REVIEW OF LITERATURE

Review of literature is an integrat part of the research. "Six weeks in library is equivalent to six months in the field," is what the researchers have said. Review helps in exploring the theory on the problem of research and which ultimately helps in formulating hypothesis for the empirical works. It also helps in developing a methodology for fact finding and finally it would save the research of sources in terms of man, money and time by avoiding repetitions of what has already been done by the past researchers in the problem under the research.

Bhargava and Shah¹ (1968) analysing the data for Tarai region of Uttar Pradesh observed that the credit needs at the small farmers were meant for fertilizers, hired labour, pump sets, land improvement and buildings. However, the credit needs of small farmers had high linkage with their demand for installation of pump sets whereas credit requirements of the medium and large farmers were more related to the demand for tractors.

From a study Ghosh² (1969) observed that investment per acre in traditional farms did not very considerably among the different size groups. But in modernized

farms investment per acre for different purchased inputs was much higher in the large size farms than that of medium and small farms. Further, it was found that the investment on traditional farms was just to maintain the existing level of production. The level of internal and external funds were the barriers for them to escape the low level equilibrium trap. All types of farms small, medium and large not only responded positively to the new technology but also showed their readiness to invest on the requisite items.

Singh and Singh (1968) have argued in their paper that any development programme which is socially desirable and technically possible be made financially feasible and for that the following consideration should be satisfied. (i) Finance means must be sufficient to make necessary payments; (ii) It is imperative to keep the cost of financing as low as possible. (iii) Timing of loan, conditions of repayment and other terms should be suited to the convenience of the borrower and not lead to social embarrassment. The L.D.B. fulfils all the above criteria and may be entrusted to advance loan on the basis of top priority for agricultural development.

Ramesh & Podar\textsuperscript{4} (1969) in their study indicated that agriculture needs not only short-term credit for purchase of seeds, fertilizers and pesticides but also medium and large-term credit for equipment like tractors. It should be possible for banks to provide short-term and medium-term credit to agricultural sector. Banks have to cater to the credit requirements of all the sectors. With the nationalisation of banks, Government will be able to give a purposive direction to credit, taking into account national priorities and plan requirements.

Agarwal\textsuperscript{5} (1971) in his studies found out that 87% of the credit is utilized for the productive purposes and 13% is for non-productive expenditure, which provides disincentive to the institutional agencies to function with good zeal towards cultivators. Another disquietening feature arises from the unsatisfactory repayment of the loan as scheduled. Thus the study shows phenomenal growth of institutional credit facility, of which the commercial banks are contributing a major portion, whereas, other institutional agencies do not provide dependable clues on account of misuse and non-repayment of credit. It may be recommended that

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\item Ramesh and Podar, "Credit channelisation will have purposive direction," \textit{Yojna}, Vol. XIII, No. 16, 1969, pp. 19-20.
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credit should be advanced to only those farmers who have adopted new technology.

Bhatia et al.\textsuperscript{6} (1971) attempted to study the quantum and form of credit needs of farmers under three synthetic situations. Budgeting technique was used to estimate the credit requirements of second and third situations. The percentage of borrowed capital to the total inputs used per hectare was higher under small holdings. Further, it indicated that under existing situation the quantum of credit taken per hectare has negative correlation with size of holding. The supply of credit increased the income by 20.06\% at a recommended level of technology and 97.09\% with modern technology with high yielding varieties.

Dasgupta and Dutta\textsuperscript{7} (1971) undertook a study of three types of villages (i) partially irrigated, (ii) unirrigated and (iii) with relative greater emphasis on mixed farming of Dhankamal district where Small Farmers Development Agency has started functioning. Thirty farmers owning 2 - 8 acres of land with due stratification were randomly selected out of them. For the present study it has been assumed that consumption expenditure is not likely to change with the

\textsuperscript{6} Bhatia, M.S. et al. Quantum and form of credit need of the farmers in district Basti, Uttar Pradesh. \textit{IJAE}, Vol. XXVI, No. 4, p. 564.
Girdhar Sharma et al. (1971) had estimated credit requirements based on economic feasibility tests. The farm was reorganized by increasing the area under income prospective crops and introducing improved package of practices along with tractor cultivation. To implement the alternative plan a credit proposal was introduced for advancing Rs. 7,650.97 and Rs. 12,500 under short and medium term credit respectively. To judge the soundness of the credit proposal economic feasibility tests were applied. In the alternative plan, the additional returns to fixed factors were Rs. 14,358.74 and the net marginal returns were Rs. 16,249.71 which was sufficient to repay the total loan instalment of Rs. 11,722.66. To account for probable risks at 99% level of confidence, gross income was deflated repaying capacity was sufficient to pay all the respective loan instalment.

