In India, the sources of credit available to agriculture can be broadly grouped under two heads *viz.* (i) non-institutional agencies and (ii) institutional agencies. Non-institutional agencies comprise of lenders like agricultural and professional money lenders, land lords, traders and relatives or friends. The Institutional agencies consist of co-operatives, Governments and Commercial Banks; lenders directly deal with the farmers.

Relative importance:—

On the point of view of the three All India Surveys of 1961, 1961 and 1971, it has been pointed out that the non-institutional agencies predominated the institutional agencies in the volume of credit supplied to the cultivators.
According to the All India Rural Credit Survey (1951), out of the total borrowings of the cultivators, 69.7 per cent came from the money lenders. The share of institutional agencies was only 8.2%. In 1961, the All India Debt and Investment survey surfaced the fact that 61.72 per cent of the outstanding cash due of the cultivators were reported with money lenders. The proportion however, declined to 36.12 per cent in 1971. The share of institutional agencies (including co-operatives, government and commercial banks) on the contrary, has increased from 13.41 per cent in 1961 to 31.57 per cent in 1971. It was mainly due to the fact that the share of co-operatives which was 13.41 per cent in 1961 marked an increase of 22.04 per cent in 1971. Similarly the share of commercial banks in the aggregate cash dues went up to 2.39 per cent in 1971, which was only 0.32 in 1961. Another significant change occurred during the period is that the proportion of cash dues outstanding with "relatives" rose to 13.09 per cent in 1971, which was 5.30 per cent in 1961. The relative share of different credit agencies in the borrowings/aggregate cash dues outstanding of the cultivators is given in table No. XIV.

(i) Non-Institutional Agencies:

Money Lenders:

Since a long time the money lender-cum-trader have been occupied a monopolistic position in the villages in providing loans and marketing facilities to the cultivators. His primary business in not banking but money lending. According to the Famine Commission (1945) there were two

1 Government of India; Indian Central Banking Enquiry committee (1931) Vol-I Part I P-73.
classes of money lenders—professional and non-professional money lenders. The former took money lending and trade as their chief business while the latter came from the ranks of land lords and well-to-do farmers. The All India Rural credit survey grouped them into professional money lenders and Agricultural money lenders. However, both these committees pointed out that the money lender was the most important source of credit in the rural areas.

According to the Rural Credit Survey of 1950-51, 69.7 per cent of the cultivators' borrowings came from the money lenders. The Survey further revealed the fact that the small farmers' dependence on the money lenders was greater than that of the well-to-do farmers. While 74.4 per cent of the total borrowings of the small cultivators recorded with money lenders, the medium cultivators reported with 70.9 per cent and the big cultivators with 65.8 per cent of their borrowings.

Number of money lenders and the volume of their business is difficult to estimate. However, according to an estimate provided in the 1961 Census 2 Tamil Nadu had 1.76 villages per money lender whereas Assam had 321.23 villages. Similarly, village population per money lender was lowest in Tamil Nadu. In Madhya Pradesh, there were 33.45 villages per money lender and number of village population per money lender was 13180.

Legislation on Money Lending—

The first attempt of legislation on money lending was made in 1879 when the Deccan Agriculturalists Relief Act

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was passed. The Act empowered the Courts to examine the motive of the debt and make out an account of the money actually due. Later, an amendment to the Contract Act in 1889 was made and gave some relief to the debtors. However, the Usurious Loans Act of 1918 gave wider power to the Courts in dealing with substantially unfair transactions and excessive interest charges. The Act was again amended in 1926 to give relief from mortgages to any of the parties.

Subsequent to the Usurious Loan Act, all the States went on with their own legislative means to regulate money lending. In Madhya Pradesh, the following legislations had been made for the purpose. 11.994

1. C.P. and Berar Usurious Loans Amendment Act 1936.
2. C.P. and Berar Money Lenders Act 1934
4. C.P. and Berar Money Lenders (Supplementary) Act 1938.

