There is no second opinion in the fact that the co-operative credit structure today is an institutional system that has wide-spread net-work of branches all over the country and that meets the credit needs of the farmers to a large extent. The three-tier federal setup of the co-operatives also allows a rationalized flow of funds from urban centres to the rural areas. Further, in rural areas, where the production units are generally small, numerous and scattered, hardly any economic programme can be carried out, unless individual efforts are channelised on the basis of co-operation. The co-operatives, therefore, are not merely an institutional arrangement for distributing
agricultural credit, but an organism whereby the weaker sections and small producers of the society are brought into the stream of economic development. However, it is pointed out that even co-operative institutions do not meet the credit requirements of the small farmers to a large extent.¹

Two aspects of the problem of agricultural credit have been studied in this chapter. In the first part, the performance of credit institutions has been studied before and after bank nationalization. It was observed that the big farmers were in a better position to exploit the benefits of institutional finance, especially from the co-operatives. After nationalization it was expected that the banks would go a long way to help the poor farmers. However, it has been found that no significant change has been occurred to the plight of the small and marginal farmers.

In the second part, regional disparity with respect to dispersal of institutional credit is measured. It has been shown that the disparity among the regions has not decreased as a result of supply of credit by nationalized banks to agricultural sector.

part I

The co-operative credit institutions, like any other state, are the most important source of institutional credit in Madhya Pradesh. The Madhya Pradesh State Co-operative Bank is working as the apex organization at its head office at Bhopal and branches at Jabalpur, Indore, Gwalior, Rewa, Bhopal and Balespur.

Each district in the state has a Central co-operative bank having branches at various centres in the district. The number of offices of the Central co-operative banks (including head offices) has increased from 470 at the end of June 1966 to 642 at the end of June 1975. However, the total membership of these banks declined from 46068 to 33112 during the same period.

Similarly, the number of primary agricultural credit societies has declined to 9815 in 1975 which was 10,884 in 1967. Meantime, the membership of these societies has increased from 2025 thousand in 1970-71 to 2290 thousand in 1975.

Regarding long-term credit structure the Central Land Development bank in functioning at the apex level. There are 43 primary land development banks at the district level as its members. Paid-up share capital of the Central land development bank increased from Rs. 247.00 lakhs in 1972-73 to Rs. 309.38 lakhs in 1973-74. Share capital of the primary land development banks increased from Rs.339.17 lakhs to Rs. 447.93 lakhs during this period.
However, total loans advanced by these banks decreased from Rs. 12.27 crores in 1972-73 to Rs. 11.87 crores in 1973-74 and increased to Rs. 15.10 crores in 1974-75.

Working Capital of the State and Central Co-operative Banks:

The total working capital of the State Co-operative bank increased from Rs. 45.65 crores in 1975-56 to Rs. 59.47 crores in 1973-74, as shown in table No. XXXVII.

As it is obvious from the table, borrowings which constitute the main source of the banks working capital rose from Rs. 32.69 crores in 1955-56 to Rs. 45.21 crores in 1972-73 and declined to Rs. 40.34 crores in 1973-74. The proportion of borrowings to the total working capital declined to 58.1 per cent in 1973-74 which constituted 74.9 per cent in 1955-56. Owned funds of the bank increased from Rs. 3.68 crores in 1955-56 to Rs. 11.76 crores in 73-74 and formed 16.9 per cent of the total working capital as against 8.4 per cent in the base year.

Similarly, deposits increased from Rs. 7.28 crores to Rs. 15.15 crores showing a proportionate increase from 16.7 per cent to 21.8 per cent during the same period. However, the increase in deposits and owned funds outstripped by a steep decline in borrowings in 1973-74 which resulted a fall in the total working capital of the bank. The fact is thus obvious that the state co-operative bank should have to make more strenuous efforts in attracting deposits, if the expansion of co-operative
credit on the scale envisaged is to become possible.

Total working capital of the central co-operative banks increased from Rs. 59.52 crores in 1955-56 to Rs. 124.87 crores in 1973-74. Owned funds and deposits of the banks also increased during the period. The percentage share of deposits which marked a declining trend after 1965-66, however, constituted 40.3 per cent of the total working capital. Table No. XXXVIII will illustrate the position of working capital of central co-operative banks during 1955-56 to 1973-74.