Harwant Singh and Kahlan (1971) observed that there was increased short term capital requirement with the increase in size of farm and higher level of technology. The alternative plans indicated increased need for both short and medium term credit.

Mahendra D. Desai and Bharat D. Naik\(^\text{10}\) (1971). The demand for credit for cultivation of high yielding varieties would remain low in the coming few years on account of the following reasons:

(a) The pace of adoption of high yielding varieties has been slow. The pace will remain slow if the tendency of prices of agricultural commodities to fall, as witnessed in the recent years, persists because the profitability of crops, including high yielding varieties, will also be reduced if the input prices do not decline.

(b) There appears to be lack of sufficient confidence in the new varieties among those who adopt them. This lack of confidence adversely affects the level of adoption of recommended inputs and practices, keeping the input expenditure low and thereby reducing the need and demand for credit.

(c) The scope of providing massive institutional credit does not seem large because of the low coverage of farmers by cooperative credit institutions, in particular the coverage of those sections of cultivators who would need for cultivation of high yielding varieties has been extremely low. Also, in view of the complexity of the

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problem of the extending effective institutional credit support to needy small farmers rapid spread of high yielding varieties programme among them can not be expected.

(d) The benefit of other sources of institutional credit, specially commercial banks, seems to have gone to above average farmers and to corporatively well developed area. Unless banks make determined efforts to provide credit to the needy areas and needy farmers, the demand situation in regard to such credit would not improve markedly.

Sharma et al. 11 (1971) conducted that an adequate use of credit increased the income. Substantially even at the prevailing stages of technology. A situation of adoption of improved technology without any credit did not increase the income of the farmers significantly. But a situation of adoption of improved technology with adequate credit facilities almost doubtful of the income of the farmers in both the situations.

Singh et al. 12 (1971). The study has been made to examine the level of use of credit and rationale of its allocation between different farm inputs on the progressive

and the less progressive farms in Varanasi district of Uttar Pradesh during the year 1968-69. It was found that the progressive farmers are using the credit in the right direction along with its nearly rational allocation between fertilizers and owned irrigation equipment as reflected through nearly equal marginal return per unit of cost of credit in these two resources. But the less progressive farmers are making rational use of credit in the purchase of draft cattle. Although they channelize credit for the purchase of fertilizer and developing owned irrigation facilities, they are not making rational allocation of credit fund between these two resources because the marginal return per unit and credit cost is not equal.

Since the productivity level of owned irrigation equipment and fertilizers on the appropriate for these farms to increase the credit level and channelize it to these two resources to maximize farm net return.

Singh and Kahlon 13 (1971) undertook a study of the pattern of loan advances made by the State Bank of Patiala, their recoveries and assessment of the credit needs of small,

medium and large sized holdings at Bhupchar block, district Patiala. They have opined that the small farmers got the large share of the bank loans and they obtained more of production loans as compared with the medium and large sized cultivators because the later used their own funds for the purpose but obtained more of medium and large term funds from the bank. There was an increase in the number of loans for the production and instalment credit.

Sharma et al.\textsuperscript{14} (1971) undertook a research project to assess the credit needs of different categories of farmers in two regions of Uttar Pradesh. Results reveal that at the current level of technology farmers in Tarai would need on an average amount of Rs. 113 per acre in the form of production credit. In Rampeet the production credit requirements would be of the order of Rs. 156 per acre. At the improved level of technology per acre credit needs shall be around Rs. 332 in Tarai and Rs. 341 in Rampur district. On the basis of the results obtained above, it is projected that at the existing level of technology, the total production credit requirements shall be around Rs. 11.4 million in Tarai and Rs. 68.1 million in Rampur. In order to let the farmers make full use of improved technology, production credit amounting to Rs. 387 million and Rs. 130 million shall be required in Tarai and Rampur districts respectively.

Swackhamer and Brickson\textsuperscript{15} (1971) attempted to estimate the existing credit needs of the U.S. Agriculture and projected it for the year 1980. It was observed that the credit needs shall rise from 91,000 million dollars in 1980 to 140,000 million dollars in 1980. The farm credit system of the United States will need an addition of 3,000 million dollars annually by 1980 to meet the anticipated demand. It can be concluded from the literature reviewed above that no work has been done at the micro level to reveal the potential for credit and capital formation in farming. However, under same studies, the aggregative estimates of credit have been made at the micro level. These studies are alright from the view point of policy planning but are not of much use from the view point of lending and borrowing. It is never sufficient to make global estimate of agricultural credit requirements. They have to be made for different States and regions. In other words the all India estimates of demand for agricultural credit needs to be broken down State-wise and district-wise according to various categories of communities, as such estimates help neither the lenders determining the credit needs of cultivators in their areas of operation nor do they help the cultivators to plan their borrowing and investment activities.

