CHAPTER TEN

Long Term Credit Policy of Reserve Bank of India - Land Development Banks

While the institutional finance for agriculture has generally been inadequate, the requirements for long term investments in agriculture has till recently been even less developed than credit for current production outlay. However, of late, there have been some changes structurally and in the availability of financial assistance from the Bank for the purpose. The provisions of the Reserve Bank of India Act 1934 governing such assistance for various purposes are given below:

(a) Section 17(4AA) read with Section 46 A(2)(c)

The making of central land development banks, loans and advances repayable within a period not exceeding 20 years provided such advances are fully guaranteed by the State Government at Bank Rate.

(b) Section 46 A(2)(d)

The purchase of debentures of land development banks provided such debentures are fully guaranteed by the State Governments.

(c) Section 17(8)

The purchase and sale of securities of any maturity provided such securities are guaranteed by the Government concerned.

Thus, we find that the Bank is empowered to extend assistance to land development banks in two forms: (1) by subscribing to their debentures (2) by making loans. The debentures are also subscribed under two various clauses. While the ordinary debentures are subscribed under section 17(8), the rural debentures which were introduced in 1957-58 were being subscribed to under section 46 A(2)(d). Till the National Agricultural Credit (Long Term Operation) Fund was created by the Bank, there was no
provision for sanction of loans to land development banks. The Bank had only section 17(8) under which it used to subscribe to the debentures.

(ii) Diversion of finance through the State Government

In addition to the above, the Bank also provided share capital to land development banks through State Governments under section 17(4AA) read with Section 46(A)(2)(a). Earlier this assistance was restricted to the central land development banks but it was extended to the Primary Land Development Banks with effect from 1969-70 on the recommendations of the Rural Credit Review Committee. Thus, the Bank had been diverting funds to land development banks indirectly through State Governments in two ways:

(a) Through share capital contributions
(b) Subscription to its debentures

The Bank was enabled to issue loans to the State Governments for contribution of the share capital in 1955-56 when it created National Agricultural Credit (Long Term Operation) Fund. This helped in the increase of the Government's share in the share capital from Rs 0.19 crore to Rs 13.0 crores in 1971-72. The Government support also helped the land development banks to raise its share capital from other resources. While in the absolute monetary terms the amount of the Government share capital has gone up, the percentage thereof to the total share capital showed a declining trend from the beginning except in 1971-72 when it showed a slight increase. The relative position of the Government share capital outstanding and the percentage thereof to the total was as under:
Table No. 47

<table>
<thead>
<tr>
<th>Year</th>
<th>Total share capital</th>
<th>Of which Government capital</th>
<th>% in crores of col. 3 to col. 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955-56</td>
<td>0.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1956-57</td>
<td>1.09</td>
<td>0.19</td>
<td>10.7</td>
</tr>
<tr>
<td>1957-58</td>
<td>2.26</td>
<td>1.22</td>
<td>54.0</td>
</tr>
<tr>
<td>1958-59</td>
<td>2.91</td>
<td>1.59</td>
<td>54.8</td>
</tr>
<tr>
<td>1959-60</td>
<td>3.49</td>
<td>1.78</td>
<td>51.0</td>
</tr>
<tr>
<td>1960-61</td>
<td>4.33</td>
<td>2.09</td>
<td>48.3</td>
</tr>
<tr>
<td>1961-62</td>
<td>5.73</td>
<td>2.83</td>
<td>49.4</td>
</tr>
<tr>
<td>1962-63</td>
<td>7.81</td>
<td>3.84</td>
<td>49.2</td>
</tr>
<tr>
<td>1963-64</td>
<td>9.59</td>
<td>4.34</td>
<td>45.3</td>
</tr>
<tr>
<td>1964-65</td>
<td>11.92</td>
<td>5.00</td>
<td>42.0</td>
</tr>
<tr>
<td>1965-66</td>
<td>15.39</td>
<td>5.48</td>
<td>35.6</td>
</tr>
<tr>
<td>1966-67</td>
<td>18.83</td>
<td>6.11</td>
<td>32.4</td>
</tr>
<tr>
<td>1967-68</td>
<td>24.10</td>
<td>6.67</td>
<td>27.7</td>
</tr>
<tr>
<td>1968-69</td>
<td>30.94</td>
<td>7.26</td>
<td>23.5</td>
</tr>
<tr>
<td>1969-70</td>
<td>38.86</td>
<td>8.06</td>
<td>20.6</td>
</tr>
<tr>
<td>1970-71</td>
<td>48.22</td>
<td>10.68</td>
<td>21.9</td>
</tr>
<tr>
<td>1971-72</td>
<td>57.62</td>
<td>13.84</td>
<td>24.0</td>
</tr>
</tbody>
</table>