The above study indicates that lack of efforts to mobilize deposits at a greater rate on the part of the State and Central co-operative banks is one of the serious shortcomings which made them much depend on borrowings. Moreover, as the higher financing institutions in a federal structure, they have a responsibility towards meeting the credit requirements of the members of the primary societies. The Central co-operative banks with their urban base and more than 533 branches all over the state should have been in a better position in augmenting deposits. But the progress achieved in this direction was not satisfactory.

It can be observed that the short-term loans issued by Central co-operative banks increased from Rs. 310289 thousand in 1955-56 to Rs. 653971 thousand in 1972-73. Out of the total short-term loans, nearly 80 per cent of the loans were issued for seasonal agricultural operations.
in 1972-73 as against about 60 per cent in 1955-56. Marketing of crops was the next major purpose for which loans were issued during this period.

There were wide variations in the supply of medium-term loans by the banks. Total loans aggregated to Rs. 92985 thousand in 1972-73 as against Rs. 54493 thousand in the previous year. Some of the important among the purposes for which medium-term loans are issued are sinking or deepening of wells, purchase of agricultural machinery, purchase of cattle and minor improvements to land. Supply of short-term and medium-term loans by the Central co-operative banks is given in table No.XXXIX.

Over duess of the Central Co-operative Banks:

One of the serious drawbacks which devastates the progress of co-operative movement in our country is the problem of mounting over-due. Besides weakening the financial stability of the societies, it has jeopardised agricultural growth and economic betterment of the weaker sections of the countryside for whom the co-operative credit system was introduced and developed in India.

A study team led by Dr. Dastey has pointed out that in some states over-due have crippled the very co-operative credit structure so miserably that it is not in a position to absorb funds from higher financing agencies.

In Madhya Pradesh the outstanding loans of the Centre co-operatives banks increased from Rs. 464776 thousand in 1966 to Rs. 960671 thousand in 1973. By the
end of 1974 it steeply declined to Rs. 464776 thousand. Over dues position of the Central co-operative banks is given in table No.XL.

It is evident from the table that the over dues of the Central banks increased along with an increase of loans. By the end of 1974 the percentage of over dues to the outstanding loans stood at 91.8% per cent.

Primary Agricultural Credit Societies:

The record of the working of the primary agricultural credit societies in the state did not show a smooth development during the period from 1970 to 1975. While all the villages in the state are being served by credit societies, their total number has declined from 9986 in 1970 to 9746 in 1975. As the total membership of these societies has increased from 2026 thousand to 2210 thousand during this period, the number of borrowers should have increased. But it is found that the total number of members borrowing from the societies declined from 9341 thousand in 1970 to 744 thousand in 1975. Table No.XLI will illustrate the changes in the number, membership and coverage of primary agricultural credit societies during the period from 1970 to 1975.

Membership per society has increased to 232 in 1974-75 as against 218 in 1970-71 as shown in table No.XLII. Similarly, short and medium-term loans advanced per borrowing member by the societies also increased from Rs. 524 to Rs. 558 during this period. But the increase in the amount borrowed per borrowing member may be due to the
fact that the total number of borrowers also decline during the period from 1970 to 1975.

Amount of short-term loans issued by the primary agricultural credit societies has increased over a period of time from 1970-71 to 1974-75. Meantime, the progress in the supply of medium-term loans was not unique during this period.

Total amount of short and medium-term loans issued by primary agricultural credit societies increased from Rs. 514121 thousand to Rs. 653265 during 1970-71 to 1974-75. Out of the total loans, 86.58 per cent was issued as short-term loans in 1974-75 as against 89.57 per cent in 1970-71. Progress regarding the supply of loans by primary agricultural credit societies during the period from 1970 to 1975 is shown in table No. XLIII.

It can be pointed out that about 66.47 per cent of the loans are issued to borrowers of land holdings above 4 hectares in 1973-74 as against 63.47 per cent in 1970-71. Out of this, nearly 33.8 per cent of the total loans are accounted to those who have above 8 hectares of land. The share of borrowers below 2 hectares of land holdings declined from 15.5 per cent in 1970-71 to 11.1 per cent in 1973-74. Classification of loans issued by primary agricultural credit societies according to size of ownership holdings is given in table No. XLIV.