Despite of the legislative measures, the money lenders have often charged higher and exorbitant rates and carried out many questionable practices. The Agricultural Finance Sub Committee reported that the interest rates were varied between 12 per cent to 37 per cent in the United Provinces. 3 The Bengal Famine Commission pointed out that the charges were ranged from 25 per cent to 100 per cent in Uttar Pradesh. 4 The A.I.C.C.S. Committee revealed that the rate of interests were 70 per cent in Orissa, 49 per cent in Tripura, 40 per cent in West Bengal, 25 per cent in U.P. and 27 per cent in Bihar. 5

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3 Report of the Agricultural Finance Sub-Committee 1945, P- 5.
5 Report of the All India Rural Credit Survey, General Report, P - 173.
Some of the harmful practices followed by the money lenders were:

1) demand for advance interest payment,
2) demand for a reward for doing business called girah kholai (purse-opening),
3) taking a thumb impression on a blank paper, with a view to inserting any arbitrary amount at a later date, if a debtor becomes irregular in interest payment,
4) general manipulations with the accounts,
5) insertion in written documents of sums considerably in excess of the actual money lent, and
6) taking of conditional sale deeds in order to provide against possible evasion of payment by the debtor.

Importance of Money Lenders:

In spite of the bleak development of the institutional agencies, the money lender have played an important part in Indian agricultural finance. He derives his strength and vital significance in the realm of rural credit only due to his merits.

1) The money lender possesses good knowledge of the character and repaying capacity of the borrower.
2) His decision making is quick and his operations are simple.
3) He can be both rigid and elastic in his business.
4) He can accommodate persons without tangible security and yet protect himself against loss owing to his local influence and on the spot presence.
5) In many cases, credit may be granted for the borrowers' family expenditure.

6) By virtue of being a member of the village community he often inspired confidence which may not easily evoked by the institutional agencies.

All these factors had even forced the Government to think that total elimination of the money lender, therefore, was neither possible nor desirable. "If his methods could have been regularised, rates limited, accounts subjected to systematic scrutiny and malpractices checked, he could have been made to play a very useful role in the credit mechanism of the country". 3 This was the objective of legislation on money lending. The Rural Credit Survey (1951), asserted that "it would have been wholly incorrect to think of the money lender as merely exploiting the credit needs of the rural people, he also adapts himself to them .... What co-operatives merely postulate, he actually possesses, namely a local knowledge of the character and repaying capacity of those he has to deal with." 9

Other Private Agencies:

According to the Rural Credit Survey, "relatives" as a credit agency occupied significant position among other private agencies such as landlord, traders and Commission Agents. The importance of "relatives" lies on the fact that the amount supplied by them were pointed out as interest-free loans. In 1971, 13.09 per cent of the aggregate cash dues outstanding of the cultivators were reported with this agency. The share held by landlords and traders was pointed as 16.42 per cent.

9 Reserve Bank of India: Report of the A.I.R.C.S. P = 171
Institutional Credit Agencies.
(1) Co-operative credit institutions:

Co-operative movement was launched in India with the objectives of combating against rural indebtedness and supplying agricultural credit. The origion of the credit societies date back to 1904 when the Co-operative Credit Societies Act was passed. Later, in 1912 the Co-operative Societies Act was passed and it provided for the establishment of non-credit societies, dealing with purchase and sale.

Co-operation was made a transfered subject by the Co-operative Reforms Act of 1919. There after the state governments were empowered to go ahead with necessary legislations in the matter concerned.

Since 1919 a number of central committees have studied various aspects of the movement and made valuable recommendations. Significant among them were accepted by the government and necessary legislations had been made from time to time.

10 Some of the important committees are:
(1) The Royal commission on agriculture (1926)
(2) The Central Banking Enquiry committee (1931)
(iii) Agricultural Finance Committee (1944)
(iv) The Co-operative planning Committee (1945)
(v) Rural Banking Enquiry Committee (1950)
(vi) Rural Credit Survey Committee (1951)
(vii) All India Rural Credit Review Committee (1967)
Co-operatives in India have a federal set-up. As regards the short and medium term credit structure, the system is working with the state co-operative bank at the apex level. The central co-operative banks are functioning at the district level while the primary credit societies at the village level.

Long term credit needs are carried out by the Land Development Banks with the Central Land Development bank at the state level and the primary land development banks at the district or 'taluka' level.

There are a chain of rural co-operative banks are also working in the country. They are functioning more or less as service co-operatives and are providing short-term and medium-term credit facilities to its members. The co-operative banks are accepting all kinds of deposits from the public and catering various commercial banking facilities to the people.

Working Capital:-

The working capital of the primary credit societies is obtained by entrance fees, deposits, government loans and loans from the central and the state co-operative banks. The central co-operative banks raise their funds from share capital deposits, deposits, and loans from the Apex and commercial banks. The state co-operative banks draw their funds from share capital deposits, loans from commercial banks, Reserve Bank of India and the governments.

The performance of the co-operative credit movement is summarised here under a few major heads.