It was with a view to emphasizing the need for and usefulness of disaggregative approach to policies and their implementations by the executives of institutional credit, the present study was undertaken.

Arputharaj et al. 16 (1972) This study have brought out the usefulness of the discriminate function approach to classify the borrowers into the categories of repayers and defaulters, which could be useful for the financing agencies as well as the borrowers themselves for understanding the magnitude of risks involved in obtaining credit for agricultural production and its impact on farm income and repaying capacity.

Secondly among the many factors concerning the repaying capacity, extension contact and prices were found to be highly significant in effecting the repaying capacity of the borrowers.

Thirdly, the study revealed that the risks involved both in lending and in borrowing and any plan to cover the risks such as crop-insurance may employ the technique and its usage.

Pandey\textsuperscript{17} (1972) studied credit needs in changing agriculture in Deoria and Varanasi districts. The study concluded that farmers need cash for buying annual inputs and carrying out operations on their farms. It was estimated that credit need at the improved technology in Varanasi was on an average Rs. 739.00 per hectare whereas in Deoria it was Rs. 715.00 only. In Deoria the total credit needed was Rs. 345.77 lakhs at the existing technology of which about 31, 37 and 32 per cent were required by large, small and medium farms, comparatively Varanasi credit need was higher than Deoria.

Ramamoorthy et al.\textsuperscript{18} (1972). The importance of agriculture, which supports 70 per cent of India's population and contributes half of its national income, cannot be over-emphasized. The development of agriculture holds the key to the growth of Indian Economy. The traditional agriculture practices and the lack of enthusiasm on the part of Indian farmers to increase agricultural production had handicapped all efforts to modernise agriculture. To farmers, agriculture was a way of life so far. The face of rural India is now fast changing. The rural life is changing with the new strategies of agricultural development like the High Yielding Varieties Programme and the Multiple Cropping


Programme. All the State Governments have launched programmes for bringing maximum land under irrigation as well as for covering the maximum area under the high yielding varieties of crops. So, agriculture has now become a commercial venture as the technological breakthrough in agriculture has made it possible for the farmers to produce high yields. The success of these programmes depend on the provision of inputs in the right quantity and at the right time. This leads to a great spurt in demand for agricultural credit.

Sharma, Sindhu and Kapur\(^9\) (1972) designed their study with the specific object of estimating the credit needs (safe amount) in terms of short and medium term credit of representative medium size farm situation. The study was confined to the Ludhiana block of IADP district, Ludhiana. Budgeting technique was used as a tool in selection of crops and crop combinations consistent with the resources availability. The farm situations analysed and an alternative farm plan was prepared in which the improved package of practices, was introduced. For determining the economic feasibility of the credit proposed "3 R's test," was applied viz. criteria of returns, repaying capacity and risk bearing ability.

They concluded that the credit proposal for advancing

short term credit of Rs. 7,650.97 (Rs 4,295.58 in kharif and Rs. 3,355.39 in rabi) and the medium term credit of Rs. 12,500 for the purchase of tractor on the medium size farm situation was a sound proposition for both the banker and the farmer-borrower. It was further concluded that the short term loan should be recovered after harvesting and marketing of respective crops along with the interest. In case of medium term loan, it should be splitted into instalments payable after kharif and rabi seasons. The interest of the kharif installment of the medium term loan should be recovered along with the rabi installment because the repaying capacity of the farmer during the rabi season is comparatively higher.

Giri, A.K. and Sain, K. 20 (1973) made a comparative study of rate of interest charged by different institutions extending credit to farmers. The principal reason for overwhelming importance of non-institutional credit despite their relatively much higher charges have been traced to (i) inadequacy of institutional credit; (ii) extreme need for cash on the part of the farmers - interest in elasticity of demand for his credit is governed more by the necessity to keep his farm in operation and his family alive in hours of need than by his estimate of marginal efficiency of capital, (iii) greater readiness and mobility on the part of the private agencies to contact the farmers and help them in times of their need.

(iv) much less rigidity with regards to security deposits against loans, and (v) much greater willingness and ability to bear risk of capital loss etc.

It has been suggested that an overall economic growth is the requisite to reduce the rural rate of interest in poor countries, whereby farmers are able to build up their security which, if it is authenticated by means of the issue of land titles, classification of crop, grading and string etc. will give access to the low interest institutional source of fund.

Patel and Thakur\textsuperscript{21} (1973) revealed that only about 68 per cent of the amount of crop loans was used for agricultural production by small farmers and the rest went for consumption purposes. It was observed that small farmers did use the recommended technological inputs for higher agricultural production.