Out of the total loans issued during 1979-70, near about 64 per cent was issued by amount Rs. 501 and above;
of which 17.5 per cent was issued by amount Rs. 1001 and above. By the end of 1973-74 the proportion increased to 74.8 per cent and 26.6 per cent respectively of the total amount issued. The proportion of loans issued by amount less than Rs. 501 declined from about 35 per cent in 1969-70 to 25.1 per cent in 1973-74. Further, loans issued by amount Rs. 101 to Rs. 300 declined to 8.46 per cent in 1973-74 as against 12.29 per cent in 1969-70. Loans issued in big amounts, therefore, indicate that small and marginal farmers were neglected even by the co-operative credit institutions. Classification of loans issued by amount is given in table No. XLV.

Earlier, the All India Debt and Investment Survey of 1970-71 had revealed the fact that the average amount borrowed per cultivator families, under low asset groups, from co-operatives was obviously less than that of the higher asset groups. The survey further pointed out that the average amount borrowed per family from the money lenders was proportionately higher in the case of low-income farmers.

According to the Survey, average amount borrowed from co-operatives by the lowest asset group (up to Rs. 500) was Rs. 0.7 as against Rs. 13.1 from professional money lenders and Rs. 19.7 from agricultural money lenders. Average amount borrowed per family under the asset group of Rs. 500 to Rs. 1000 was Rs. 4.6 from co-operatives, Rs. 20.1 from professional money lenders, and
Rs. 25.7 from agricultural money lenders. Cultivators who belong to the asset group of Rs. 1000 to Rs. 2500 were reported with borrowings of Rs. 8.7 per family from co-operatives as against Rs. 30.00 and Rs. 36.40 respectively from professional and agricultural money lenders. Average amount borrowed per family under the asset group of Rs. 2500 to Rs. 5000 was of the order of Rs. 28.10, Rs. 34.00 & Rs. 65.80 respectively from co-operatives professional money lenders and agricultural money lenders. Borrowings of middle class farmers (under the asset group Rs. 5,000 to Rs. 10,000) were on an average of Rs. 55.60 per family from co-operatives, Rs. 50.60 from professional money lenders and Rs. 82.60 from agricultural money lenders. Cultivators who belong to the asset group of Rs. 10,000 to 20,000 were reported with borrowings of Rs. 88.20, Rs. 77.00 and Rs. 97.30 respectively from co-operatives, professional money lenders and agricultural money lenders. Thus, the survey obviously brought to the surface that the dependence of the small farmers upon the money lenders was greater than that of the well-to-do sections.

According to the All India Debt and Investment Survey of 1970-71, the average amount of cash dues outstanding per cultivator house-holds against institutional agencies by low asset-groups was comparatively less than that of by the large income groups. It has been pointed out that, the share provided by co-operatives in the aggregate cash dues
outstanding of the cultivators who belong to the asset group up to Rs. 5,000 was only 2.15 per cent as against 23.53 per cent from the money lenders. However, farmers under the asset group of Rs. 5,000 to Rs. 10,000 have reported with 11.09 per cent of their cash dues outstanding from the co-operatives. According to the Survey, 61.49 per cent of the cultivator households who belong to the asset group of less than Rs. 10,000 reported with only 16.15 per cent of the aggregate cash dues outstanding from the government, 13.24 per cent from the co-operatives and 6.72 per cent from the commercial banks. At the same time, the share of landlords, agricultural money lenders and professional money lenders was pointed out as 24.71 per cent, 52.43 per cent and 42.90 per cent respectively.

The above analysis indicates that the rich farmers were in a better position to enjoy the benefits of co-operative credit than the weaker sections. The small farmers who could not offer land in a significantly large size as security could not borrow the required amounts even from co-operative credit institutions. A number of Committees and Study Groups had emphasized that the criterion of viability of a small farmer should not be judged merely by the land he owns or cultivates, but by his character and his progressiveness as indicated by his responsiveness to scientific inputs in agriculture. However, the plight of the poor and less-affluent farmers in rural areas still holds good.
A study term of the Reserve Bank of India, constituted under the Chairmanship of C.D. Datey emphasized the need to strengthen the economic and managerial aspects of agricultural credit societies in Madhya Pradesh. The Team also recommended the need to provide more credit facilities to backward districts in the state. It was estimated by the Study Team that in short-term credit requirements of the farmers in the state in the year 1978-79 would be Rs. 300 crores and the credit institutions would be able to provide credit worth Rs. 160 crores, leaving a credit gap of Rs. 140 crores.