Coverage:-

The primary agricultural credit societies have covered almost 90 per cent of the villages by 1967-68. The percentage of villages covered by active societies was 66 per cent for the country as a whole. It was 92 per cent in Gujarat; 68 per cent in Bihar; 94 per cent in Madhya Pradesh; 97 per cent

11 R.B.I: Statistical statements relating to the co-operative Cont..
in Maharashtra and 94 per cent in Himachal Pradesh. However, the coverage was as low as 33 per cent in Assam; 32 per cent in Manipur and 20 per cent in Tripura. In Tamil Nadu, though 100 per cent of the villages were covered by the societies, only 59 per cent was covered by active societies. In Bengal the proportion was 73 percent and 56 per cent respectively.

As mentioned in Table Nos. XV & XVI, the coverage of rural house holds has increased 24 per cent to 33 per cent from 1960-61 to 1963-69. However, the percentage of borrowing membership to the total membership declined from 52.6 per cent in 1960-61 to 39.7 per cent in 1966-67. Similarly an increase in the coverage of cultivator house holds did not result in a rise in the percentage of borrowing membership to the cultivator households. On the contrary, it indicated a trend declining during the period 1960-61 to 1966-67. Increasing number of defaulters have been pointed out as one of the important causes for this phenomenon.

Issue of Loans and Over dues

Among the important indicators of progress, the average loans per borrowing member and the proportion of over dues to outstanding loans are important. If the average loans advanced per borrowing member in 1960-61 is taken into consideration, Gujarat topped the list (Rs. 426) followed by Maharashtra (Rs. 330); Madhya Pradesh (Rs. 274); Andhra Pradesh (Rs. 267); and Tamil Nadu (Rs. 249). Bihar (Rs. 74), Assam (Rs 43) and Jammu & Kashmir (Rs. 47) registered the lowest amount of average loans advanced per borrowing member. In 1968-69

movement in India, 1968-69.

R.B.I; Selected Statistics on Co-operative Credit in India 1969-70.

12 Figures were taken from "Selected Statistics on Co-operative Credit in India 1969,1970 (R.B.I., Bombay).
Gujarat sustained its leading position by advancing Rs. 748 per borrowing member, followed by Maharashtra (Rs. 690), Punjab (Rs. 573), and Tamil Nadu (Rs. 513). Jammu & Kashmir and Bihar improved their position by advancing Rs. 214 and Rs. 163 respectively.

Issue of loans by the primary agricultural credit societies and land development banks per head of rural population is given in table No. XVII.

The scale of financing in the year 1966-67 was highest in Gujarat (Rs. 30.25) and Maharashtra (Rs. 27.08). In Assam (Rs. 1.29), Bihar (Rs. 2.60), Jammu & Kashmir (Rs. 4.09) West Bengal (Rs. 3.36), Bihar (Rs. 4.95) and U.P. (Rs. 5.7), the amount issued were below the all India average. Thus, the performance of Gujarat, Maharashtra and Punjab were comparatively better than the other states in the case of loan issue.

As regards the proportion of over due to loans outstanding, the percentage had increased in all the states. In 1960-61 Uttar Pradesh had the lowest proportion (9) followed by by Tamil Nadu (12) and Kerala (17). The performance of Assam (74), Bihar (45), Karnataka (34) and West Bengal (33) were considered as the worst in this respect.

In 1968-69 the proportion was lowest in Gujarat (24) followed by Punjab and Kerala (26). Assam, again staged the the worst recovery position where the over due was 75 per cent of the loans outstanding followed by West Bengal (57).

The most deteriorating feature in the record of cooperatives can be pointed out as the mounting position of over dues year after year, as shown in table No. XVIII. In many states the alarming increase in over due has checked the channels of credit to the honest and needy farmers.
Financial Position:

The existence of co-operative credit institutions in the midst of the farmers with low income and poor credit-worthiness is one of the significant factors for the financial weakness of the movement. The co-operatives, therefore, could not set up a strong financial structure of owned funds. They have also failed to mobilize deposits from the people partly due to lack of motivation and partly due to lack of confidence. Their success as a credit agency, to a large extent, depends upon their capacity to collect small savings and by educating the people the benefits of thrift. However, their success towards this end was deplorable.

The financial structure of the credit societies as reflected from the working capital is shown in Table No. XIX.