Source: Statistical statements relating to the co-operative movement in India 1957-58 to 1971-72

Thus, initially the percentage of share of the Government contribution was more in relation to the total share capital but with the passage of time the same came down. The pace of growth had been much faster as explained in chapter six. It would be interesting to note that the All India Rural Credit Survey had contemplated Government contribution exceeding 51% but except during 1957-58 to 1959-60 the proportion of the Government contributions had always been less than 51%. In 1969-70, it was only 20.6% and it was about 24% in 1971-72. The above position was true in case of all the land development banks taken together but if we examine the position individually this may not be correct.

The objects envisaged by the Government share capital contributions were the State's involvement and the enhancement
in the borrowing capacity due to strong capital base. As long as these objectives are satisfied, the insistence on higher proportion of the Government's contribution to total has no meaning. On the other hand it should be welcomed that the institutions are in a position to muster sufficient borrowing power on the basis of share capital collected by them from sources other than the Government.

The second manner in which the Government assistance was extended to central land development banks was through routing of funds by subscribing their debentures. This however, could not be made a permanent feature. It was introduced in the First Plan when the Reserve Bank was itself purchasing debentures to the extent of 20% of the issue or the shortfalls out of its own resources. As the needs grew during the plan periods, the central government agreed that the Bank may invest 40% of such issues, of which one half was to be on behalf of the Government. This practice came to an end during Second Plan period when no such provision was made by the Government. The Bank, however, continued to subscribe its debentures even thereafter.

(iii) Direct investment in the debentures - Their means and methods

(a) The Bank started taking interest in the debenture programmes of the land development banks after 1948 when it agreed to contribute 10% of the total debentures issued or the shortfall whichever was less. The above contributions were raised to 20% from 1950. As explained above, during the First Plan period the

Contributions were raised to 40% jointly with Government but afterwards they were again reduced to 20%. The Bank made all these investments out of the provisions of section 17(b) of the Act which empowered the Bank in general terms to invest, sale and purchase certain securities. The Bank extended the benefit of this clause to land development banks and this continued till the creation of the National Agricultural Credit (Long Term Operation) Fund in 1956. The position of the Bank's contributions in Ordinary and Rural debentures was as under:

**Table No.42**

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscription made by the Bank (in book value)</th>
<th>Amount outstanding in (in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ordinary debentures</td>
<td>Rural debentures</td>
</tr>
<tr>
<td>1955-56</td>
<td>0.10</td>
<td>-</td>
</tr>
<tr>
<td>1956-57</td>
<td>0.02</td>
<td>-</td>
</tr>
<tr>
<td>1957-58</td>
<td>0.13</td>
<td>-</td>
</tr>
<tr>
<td>1958-59</td>
<td>0.04</td>
<td>0.27</td>
</tr>
<tr>
<td>1959-60</td>
<td>-</td>
<td>0.47</td>
</tr>
<tr>
<td>1960-61</td>
<td>0.03</td>
<td>0.33</td>
</tr>
<tr>
<td>1961-62</td>
<td>0.72</td>
<td>0.71</td>
</tr>
<tr>
<td>1962-63</td>
<td>1.67</td>
<td>1.07@</td>
</tr>
<tr>
<td>1963-64</td>
<td>3.34</td>
<td>0.74@@</td>
</tr>
<tr>
<td>1964-65</td>
<td>4.81</td>
<td>0.86</td>
</tr>
<tr>
<td>1965-66</td>
<td>4.60</td>
<td>1.29</td>
</tr>
<tr>
<td>1966-67</td>
<td>4.37</td>
<td>1.64</td>
</tr>
<tr>
<td>1967-68</td>
<td>2.47</td>
<td>1.08</td>
</tr>
<tr>
<td>1968-69</td>
<td>3.74</td>
<td>0.65</td>
</tr>
<tr>
<td>1969-70</td>
<td>4.20</td>
<td>0.94</td>
</tr>
<tr>
<td>1970-71</td>
<td>4.19</td>
<td>0.18</td>
</tr>
<tr>
<td>1971-72</td>
<td>4.41</td>
<td>1.33</td>
</tr>
<tr>
<td>1972-73</td>
<td>2.76</td>
<td>0.83</td>
</tr>
<tr>
<td>1973-74</td>
<td>1.09</td>
<td>0.20</td>
</tr>
</tbody>
</table>