After nationalization, it was expected that the commercial banks would be in a better position to remove the inequalities in the disbursement of agricultural credit among different sections of farmers and among different regions. The banks were urged to branch out in the interior regions of the country to help the poor and less-affluent farmers. Accordingly, the lead banks scheme was launched in order to give an impetus to the above said goal. In Madhya Pradesh, all the 45 districts were allotted to 9 nationalized banks. The names of the lead banks along with the respective lead districts are given in Table No. XLVI.

One of the most significant developments since nationalization has been the phenomenal growth in the coverage of banking facilities in the state. Population
per bank office has reduced substantially in all the districts. Consequently, the average population per bank office in the state has declined from 1,75,138 in 1961 to 42,000 in 1975. In districts like Belaghat, Baster, Damoh, Satna, Seoni, Sidhi, Surguja and Tikamgarh, the population per bank office was as high as above 2,50,000 on the eve of nationalization. But it came down substantially in all the districts except Jhabua and Surguja, where the population per bank office was 1,09,000 and 1,11,000 respectively by the end of 30th June 1975. However, there were only nine districts out of the total of forty five, where the population per bank office was below the state average by the end of June 1975.

Data regarding the spread of bank offices according to population group-wise is given in table No. XLVII. It can be observed from the table that the proportion of commercial bank offices in rural areas to the total, rose significantly from 22.4 per cent as on 19th July 1969 to 40 per cent at the end of June 1975. While the share of Bank offices in semi-urban areas fell from 47.4 per cent to 32.7 per cent, the share of urban offices declined from 30.2 per cent to 27.4 per cent during the above period.

It is further significant to note that there were as many as eleven districts in the state, having no offices of a commercial bank at any of its rural centers by the end of June 1969. But this phenomenon has changed since nationalization. Special emphasis
has been made by nationalized banks on the provision of banking facilities in rural areas. Consequently, the number of rural offices rose by 440 per cent while the total number of bank offices went up by 202.6 per cent between July 1969 and June 1976.

Out of the total number of rural offices of the commercial banks, about 45.5 per cent was established by the 14 nationalized banks while 50.5 per cent of offices was opened by the State Bank of India and its subsidiaries. Out of the total offices opened by the State Bank of India, about 52 per cent was in the rural areas. The proportion of rural offices to the total bank offices of 14 nationalized banks was approximately 36 per cent by the end of June 1976. Centre-wise distribution of commercial banks' offices according to bank group-wise is given in table No.XLVIII.

A study of the nature of advances made by nationalized banks revealed the fact that bulk of their funds went to the urban population. Advances were given to rural areas declined from 29.05 per cent in 1972 to 22.44 per cent in 1974. The proportion of semi-urban advances to the total increased from 27.22 per cent to 30.37 per cent during this period. However the proportion was 32.35 per cent in 1973. At the same time the percentage of urban advances to the total has increased from 44.92 per cent in 1972 to 46.69 per cent in 1974. Table No. XLIX will illustrate population group-wise advances of scheduled commercial banks' offices opened after nationalization.
Agricultural Financing through Co-operative Credit Societies:

Madhya Pradesh is one of the states where the "scheme of financing primary agricultural credit societies by commercial banks" has been initially introduced in 1970. The scheme was intended to meet the production and investment credit needs of the farmers in a better way. One of the most significant objectives of the scheme was to finance small farmers by encouraging them to become members of the societies. However, in Madhya Pradesh the scheme was not a success.

In the year 1970-71, 305 societies were transferred to ten nationalized banks, according to the scheme. The number of branches involved in the scheme was 47. By the end of 1975-76, only 309 societies were transferred under the scheme; and the number of branches involved was only 49. Out of the 305 societies transferred during the year 1970-71, 276 societies were taken for financing by the banks. In 1971-72 the number of societies taken over for financing declined to 236. However, by 1974-75 the number reached at 260.