As it is obvious from the table, the proportion of deposits to total working capital decreased from 12.4 percent in 1948-49 to 7.0 percent in 1952-59. Similarly, the percentage of owned funds to the working capital also declined from 44.6 percent to 26.5 percent during this period; while the proportion of borrowings rose from 43.1 percent to 62 percent. Therefore it clearly implies that the dependence upon borrowings by the societies was greater than before.

It can be observed from Table No. XX, between 1950-51 to 1960-61, the proportion of deposits of the central co-operative banks fell from 57 percent to 36.5 percent while that of the state co-operative banks declined from 64.1 percent to 32.6 percent. Percentage of borrowings to the working capital rose

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more than double both that of the central and State Banks during this period.

However, between 1960-61 and 1968-69, some signs of improvement were observed. The proportion of deposits to working capital showed a tendency to move up both in the case of State and Central Co-operative Banks. Accordingly the proportion of borrowings came down as seen in table No.XX.

The percentage of overdue to outstanding loans of the central co-operative banks went up from 8.7 per cent in 1950-51 to 25.9 per cent in 1968-69; while that of the Apex banks declined from 12.0 per cent to 5.0 per cent.

The foregoing analysis is to focus attention on one of the crucial problems, viz.: financial stability of the co-operative credit movement. The nature of the problem was more vulnerable than that of the credit societies.

Administrative inefficiency:

The problem of inefficient administration was one of the serious drawbacks of the co-operative institutions in India. Lack of efficient and trained personnel can be pointed out as one of the reasons for this. Politics and vested interests also adversely affected the smooth functioning of the movement. While the planners continue to glamour for the de-officialisation, the Government went on tightening its control over co-operatives through more stringent laws and directives and politicians' involvement in the activities of co-operatives continued to be unabated.15

Poor administration led to insolvency of many co-operative credit societies and affected the recovery of

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15 D.D. Sharma, "Freeing Co-operatives from political and official strongholds" Indian Express (Economic scene) 2nd May, 1978.
over dues. 16

Organizational Aspects:-

The Co-operative planning Committee (1945) had emphasised that co-operation should embrace the entire life and all economic activities of the rural population and as it recommended multipurpose societies. Under Indian conditions, co-ordination of credit with other services is of vital importance so as to break the moneylender-cum-trader system. But lack of organization on the part of the co-operatives restricted their activities only to credit. It compelled them to proceed with a piece-meal approach to the problem of rural credit.

Reserve Bank of India and Agricultural Credit:-

Broadly, the functions of the Reserve Bank of India in the sphere of agricultural credit can be grouped into (a) regulatory and financial and (b) promotional and developmental. The Bank constituted the Agricultural credit department (under section 54 of the R.B.I Act) for the purpose of maintaining necessary staff to study and review all aspects of the problem of Agricultural Finance.

The Reserve Bank, under various sections of the R.B.I. Act, provides financial accommodation for various purposes at concessional rates. 17 Its financial involvement has increased with the creation of two Funds:- Stabilization Fund and the Long-term Operations Fund. 18

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Anwar Iqbal Qureshi, Feature of Co-operative movement in India, (Oxford University Press, Madras, 1947) P = 160
Reserve Bank Of India and Co-operatives:

The Reserve Bank of India through unsecured loans (under section 17(2) b of the R.B.I. Act) provides short-term and medium-term loans to co-operatives. It also makes financial accommodation available for agricultural operations and marketing of crops (under section 17(4)a). The Bank provides finance against government securities and land development banks' debentures.

The Reserve Bank of India, in addition to this, has been trying in several means to bring about progressive improvement in the co-operative credit structure. The Bank through regular inspections, serves to improve their operational efficiency. Hence the R.B.I. is maintaining regional offices in all major states and zonal offices in all the four zones of the country.

Important purposes are:-

i) Seasonal agricultural operations (1/2% below the Bank Rate)
ii) Marketing of crops including cotton and Kapas (at 3% above Bank Rate)
iii) Purchase and distribution of fertilizers (3% above B.R.)
iv) Short term finance to Agricultural Refinance & Development Corporation (at Bank Rate)
v) Medium term loans for agricultural purposes (1/2% below Bank Rate)
vi) Conversion of short term loans to medium term loans in scarcity affected areas (1/2% below B.R.)
vii) Medium term loans for purchase of shares of co-operative sugar factories and processing factories (at B.R.)

Loans to state governments for contribution to the share capital of co-operative credit institutions (6%)
ix) Long term loans to Agricultural Refinance and Development Corporation (at 5%)

Stabilization fund is mainly used for granting medium term loans to state co-operative banks.

