential but was also inevitable for the farmers and as such it should be considered neither as objectionable nor as a sign of weakness.¹

Studies conducted by C. Clerk indicated that there was a positive correlation between the credit requirements and the improved techniques.²

S.S. Johl and B.P. Singh had found that in Punjab, the government and the co-operative institutions were not meeting the full requirements of the development finance required by the farmers.³

Chowdhery had discovered that the credit requirements of the farmers were of different types and were for different purposes. For example the seasonal credit needs were for meeting the various current input requirements such as for the purchase of seeds, fertilizers and pesticides; medium term credit requirements were for the purchase of seeds, drills sprayers and the like and the like and long term credit needs were for purchases such as leveling of land for the construction of cattle sheds and the like.⁴

Desai and Tambad had indicated that a high proportion of the farmers were eager to obtain credit at low rates of interest as also with an extended payment period.\(^5\)

Athavale et.al., reported that the co-operative credit was used mainly for the purchase of seeds, fertilizers and pesticides. For the other input, farmers usually relied on their own funds.\(^6\)

The Reserve bank of India viewed credit as the amounts made available to the agriculturists for developing the farm and for meeting their cultivation, domestic or marketing expenses to be repaid with interest at a later date.\(^7\)

Sharma and Prasad had felt that credit, in addition to savings was an important source for meeting the ever-increasing capital needs of agriculture.\(^8\)

Garg had made an attempt to estimate the credit requirements of farmers in the changed pattern of agriculture and had concluded that the provision of credit had helped not only in increasing the total farm production and the income of the farmers but also the rate growth of the national economy.\(^9\)

Sharma and Prassad had studied the credit needs of the farmers of different farm sizes and of different regions and at different stages of technological development in agriculture. The study had revealed that irrigated


\(^7\) Reserve Bank of India; *Report on Credit Guarantee Corporation of India*, Bombay, 1971, p.65.


Singh and Misra had reported that the cultivators took loans from the different institutions, mainly for their irrigational structuring for the repayment of old debts, and for the purchase of manures fertilizers and seeds.\(^\text{15}\)

E.F. Rawat had felt that credit was an important input in the production process either in agriculture or in the industrial sector.\(^\text{16}\)

According to K. Sain Co-operative credit can also result in the upliftment of agriculture by encouraging the farmers to increase their own irrigation potential to enable them to use Chemical fertilizers, high yielding varieties of seeds, pesticides and adopt the modern techniques so that they can adopt the multiple cropping patterns.\(^\text{17}\)

G.N. Singh had also reported that, on an average about 73.71 percent of the co-operative loans were utilized for productive purposes. As the size of the farm increase the utilization of the loans had also increased.\(^\text{18}\)

Krishnasamy had assigned an important role to the framework of a multi-agency approach comprising co-operatives, the commercial banks and the Regional Rural Banks, in meeting the credit needs of the farmers.\(^\text{19}\)

Rawat had defined credit as an important input in the production process, both in agricultural as well as the Industrial Sector.\(^\text{20}\)


P.H. Casselman stated that, “it is an economic system with social content.” The service co-operative is an organization of villagers who have willingly combined for mutual help and co-operation in meeting their common economic requirements and increasing agricultural production.  

Seligman observes that, “Co-operation means the abandonment competition in distribution and production and the elimination of middlemen of all kinds.”

According to Mr. Calvert, “Co-operation is a form of organization wherein the persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interests of themselves.”

The study undertaken by J.M. Mulan had revealed that the provision of co-operative agricultural credit in Gujarat had not only strengthened the productive capacity of the small land holdings, but had also helped those small farmers in raising their standard of living.

Co-operation means working together. Co-op is a form of organization in which persons voluntarily associate together on the basis of equality for the promotion of their economic interests, co-operation is well defined in the public administration and it has its meaning properly explained at different levels. “Co-operation” is derived from the Latin word cp-operari ‘Co’ means

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23. J.M. Mulan, Co-operative Changes and Face of Gujarat Villages, Kissan World, April, 1988, p.27.
with and operate means to work. According to E.R. Bowen, "Co-operation is
the Universal instrument of creation."  

Narayanaswamy N. in his article titled, “Management Accounting in co-
operatives”, has analysed several reasons for non-introduction of management
accounting the co-operative sector one of the reasons is that the personnel in
the co-operative sector is trained mainly in the traditional system of
accounting. Another reasons is inadequate staff strength in the accounts
department in many co-operatives. This highlights the need for maintaining
proper cost accounting records in manufacturing concerns under the co-
operative sector.  

Holyoake called it “as a voluntary concert, with equitable participation
and control among all concerned in any enterprise.”

Kulwant Singh in his work entitled “Co-operative Agricultural credit
utilization in Himachal Pradesh,” had analysed and concluded that in recent
years, the requirements of agricultural credit had assumed significant
dimensions due to the increasing thrust in the development of new technology
in the agricultural sector.  

B.B. Sahoo stated that the co-operatives were the only institutions
providing credit to agriculture till commercial banks emerged on the scene.

25 Narayana Swamy.N., Management Accounting in Co-operative, The Tamil Nadu Journal of
26 Kulwant Singh, Co-operative Agricultural Credit Utilization Himachal Pradesh, Finance
The expansion of co-operative banks during 1950-51 and 19689 – 70 was relatively higher than that during 1969 – 70 and 2002 – 03.\textsuperscript{27}

According to James Mathew the co-operatives in the country face lot of challenges however, they are capable of converting these challenges into opportunities. What is most required is a political will to make the co-operatives competent. Only than the co-operatives will become sustainable financial institutions capable of meeting the credit needs of the weaker sections.\textsuperscript{28}

According to Y.S.P. Thorat the institutional structure of rural credit as it obtains today consists of four sets of institutions viz., the commercial banks both nationalized and private RRBs (sponsored by commercial banks) Short Term Co-operative Credit Structure (STCCS) and the State Co-operative Agriculture and Rural Development Banks (SCARDB) with Primary Agriculture and Rural Development Banks (PARDBS) affiliated to them.\textsuperscript{29}

Smita Mehrotra and Sunita Mathur had reported that the total credit flow to agriculture in the Nineth plan (1997 – 2002) amounted Rs.2,29,956 crores. A substantial jump in the credit flow to agriculture is envisaged in the tenth plan (2002 – 07) which is projected at Rs.736,570 crore almost three times the 9th plan achievements.\textsuperscript{30}

\textsuperscript{27} B.B. Sahoo, Primary Lending Institutions And Rural Credit Evolution Growth and Challenges, \textit{Kurushetra} 54(2): 2005, p.39.
M. Vasudevulu Naidu and Mrs. Rukman Reddy had indicated that institutional source of credit is continuously increasing since a long time. But there are some problems like in adequate finance and outdated as well as in appropriate institutional frame work are the twin problems and of the two, institutional reforms are needed immediately requiring changes in mindset and redefining the role of government, Politicians, intellectuals and farmers all need to accept that small loans are more expensive and must be priced accordingly. Vasudevulu Naidu and Rukmini had studied Indian agriculture has witnessed remarkable changes in the post – Independence decades. The most striking aspect of the transformation has been in the production of food grains where we have converted a deficit – prone country with concerns of widespread starvation to a situation of plenty. The increase in production was made possible by expansion of irrigation spread of new technology and additions to rural infrastructure like roads, market yards and warehouse.\textsuperscript{31}