Singh\textsuperscript{22} (1973) estimated the credit needs of different categories of cultivators in irrigated and dry areas in Orissa for adopting improved agricultural technology. He has also examined comparative efficiency of modern over traditional agriculture. The analysis of data collected from a sample of 30 holdings in Balliante block of Puri district.


showed that the credit needs of farmers have increased in new agriculture and still significant increases in credit needs were observed on irrigated fields when compared to un-irrigated fields. The return to capital is significantly higher in alternative plans, it was observed, in both the village as the investment on farm business increased.

Subrahmanyam and Patel 23 (1973) studied the impact of capital availability on farm income and estimated the demand for short term credit in West Godawari district. They used the linear programming technique to assess the capital requirements. The study considered three size namely, small, medium and large. The study revealed that capital was needed by all the farmers irrespective of size of holdings. The requirements range from 2.0 to 201.07 per cent over the available capital. Among the different size groups of holdings, borrowing by the small farmers was to the extent of 35.96 to 201.07 per cent over the available capital with them as compared to 9.11 to 73.05 per cent of available capital with large farms and 2.01 to 124.37 per cent with medium size farms. In conclusion, they say that "credit policy should be based in favour of small farmers."

Agarwal et al. ²⁴ (1974) studied the potentialities of increasing farm income through provisions of credit and new technology on different sizes of farm in 1971-72. They found that there was sufficient potential for increasing income on all sizes of farms. The provision of additional fund would increase the farm income even at the existing level of technology by about 41 per cent with adoption of improved technology without any credit facilities did not increase the income from farm. It decreased the farm income by 38 per cent. Thus adoption of improved technology with adequate credit facilities increased the income of all the sizes of farms by 73 per cent.

The study of Agricultural Finance Corporation ²⁵ (1974) revealed that on the whole the persons who came in contact with the bank through bank officials were more regular in repayment of their loans as compared to other sources.

Pandey ²⁶ (1974) has concluded that in order to popularise the M.U.V.P. of wheat, the small and marginal farmers needed sufficient institutional credit. The Commercial Banks

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working in the area should take a more realistic approach so as to meet the total requirement of cash. This will include a higher level of participation particularly amongst the recommended doses of inputs, thereby get full benefit of the programme.

While studying the impact of credit and technology on Gross income in Belgaum district of Karnataka, Wader$^{27}$ (1974) estimated the intermediate and long term credit needs of the farms having electric motors, diesel engines etc. and situations under existing and improved technology. The improved technology coupled with unlimited cash borrowing facilities yielded maximum gross returns.

Similarly Saini and Sidhu$^{28}$ (1976) studied three farm situation where paddy was the principal crop. The percentage increase in credit needs at improved level of technology was 144.13, 178.43 and 229.98 on small, medium and large farms. The percentage increase in returns to fixed farm resources at improved level of technology over existing, was increased considerably. It was concluded that introduction of improved technology on the normative cropping pattern had tremendous increase in credit requirement.


Lavania et al. \(^29\) (1977) concluded that the share of Commercial Banks in the total borrowing of the cultivators has considerably increased after nationalization. Although the per family borrowings of large farmers are significantly higher than those of small farmers, there is no significant difference in the per hectare borrowing between small and large farmers. Purpose-wise utilization of bank loans for consumption, social obligations etc. for all the farms taken together is hardly six per cent of the non-borrowers. There is significant difference between the borrowers and non-borrowers as regards the yields of major crops.

Lavania et al. \(^30\) (1977). From their study analysed that the farmers who have obtained the short term credit and medium term credit from the Commercial Banks have higher level of adoption of improved technology, higher yields from major crops as well as higher net incomes. The impact of bank finance in both the cases is statistically significant.

Bhanudeb and Sain \(^31\) (1978) conducted a study with the object of examining the impact of land bank and Cooperative

banks upon the flow of rural credit in a particular district of West Bengal in the post bank-nationalisation period. The loans advanced by these institutions during the seventies, their purpose-wise distribution, the rates of over-dues and recoveries were analysed to estimate to what extent the working of these banks have improved upon the flow of rural credit and enhanced the repaying capacity of the farm people. It appeared that these institutional credit agencies have made a significant dent upon the problem of agricultural credit.

Dhawan and Kahlon\(^{32}\) (1978). Found that the small farmers in Punjab were not able to obtain the required credits even to those farming at the existing level of technology. Credit requirements based on optimal production plans at the existing level of technology of an average model farm were estimated with and without irrigation purchasing activity credit need increased by 86.26% without irrigation purchasing while it increased to 139-77% when the irrigation constraint was relaxed in the plan. The analysis of credit and capital needs showed that even under the existing plans, the farmer needed 76.49% of cash over their owned capital to run the farm business successfully. Under the improved technology without purchasing irrigation activity the credit of requirement increased to 277.5% over the farmers owned capital and some was 599.46% if the irrigation constraint was relaxed.