PREFACE

Agriculture represents a sizable part of world's total economy. It is all the more true in case of India, which has an agrarian economy seething with multiple problems of productivity, resources, mechanisation and motivation. These characteristic problems need to be substituted with healthy trends such as adoption of modern means of cultivation, provision of adequate and full finance, education and change in the age old traditional outlook.

As back as, in 1890, Dr. Voosekar gave expressions of his feelings about the Indian agriculture as under:

"On one point there can be no question viz., that the idea entertained in England and often given expression to even in India that Indian agriculture is, as a whole primitive and backward, are altogether erroneous......the conditions under which Indian crops are grown, they are wonderfully good.......It is wonderful too, how much is known of rotation, the system of mixed crops and fallowing. Certain it is that I, at least, have never seen a more careful cultivation, combined with hard labour, perseverance and fertility of resources......."

Almost half a century later, Shri John Russel observed:

"The Indian Ryot compares favourably with any of the peasant populations I have met in different parts of the world."

Despite these positive assertions, the fact remains that an Indian peasant suffers from a number of maladies, chief among which is the hereditary indebtedness and non-availability of cheap and timely credit facility to support his production efforts. Sporadic efforts have been made initially to free him from the clutches of money-lenders but no tangible progress could be made till the second world war. Credit continued to be hard - hard to obtain, harder in availability and hardest to
recover. With this background, it is not a surprise that the earlier attempts failed. As an alternative, institutionalisation of credit was developed with perseverance. During the forties, a number of committees vis. Gadgil Committee, Saraiya Committee, Purushottandas Thakurdas Committee and Nanavati Committee went into the question and suggested measures for quick changes. The Reserve Bank, which had been playing a passive role of an onlooker was provoked to take up the dynamic position. The Informal Conference and Rural Credit Survey precisely laid down the future course of development and identified the problems. The Bank has, since then, taken up the challenge, divorced the traditional role, adopted a flexible and pragmatic approach, extended a hand of understanding and help so as to instal the Indian agriculture on sound footings.

It introduced new programmes, extended help in terms of finance, organisation, guidance, education and training. Above all, it motivated the Government, institutions, non-officials and cultivators to reform the ailing system and rehabilitate the agriculture and agriculturist.

The present study attempts to make a fair appraisal of these activities and to identify the leakages so as to plug them in time. As Dr. K.K. Sharma had worked on the subject covering the period up to 1945 and significant changes took place after 1955 the period since 1955 onwards was covered under this project.

The analysis is spread over thirteen chapters. The essential features of an orderly finance for agriculture, its
requirements and developments before 1955 are summed up in first chapter. The initial efforts and activities of the Agricultural Credit Department of the Bank which is the main instrument of its activities were examined in chapter two. The legal framework, evolutionary developments in the policy, their effects on operations and nature of help extended by the bank were covered under chapter three.

The activities of the Central Bank of U.S.A. and Australia were examined to ascertain the practices followed, incentives given, pattern of policy formulated and nature of help extended by the Government etc., are covered in chapter four, so that homogenous lessons for the benefit of Indian problems could be suggested.

Chapter five is devoted to analyse the re-organisation of agricultural credit policies of the bank in the light of suggestions made by new committees appointed after 1955. Their effect on the production and availability of credit were assessed. The nomenclature of the national funds created after 1955, their uses, utilisation, problems etc., were the subject matter of chapter six.

The Bank had adopted a policy of establishing a number of new institutions to obviate many problems relating to credit, banking and services. The working of some of such institutions viz., State Bank of India, Agricultural Refinance Corporation, Central and State Warehousing Corporation and Commercial Banks were examined under chapter seven. A detailed analysis of Government participation in co-operatives, rationalisation of
co-operative institutions and movement and the analysis of the activities of land development banks etc., were taken up under chapter eight, nine and ten respectively.

Not only the availability of credit has to be utilised more judiciously but its effects have to be assessed on production and economy also. Hence chapter eleven identified the leakages in the policy. Chapter twelve dealt with the effect of selective credit control over co-operatives and monetary policy of the Bank. Finally, the last chapter took up some of the suggestions which have mere practical utility and which emerged out of the above analysis and appraisal.

The information published by the Reserve Bank and other concerned institutions or bodies have been utilised for deriving conclusions. As collection and publication of agricultural and credit statistics has not been authentic except in the last few years, the observations had their own limitations. In some cases, the data published in other reports have also been utilised by us. Discussions with some of the bank officials, institutions and non-officials helped us to reach certain conclusion from practical point of view.

Thus, the present study is an attempt to dispassionately sum up the total effect of the credit policies on Indian agriculture, efficacy of the policies of the Bank in relation to expectations and efforts made in the field of co-ordination of various agencies. For this purpose, the data and information have been viewed with a fresh approach towards the interpretation of facts and theories. It would be an obvious mistake to
claim that solutions to all the credit problems of Indian agriculture have been found. At the most, the present attempt may be regarded as a step in that direction and a fair appraisal of the policies adopted so far. The data and interpretation may help future researchers on the subject.

I acknowledge with thanks all the help and facilities provided by the Principal Dr. S.C. Basal and staff of the Co-operative Training College, Indore who extended full benefits of their library to me. I am also thankful to the authorities of the D.A.V. College, Kanpur for extending and making available the facilities to make this project see the lights of the day. I shall be failing in my duties, if I do not acknowledge my sincere thanks to Servasri A.P. Mukundan and G.D. Risbud who, at times clarified my doubts, encouraged me and extended helping cooperation. I also thank scores of friends whom I am unable to thank individually.

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7 August 1975

(NARESH KUMAR JAIN)
A NOTE TO PREFACE

I clearly state that the submission of the thesis has been made by me entirely in my personal capacity and the views expressed in it are my own personal views. They have no, implied or otherwise sanction of the institution I am serving.

(NARESH KUMAR JAIN)