The total loans disbursed by nationalized banks to the primary agricultural credit societies increased from Rs. 62.09 lakhs in 1970-71 to Rs. 167.06 lakhs in 1975-76. Out of this, Rs. 142.62 lakhs had been disbursed as short-term loans in 1975-76 as against 37.20 lakhs in 1970-71. Medium-term loans advanced to the societies declined from Rs. 24.89 lakhs in 1970-71 to Rs. 11.44 lakhs in 1975-74. However, the amount increased
from Rs. 21.59 lakhs in 1974-75 to 24.44 lakhs in 1975-76. Table No. I and II will illustrate the working and progress of the Scheme more clearly.

The record of loan disbursement by nationalised banks through primary agricultural credit societies has proved that the Scheme has been of great scope in meeting the credit requirements of the weaker sections of the farmers. Small and marginal farmers who have no direct access to the nationalised banks were able to enjoy the credit facilities from the banks if finance was routed through co-operatives. However, the working of the Scheme has shown serious limitations, which impeded the poor and unprivileged classes to make use of the institutional credit facilities in a better manner. A committee appointed by the Reserve Bank of India, under the chairmanship of Prof. M.L. Dantwala has pointed out that many landlords swallow the major share of institutional credit in villages through benami transactions, borrowing in the name of small farmers. The committee expressed its doubt that large farmers seen to be getting weightage in loan disbursement by nationalised banks, especially in Maharashtra, Gujarat, Punjab and Madhya Pradesh.

In spite of all the efforts, which have been made since nationalization, to provide more institutional credit facilities to the rural areas, it can be pointed out that, the plight of the poor and down-trodden people sill continues to be the same. The co-operative institutions are more inclined to help the well-to-do
farmers while the nationalised banks are confined to a small upper crust in the rural society. The poor and unprivileged group of farmers are compelled to take resource from the money lenders who seem to be the last resort for them. The existing institutional intermediaries have not been able to break the strong-holds of the private lenders, as it was expected, by the nationalization of commercial banks.

*part II*

This part studies regional disparity in the dispersal of credit to rural sector in Madhya Pradesh by institutional agencies. Credit institutions find convenient to provide credit to already developed regions resulting
in widening disparities of development among the regions of a state. The aim is to study the intensity of regional variation as regards distribution of agricultural credit in various districts of Madhya Pradesh before bank nationalization in 1950-51 and then to study whether the regional disparity with respect to agricultural credit has decreased or widened after nationalization in the year 1970-71. It is also intended to find out whether agricultural credit provided by nationalized banks has helped to decrease regional disparities. Thus, both interspatial and inter-temporal variations are measured. A district has been considered as one region. The data for analysis for the forty-three districts of Madhya Pradesh has been taken from the Journal - District wise Indicators of Economic Development in

Madhya Pradesh." The data pertains to the period, 1960-61 and 1970-71. Similarly, data for agricultural credit supplied by nationalised banks has been taken from "Banking statistics, B.S.R." a publication of Reserve Bank of India. Per capita credit in a district has been taken as an indicator for measuring inter-district variations.

Lorenz curve is widely used as a tool of measuring inequality of various economic characteristics. The coefficient of concentration indicates the precise estimate of the degree of inequality. Gini's concentration ratio is used as coefficient of concentration. Gini ratio is defined as the ratio of the area that lies between the equidistribution line and Lorenz curve to the area that lies under the equalitarian line. If the distribution of the economic characteristic is perfectly unequal, the Lorenz curve will perfectly coincide with the axes and the area under the equalitarian line and that lying between the Lorenz curve and the equalitarian line would be equal and their ratio would be unity. On the other hand, if the distribution of an economic variable is perfectly equal, the Lorenz curve will coincide with the equalitarian line and the area between the Lorenz curve and the equalitarian line would be zero which will make the concentration ratio equal to zero. Therefore, the value of concentration ratio changes from zero to unity. Greater the value of the concentration ratio, higher will be the degree of inequality. The formula to calculate the Ginni ratio is as follows.
\[
G = \frac{\sum \sum (|x_i - x_j|)}{2N (N-1) \bar{X}}
\]

Where \(x_i\) and \(x_j\) denote per capita institutional credit in \(i^{th}\) and \(j^{th}\) districts respectively. \(\bar{X}\) is the State average for per capita credit. \(N\) denotes the total number of districts in the State.