@ Includes special debentures of Rs 13.5 lakhs in both columns.
@@ Includes special debentures of Rs 4.06 lakhs and Rs 17.56 lakhs respectively.

Thus, in the field of the ordinary debentures, the Bank continued to make contributions either for the shortfalls or to...
TABLE No 48

AMOUNT OUTSTANDING UNDER RURAL AND ORDINARY DEBENTURES
HELD BY THE BANK

Amounts in crores

RURAL DEBENTURES

ORDINARY DEBENTURES
the extent of 20% of the issue. In addition to the Bank, the Life
Insurance Corporation and State Bank of India were also extending
support to this programme. The assistance from the State Bank of
India was generally to the extent of 10% while Life Insurance
Corporation provided assistance to the extent of 30%. In other
words, for quite some time as much as 60% of the total issues
were subscribed by three major institutions and the land develop-
ment banks were depending for the balance of 40% either on the
sinking fund investments of their sister institutions, scheduled
banks, State and central co-operative banks, individuals, trustees
and local bodies. Apparently, this was not difficult to mobilise.
This position continued till 1963. In 1963-64 the Life Insurance
Corporation agreed under certain conditions to contribute to
these debentures to the extent of Rs 6.00 crores per annum for the
remaining period of third plan. Another notable feature was the
offer of the National Co-operative Development Corporation (NCDC)
which agreed to contribute the debentures to the extent of the
shortfall not exceeding 5% of any one issue but preferred the
States where land development banks were relatively not well
developed.

After the Third Plan i.e. 1965-66, a change in the
investment policies of all the institutional agencies was
observed. The Bank reduced its support from traditional level of
20% to 10% from September 1965. The Life Insurance Corporation
and State Bank of India made contributions looking to their
resources position. However, this did not create any problem for
the land development banks and their issues which were over-
subscribed to the extent of Rs 7.23 lakhs.

Now that the emphasis of the institutional supporters had been in favour of the less developed central land development banks and also to the extent of pre-arranged amounts, the land development banks were grouped into the following categories depending upon the stage of development:

<table>
<thead>
<tr>
<th>Type</th>
<th>Assistance available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Developed</td>
<td>60%</td>
</tr>
<tr>
<td>Highly Developed</td>
<td>50%</td>
</tr>
<tr>
<td>Medium Developed</td>
<td>55%</td>
</tr>
</tbody>
</table>

In view of the changes and also anticipated difficulties in resource mobilisation, the Bank agreed to the floatation of debentures in two instalments in a year i.e. April-May and September-March. The extent of assistance and the amounts to be floated were advised to land development banks. Another noteworthy change was Bank’s consent to treat any savings in the Bank’s commitment in a series as available for contribution to the next series provided subsequent series have been floated during the same year and the total contribution did not exceed the share fixed for the year.

With a view to encourage investment in the debentures of the land development banks, the Central Government came forward subject to certain conditions, with a proposal to contribute Rs 8.65 crores provided the concerned State Governments also contributed to the extent of amounts fixed in this regard. The disbursement of loans and floatation of debentures was to be completed in 1966-67; borrowers were to utilise the amounts

given by the Central Government for wells and pumpsets only and finally the physical programme i.e. construction and installation was also to be completed in the year 1966-67.

The Bank also agreed to floatation of debentures by land development banks if they could raise resources without additional support from institutions. In 1967-68, the Central Government again came forward with a sum of Rs 15 crores on the condition of the matching contribution by the State Governments and provided the land development banks were in a position to show unencumbered mortgages for the equal amounts for the purposes like sinking of wells, installation of pumpsets etc. Almost identical approach in the matter of purposes was put forward by Life Insurance Corporation and State Bank of India also. They also insisted that land development banks should be in a position to indicate unencumbered mortgages for productive purposes at least to the extent of 80% of the support. The Central Government again provided Rs 15 crores on the same conditions during 1968-69.