Long term Operation Fund is meant for sanctioning long-term loans for state governments, so as to enable them in contributing towards the share capital of Central Co-operative Institutions.
Agricultural Refinance Corporation:

The Corporation was established in July 1963 with an authorised share capital of Rs. 25 crores and a paid-up-share capital of Rs. 5 crores. The chief subscribers to the paid up share capital of the fund are central land development banks (Rs. 135 crores), R.B.I. (Rs. 2.97 crores), and the scheduled commercial banks, L.I.C. and other investment companies (Rs. 0.63 crores). The Government of India sanctioned an interest free loan of Rs. 5 crores to the Corporation. The shares of the Corporation were guaranteed by the Government of India.

The Corporation is meant to function basically as a refinancing agency. The facilities of refinancing from the Corporation are available in the form of medium and long term finance to institutions for the promotion of agricultural development. Usually the Corporation refines those developmental programmes which cannot be financed by the existing credit agencies.

By the end of 1963-69, the Corporation sanctioned Rs. 156.43 crores in 233 schemes which have a total financial outlay of Rs. 192.03 crores. Out of this Rs. 147.17 crores were sanctioned through Central Land Development Banks; Rs. 5.62 crores were sanctioned through State Co-operative Banks and Rs. 3.69 crores through the scheduled commercial banks.

19 Reserve Bank of India: RBI India Rural Credit Review Committee Report, p (804)

20 Ibid; p- 805.
(3) Government

The role of Government as a direct supplier of farm credit had been restricted to "taccavi" loans. Legal framework for this purpose was provided by the Land Improvement Act of 1883 and the Agriculturist's Loan Act of 1884.

Due to the tremendous demand for credit, "taccavi" expanded both in quantum and scope. The progress of "taccavi" during the five-year plan is shown in Table No. XXI.

Along with the expansion of "taccavi" loans, the fitness of Government as an agency to supply it was questioned. The All India Rural Credit Survey Committee asserted that in practice the "taccavi" loan by the Government was apt to be little else than the ill-performed disbursement of inadequate money by an ill-suited agency. The Committee, therefore, recommended for the co-ordination between "taccavi" and co-operative credit. It was in favour of concessional finance for specific purposes by the Government, if it could be possible through co-operatives.

The National Development Council also recommended for the channelization of "taccavi" through the co-operatives. The Government, therefore, appointed the Committee of "taccavi" Loans and Co-operative Credit in July, 1951, to look into the matter. The Committee favoured that the funds with the Government should be utilized to supplement the resources of the co-operatives, preferably in the form of medium term loans. It suggested that the Government should make budgetary provisions for advancing long-term loans to the cultivators by means of providing accommodation to the land development banks. The Government of India accepted that recommendation and directed the State Governments for necessary policy measures.
'Taccavi' through Co-operatives:

Few States like Madhya Pradesh, Assam and Andhra Pradesh have taken steps to direct 'taccavi' through the co-operatives. However, the methods adopted were not uniform for this purpose. Certain States have chosen the Primary Agricultural Credit Societies to disburse the 'taccavi' loan. But this created confusion for the working of the co-operative credit structure since Government became a second source of credit instead of the Co-operative Central Banks.

In certain States, especially in Madhya Pradesh, the funds were placed at the disposal of the Apex Bank with amounts earmarked for each Central Banks. But most of the Banks could not utilize their allotments because no account had been taken regarding the demand for loans. In many cases the amount was disbursed without insisting the period of repayment. The Central Banks even at the cost of their lending standards, loosed out 'taccavi' to finish off their allotments. Hence 'taccavi' loans through co-operatives proved rather a drag than a help to them.

The All India Rural Credit Review Committee recommended that 'taccavi' might be continued temporarily as a standby line of credit where the co-operative structure is weak and only for certain specific purposes. The Committee was firm that 'taccavi' would not be in anyway jeopardise the institutional credit structure.

(4) State Bank of India:

Following the recommendations of the Rural Credit Survey Committee, the Imperial Bank was converted into State Bank of India, under the State Bank of India Act in 1955. It was in a view to lend more active support to the co-operative credit structure and to spread rural credit facilities to the
co-operative marketing and other societies. Since then the bank has been given the following financial assistance to the co-operatives:

1) advance against government securities and repledge of goods;
2) Remittance facilities,
3) Purchase and collection of cheques and bills;
4) Intram accommodation to central co-operative banks,
5) Subscription to debentures of land development banks.