Coefficient of variation is one of the relative measures of dispersion which is a pure number and is not expressed in some particular scale of units. The coefficient of variation is defined as,

\[
V = \sqrt{\frac{1}{N} \sum (x_i - \bar{X})^2} \over \bar{X}
\]

Where \(V\) is the coefficient of variation, \(x_i\) is the value of per capita institutional credit in \(i^{th}\) districts, \(\bar{X}\) is the State average of per capita institutional credit.

While the coefficient of concentration measures regional inequalities, the coefficient of variation measures regional dispersion. A high value of \(V\) for a particular time period as compared to that of another period would imply greater inconsistency in the distribution of per capita institutional credit in the former period.

Values for Gini's coefficient of concentration were calculated for per capita credit at two different
time periods. Accordingly, the precise degree of inequalities as measured from the values of concentration of per capita credit are given below.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient of Concentration</th>
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<tbody>
<tr>
<td></td>
<td>1960-61</td>
</tr>
<tr>
<td>1. Per capita credit through Co-operative credit Societies.</td>
<td>0.4246</td>
</tr>
<tr>
<td>2. Per capita credit through Co-operative credit Societies and Nationalized banks.</td>
<td>-</td>
</tr>
</tbody>
</table>

It appears from the above values that rural credit tend to be inequality distributed in the State of Madhya pradesh in the year 1960-61 and 1970-71. However, the value of the coefficient is comparatively low in 1970-71 which indicates a more equal dispersal of institutional credit during the year.

When agricultural credit distributed by the nationalized banks is also taken into consideration along with that of co-operative societies, one finds
a slight tendency for agricultural credit to get more equally distributed. Though the nationalized banks have provided more finance to agricultural sector, they have not helped much to reduce regional inequalities in the distribution of agricultural credit.

The values of co-efficient of variation calculated for per capita credit are as follows:

<table>
<thead>
<tr>
<th>Index</th>
<th>Values of co-efficient of variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1960-61</td>
</tr>
<tr>
<td>1. per capita credit through co-operative societies.</td>
<td>76.2153</td>
</tr>
<tr>
<td>2. per capita credit through co-operative societies and Nationalized banks.</td>
<td>-</td>
</tr>
</tbody>
</table>

The co-efficient of variation also shows the same tendency to decrease slightly like the co-efficient of concentration. Similarly, when agricultural credit supplied by Nationalized banks is also taken into consideration, the co-efficient of variation again shows the same trend to decline. But this decrease in variation or inconsistency is very marginal.

Thus the following conclusions can be clearly drawn. (1) Institutional credit through co-operative
credit societies has not helped to decrease wide
inter-district variations in the dispersal of credit
over a period of time from 1960-61 to 1970-71.
(2) After the advent of nationalization of banks it
was expected that these banks would go a long way to
decrease wide variations in the dispersal of credit
by helping backward districts in the state. But there
is little advancement in the direction of reducing
inequality in the supply of credit.

In order to get a clear picture, all the
districts of Madhya Pradesh are classified in to six
development levels relative to the state average for
both points of time as well as for credit provided by
credit societies and the Nationalized banks. This would
facilitate to determine the changes in the number of
districts in each category. For each category the state
average in 1961 is treated as 100 for preparing an index
of performance of the districts relative to the state
average. A district whose performance is 25 per cent
below is treated as most backward as far as provision of
institutional credit is considered. The numbers and
names of districts for each level of development are
given in Table No. LII and No. LIII respectively.

There were 7 districts in 1970-71 as against
3 districts in 1960-61, whose performance was 25 per
cent below the state average. However, the number
decreased to six, when per capita credit supplied by
nationalized banks also taken into consideration.
Similarly, the performance of 14 districts of the state was below 50 per cent both the year 1960-61 and 1970-71. But this number decreased to twelve when credit supplied by nationalized banks also considered. The above analysis again shows that the tribal districts of Madhya Pradesh like Surguja, Bastar, Mandla, Jhabua and Betul are backward in respect of agricultural credit facilities even after bank nationalization. Similarly is the case of districts like Rewa, Sidhi, Shahdol, Satna and panna.