It was during this period that the overdue in land development banks and their recovery performance came to be regarded as the deciding factor for institutional and Government support. The relative percentages of recoveries fixed for this purpose were as under:

<table>
<thead>
<tr>
<th>Recovery percentage</th>
<th>Debenture programme</th>
<th>Institutional support</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Over 90%</td>
<td>Substantial increase in debenture programme allowed</td>
<td>40%</td>
</tr>
<tr>
<td>(B) Less than 90%</td>
<td>Previous year's achievement allowed</td>
<td>30%</td>
</tr>
<tr>
<td>(C) Less developed</td>
<td>In such cases the programmes were less than Rs 3 crores</td>
<td>60% as a special case</td>
</tr>
</tbody>
</table>
Thus, the less developed land development banks were to get the maximum support and others were to get encouragements in their debenture programmes. The Bank continued to convene the informal meetings between the land development banks and institutions so as to crystalise the capacity of the land development banks to float debentures and the availability of institutional support for such programmes. At this stage, the question of the utilisation of the sinking funds of the land development banks was considered by the Standing Committee of the Agricultural Credit Board. It suggested the following policy:

a) The banks may invest 60% of their sinking funds in their own or sister bank's debentures
b) 20% of the funds should be invested in Government and trustee securities other than debentures of land development banks, of which the investments in Government securities should not be less than 10%.
c) 20% should be invested in the fixed deposits with the State co-operative banks/Commercial banks. Of course the investment in commercial banks was to be permitted in special circumstances.

This change in the policy resulted in greater investments in debentures from mutual resources than the institutional support. In 1971-72, the basis for support was again revised. As per the revised policy the institutional support was to be made available to full extent provided the financing of the primary land development banks depended on the position of their overdues. No financing of the primary land development banks was to be made if the overdues exceeded 50% of demand. However, in case of the overdues below 50% of the demand, the financing was to be done on a sliding scale as indicated below:

1. The proceedings of the 2nd and 3rd meetings of the Agricultural Credit Board and those of the Standing Committees 1974 – p. 227
2. Second and Third Meeting of the Agricultural Credit Board and those of Standing Committee – October 1974 p. 276
<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Overdues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full finance</td>
<td>Upto 15%</td>
</tr>
<tr>
<td>80% finance</td>
<td>Between 16-25%</td>
</tr>
<tr>
<td>65% finance</td>
<td>Between 25-40%</td>
</tr>
<tr>
<td>50% finance</td>
<td>Between 40-50%</td>
</tr>
</tbody>
</table>

The above formula was later on revised in November 1971 on the representations of banks on the plea that the overdues were mainly due to crop failures. The revised formula was:

In addition to the above, the Bank agreed to provide finance up to 25% of the programme for the purpose of minor irrigation to those primary land development banks which were otherwise not eligible for financing. The financing of the primary land development banks in the SFDA areas was to be done irrespective of the amount of the overdues.

Thus, we find that over the period, the Bank actively associated itself with the floatation of debentures programme of the land development banks and encouraged these banks to be more alive to the recoveries and self-reliance. With this view, new purposes like bunding, levelling, terracing, reclamation, drainages, channels, preparation of land for orchards etc. were included in the list of identifiable purposes. The loans issued under the Agricultural Refinance Corporation scheme were also allowed to be included for the purposes of calculation of 90% loans for productive purposes and 70% loans for identifiable purposes.

(b) **Rural Debentures**

The All India Rural Credit Survey Committee had
recommended for the introduction of the Rural debentures to mop up the rural savings. Such debentures were to be sold to individuals specially those as distinguished from banks, societies, trusts, charitable institutions etc. Institutional investors were not as a matter of rule to be approached. An exception, however, was made with regards to village panchayats. The scheme was introduced in 1957 and subsequently on the recommendations of the Rural Credit Review Committee, the Rural debentures were linked up with the ordinary debenture programmes. The details of the developments leading to these changes, the progress achieved etc. have been already discussed in Chapter six.