Accordingly, by the end of 1963, Rs. 15.3 crores was outstanding in 1407 accounts against various forms of financed accommodation to co-operatives from State Bank of India. (See Table No. XXII)

Direct Financêng:

The banks direct involvement in agricultural financing assumed significance with the scheme of 'Rural Pilot Centres', started in 1964.

The scheme was aimed at:

1) the promotion of rural credit, both directly and indirectly,
2) filling in, on a pilot basis, the gaps and inadequacies in the existing rural credit institutions,
3) to provide usual banking facilities in the rural areas.

Direct financing to farmers was started in 1966-67 on an experimental basis, lending against a partnership farm. The coverage of the programme expanded rapidly from 600 acres in 1966-67 to 140 acres in 1968-69. The banks financial contribution rose to Rs. 2015 lakhs in 1968-69 as against Rs. 3.26 crores in the initial year.

With the evolution of the new strategy of agricultural development, the State Bank of India groups' financial activities expanded in many directions. Direct financing for agricultural and allied activities by State Bank of India and its subsidiaries is given in Table No. XXIII.

5. Commercial Banks:

In the history of agricultural credit in India, the role played by the Commercial Banks was insignificant, partly due to the nature of agriculture and partly because of the organizational framework of the banks, commercial banks were not actively involved in agricultural lending. However, commercial banks did finance agriculture indirectly by lending loans to merchants who gave advance to the small village dealers. A few banks were financing to landholders and more substantial cultivators. Further in 1950-51, less than 7 percent of the working capital of the State Co-operative Banks consisted of loans from commercial banks.

Later, green revolution has brought a spurt in the income of a section of rural population. Commercial banks, basically concerned with deposit mobilization, found it worthwhile to branch out in rural areas. In spite of their effective customer service and greed for deposits, the commercial banks succeeded, to a certain extent, in mobilizing rural savings. But the enthusiasm and capacity they have showed in tapping rural savings did not coincide with an expansion of credit supply to the farmers (see Table No. XXIV). Meantime, the progressive modernization and commercialization of agriculture resulted in

greater demand for credit. A detailed account of the total credit requirements and credit availability by the end of 1967-68 is shown in table No. XXV. As it is pointed out in the table, the total credit requirements for agriculture was estimated as Rs. 14,60 crores by the end of 1967-68. The credit made available by the institutional agencies was expected only Rs. 5,64 crores i.e., 38.6 per cent of the total requirements. Out of it commercial banks' share was so negligible as Rs. 77 crores i.e., 5.3 per cent. The existing institutional structure proved its inefficiency to cope with the changed situation. The Government of India, therefore, imposed social control over the Banks in 1967 in order to increase commercial banks' participation in Agricultural Financing.

With a view to 'assist the Government and the Reserve Bank of India in the task of allocating credit among different sectors in conformity with the objectives of planning considerations of national economic policy,' The National Credit Council was formed. The Banking Regulation Act of 1949 was amended and it gave wider powers to the Reserve Bank of India and the Government to control the activities of Commercial Banks.

After Social Control:-

Many of the leading commercial banks rose to the occasion and setup separate Agricultural Finance Departments and appointed Agricultural Officers at regional levels to maintain a liaison with the farmers. Different Schemes were formulated by the Banks for financing Agricultural purposes. Direct financing has taken mainly in the form of crop loans and term-loans. Loans were given against hypothecation and mortgage security.
As a result of the remarkable response given by the Banks to the new situation, their involvement in Agricultural lending increased from Rs. 17.99 crores in 1968 to Rs. 53.14 crores in 1969 as shown in table No. XXVI. Direct financing to farmers went up to Rs. 22.73 crores in 1969 as against Rs. 8.32 crores in 1968.

One of the most important steps taken by Commercial Banks was the setting up of the Agricultural Finance Corporation Ltd., in 1968 with an authorised capital of Rs. 100 crores. The Corporation within a short span of time of its working upto June, 1969, formulated various schemes in collaboration with its member banks for financing Agricultural purposes. It also took the pains to setup a national level Consultative Committee for co-ordinating the activities of Commercial Banks and Co-operative Banks. Similar Committees were formed at the State level also.

Thus, Commercial Banks after 'social control' showed remarkable appreciation in contributing their potential for Agricultural Development. However, the sphere of activity they had to overcome many hurdles in the form of operational and technical problems. While their efforts were going on an experimental nature, the Union Government, in July, 1969, nationalized fourteen major Commercial Banks of the Country.