As the object of the scheme of Rural debentures was to encourage rural savings for rural development, the land development banks were required to show initiative. Most of the Banks failed to mobilise such deposits. Dubious practices like insistence on the rural borrower to invest in such debentures or deduction of such amounts out of the loan amounts sanctioned were adopted by many land development banks. As these amounts could not be truely regarded as rural savings, the Bank took objections and prohibited such collections - even from the near relations of the borrowers within a period of one year of sanction of the loans to them. The reasons for the unpopularity of Rural debentures were:

1) the rate of interest offered were not attractive.
2) the propaganda for such debentures was inadequate.
3) delay in receipt of Government guarantee required.
4) absence of any incentive to persons mobilising such deposits
5) national saving schemes were another demand on rural savings
6) the issue remained on tap for a very short period.
Initially, in order to bolster these efforts, the Bank agreed to support such debentures to the extent of 66\frac{2}{3} of the issue but later on related its support to the extent equal to the amount collected from public. The support was, therefore, directly linked with the efforts put in by banks. In 1958, the Bank agreed with the proposal made in the meeting of Central land development banks and the Registrar held on 21.8.1958 that the ratio of the Bank and the rural subscription might be 8:7 and the scheme of rural debentures may be continued for the entire period of Second Plan. This was later on extended to Third Plan and finally on permanent basis. The Bank had already been accepting lower rate of interest on the part of such debentures which were allotted to it. As a measure of further liberalisation, the Bank agreed to allow land development banks to raise fixed deposits subject to the following conditions:

a) The period may not be less than one year and exceed two years at a rate of interest of 7\% on one year and 7\frac{1}{2}\% on deposits for more than one year but less than two years.

b) A minimum of 10\% of the deposits accepted and outstanding may be maintained in the form of liquid assets.

c) The deposits should not be raised from the institutions, loanees within a period of one year from disbursement of loans or just before such disbursements.

The deposits so collected were allowed to be reckoned towards collection of the Rural debentures in the first year. Another innovation devised by the Bank in forcing land development banks to mobilise support for rural debentures was to reduce institutional support for the ordinary debenture programmes in the event of failure to collect subscription for

1. Proceedings of the 10th meeting of Standing Advisory Committee on Agricultural Credit - January 1959 - p.53
rural debentures. Despite all these modifications, the Rural Debentures Scheme could not make any headway so far. It was, therefore, felt that it would be a waste of energy and effort to insist and continue a programme which has refused to develop its roots. Had these efforts been made in the direction of ordinary debenture programme, perhaps the results would have been more favourable. It is, therefore, suggested to abandon the scheme of rural debentures on the following grounds:

a) While the rural debentures are required to be subscribed by the rural individuals only, the Bank’s participation on matching basis cannot be called rural savings by any standards. The achievements, if any, in the field of rural debentures would be largely and truly attributable to the Bank’s assistance.

b) In the interest of faster agricultural development and mobilisation of larger resources for development programmes, there is no justification for pruning the institutional support available to ordinary debentures merely because the banks have not been able to mobilise subscription for rural debentures.

c) If the ordinary debentures and the fixed deposits are more popular in rural areas, the primary land development banks should be asked to make concerted efforts in that direction only. Further even if some part of the rural savings get percolated to the commercial banks as deposits, we may be satisfied with their increased support to the debenture programme of land development banks.

The policy of the institutional support to the less developed land development banks may, however, be continued and more support to the schemes of financing the small cultivators may be continued. Once the rural economy is monetised and public faith in debentures is created, the investment from institutions on organised basis would not be necessary.

(c) **Special Debentures**

Prior to the establishment of Agricultural Refinance Corporation, which was to take care of long term needs of
agriculture, plantation etc., the Bank agreed to finance special development debentures to the extent of 75% of the funds required for the Rubber plantation scheme in Kerala and Musi Irrigation Project in Andhra Pradesh on experimental basis.

The Andhra Pradesh central land development bank issued special debentures in June 1962 to the extent of Rs 18 lakhs. The State Government agreed to bear up to 50% of the losses that might be sustained by the land development banks owing to the defective title to land. The Bank contributed Rs 14 lakhs during 1962-63. Since then the Bank continued to contribute to the special debentures in the coming years. The details are as under:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Amount of special debentures floated</th>
<th>Amount contributed</th>
<th>Amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962-63</td>
<td>18</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>1963-64</td>
<td>5</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>1964-65</td>
<td>-</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>1965-66</td>
<td>1</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>1966-67</td>
<td>2</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>1967-68</td>
<td>4</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>1968-69</td>
<td>(Rs 20000)</td>
<td>-</td>
<td>20</td>
</tr>
</tbody>
</table>

Till 1966-67, the Bank continued to meet 75% of the amount of debentures floated but thereafter the better part was subscribed by Agricultural Refinance Corporation. The total debentures outstanding with the Bank till 1968-69 were Rs 20.0 lakhs. These debentures were also subscribed from the resources of National Agricultural Credit (Long Term Operation) Fund.

(iv) Establishment of land development banks in each State - Policy and present position

The establishment of land development banks in our country is of recent origin. Initially, there were no land
development banks as a part of credit structure. The structure for short, medium and long term loans was the same except in some States where central land development banks were established but in many places, the work relating to long term financing was looked after by the provincial co-operative banks. Dr. K.K. Sharma had, therefore, observed on the then existing position of land development banks (earlier known as land mortgage banks) as under:

"In India, land mortgage banks are in existence on a co-operative model. A beginning in this direction was made when the central land mortgage bank was started in Madras on co-operative basis. In Madras and Bombay, they were established for financing and co-ordinating the activities of primary banks; but in central provinces and Bengal separate departments of provincial co-operative banks were looking after this work." 1

The question of the structure and pattern had since then been engaging the attention of the Bank. In its bulletin styled as 'Land Development Banks', it observed:

"The central land mortgage banks will be pivot of the structure of long term finance to agriculturists in the States. Their organisation as well as their constitution will, therefore, have to be devised with great care." 2

It further observed that:

"......there is no doubt, therefore, that the Federal structure is the best suited to our conditions and is the ideal towards which all States will have to work." 3

On the question of the structure of the land development banks, the All India Rural Credit Survey had observed as under:

"At the end of 1951-52 central land mortgage banks were functioning in six States viz., Bombay, Madras, Mysore, Orissa, Travancore-Cochin and Saurashtra. In Orissa and Travancore-Cochin and Saurashtra, there are no primary land mortgage banks; the central land mortgage banks deal directly with borrowers." 4

1. The Reserve Bank of India and Rural Credit By Dr. K.K. Sharma p. 52
2. Land Mortgage Banks By Reserve Bank of India 1951 p. 56
3. ---- do ---- p. 53
4. All India Rural Credit Survey - The General Report Vol. II 1954 p. 221
Keeping the above position in view, the Committee further observed:

"In more than half the States, there is not a single land mortgage bank. We recommend that each State should have a Central Land Mortgage Bank. We recommend that State Government at the same time review their tenure, tenancy laws and take steps to eliminate such features in these laws as without being essential to policy are hindrances to the development of simple and effective system of Land Mortgage Banking."  

When the officers of the Bank undertook extensive tours of the States to assess the co-operative movement, the recommendation to establish land mortgage banks were made. Thus, significant progress was made during Second Plan. Till 1951-52, there were five central land mortgage banks which rose to 9 by 1955-56 and 17 (including two State co-operative banks working through land mortgage bank sections) in 1957-58. By now the thinking to have a separate structure for long term needs had come to stay. The Informal Group on Institutional Arrangements for Agricultural Credit confirmed this thinking when it observed:

"In so far as long term credit is concerned, the framework of agreed policies aim firstly at having a structure consisting of a Central Land Mortgage Bank in each State and primaries through which it should operate..."  

Considering the above development essential, the Group recommended as under:

"Structurally, the position of Central Land Mortgage Bank in most States is much weaker than that of State co-operative bank but by and large the former are beginning to come up and should be fully supported by the State Government."  

Almost identical views were expressed by the Functional

1. All India Rural Credit Survey - The General Report p. 436
2. Committee on co-operative credit 1960 p. 48
3. The Informal Group on Institutional Arrangements for Agricultural Credit - 1964 p. 48
4. ------do------- p. 62
Committee on Co-operative Agricultural Credit - when it emphasized the need to have a separate structure for long term credit:

"In view of the fact that almost all the States by now have set up both the agencies, we do not feel inclined to re-open the question. However, if there are any areas where a long term credit structure does not exist and it is not feasible to establish such a structure in near future, such areas should be serviced by short term cum medium term agencies as an interim arrangement and during this period practical steps could be taken to develop long term structure side by side." 1

We concur with the above views expressed by the various committees and reiterate that the present structure of having Central Land Development Banks at the apex level and primary land development banks at the base level may continue. Efforts may be made on concerted basis to develop such a structure wherever this does not exist. As on 30 June 1972, there were 561 offices of the central land development banks and 869 primary land development banks in India. Central land development banks were working through their own offices mostly in U.P., Gujarat, Bihar, Himachal Pradesh and Jammu & Kashmir. The total offices in these five States worked out to 496 out of the total of 561 offices.

(v) Voluntary inspections of Land Development Banks

The Bank started voluntary inspections of the land development banks along with the inspections of the state and central co-operative banks. As the provisions of the Banking Regulation Act have not been extended to land development banks, the voluntary inspections are still continued. These banks have agreed to the inspections by the Bank by virtue of their

1. Functional Committee on Co-operative Credit - Coordination of short term, medium term and long term credit 1964 p. 26
borrowings and assistance from the Bank.

The scope of these inspections has been extended continuously to cover all aspects of their working. The detailed reports are forwarded to these banks for rectification. However, now the time has come when the Reserve Bank should assume statutory powers to inspect these banks. Now these banks deal with huge funds relating to public in the form of debentures, deposits and share capital etc. The Bank should consider to bring them, therefore, within the purview of the Act. This would enable the Bank to impose conditions more thoroughly and the inspections would also carry more weight.

(vi) Introduction of the special courses at co-operative training centres regarding Land Development Banking

The evolutionary development of co-operative training has already been discussed elsewhere. The object of co-operative training facilities at larger scale is to translate the hopes which came to stay with the development of various co-operative institutions and active participation of the Bank and the Government. The land development banks which came to be developed later were getting all the attention after the independence of the country. The Rural Credit Survey Report 1954 also contemplated the need for specially trained staff for land development banks.

Among other recommendations, it recommended for the institution of special courses on co-operative banking, co-operative marketing etc.:

"Special courses should be provided without delay for co-operative banking (including special training for land mortgage banking) and co-operative marketing (and processing) and as soon as possible, for the subject of industrial co-operatives as well. All these courses
should be available at the higher, intermediate and subordinate levels of training." 1

In pursuance with the above recommendations, the Standing Sub Committee decided in 1955 to begin with a special course in Land Development Banking at the Regional Co-operative Training College, Madras and at Co-operative Training College, Poona respectively.

Later on, a Working Group on special courses in land development bank was appointed which reassessed the needs of the training. The changes in the objectives of the land development banks and its functioning as well as procedures, dynamic changes in policies, growing dimensions of responsibilities, all necessitated changes in the existing pattern of training. The personnel of the banks were required to be fully equipped with the necessary training and knowledge. The Group, therefore, divided the working of the land development banks into various sections such as accounts, legal, loans, debentures, land evaluation etc. but recommended that a composite course for all the departments may be conducted.

It also recommended for the creation of a full-fledged cadre for land development banks so that the personnel trained could remain with the banks otherwise the staff on deputation would take away the benefit of the training with them.

Another suggestion made by the Group was to have the training for land development banks personnel on regional basis because the practices and land laws differed from State to State.

1. All-India Rural Credit Survey - The General Report Vol. II 1954
2. Central Committee for Co-operative Training - p. 562
Apart from training in rural economy, co-operation, long term credit, operations and management, accounts and practical training, the Group suggested for one week's training at Agricultural Refinance Corporation which is playing important role in the provision of long term loans. These recommendations were generally accepted by the Central Committee for Co-operative Training.

Since then the co-operative training centres had been arranging for such courses from time to time. In view of the fact that now more than 561 offices of the central land development banks and 869 offices of the primary land development banks were in the field as on 30 June 1972 availability of more trained and better equipped staff is essential. With the increased assistance from the World Bank/International Development Association etc. the need is all the more necessary.