Capital, as it is well known, lubricates the wheels of agricultural development. Adequate terms of capital investment in agriculture has emerged as a matter of vital importance for launching various development programmes. It may be further recalled that, in India, 62 per cent of the total cultivators who cultivate only 20 per cent of the total cropped area, have been doing on a subsistance level. In this context, credit has greater relevance in view
of the fact that widespread use of modern technology depends largely on external finance. The National Commission on Agriculture, therefore, when took the problem of agricultural finance emphasised that credit is one of the most important instruments of development and the farmer would not have any access to the fruits of science and technology without adequate resources. In fact, shortage of capital and its sub-optimum allocation among farmers, in less developed countries, has rather to be solved through improving the supply of credit. Accordingly, the problem of agricultural credit has been envisaged of immense significance in our five year plans.

To begin with the first five year plan, the provision of sufficient and timely credit at fair rates of interest was considered as an integral part of the plan. It was realised that because of inadequate financial resources, many of the farmers, even though otherwise willing, were unable to rely on modern agriculture. It was, therefore, considered as of utmost importance that the financial requirements of the farmers should be met. The plan further emphasised that even the uneconomic cultivators should not be denied of the benefits of co-operative movement.

1 Government of India, Planning Commission; First Five Year plan, P= 234.
It was pointed out in the Second Five Year plan that in the development of rural credit, the greatest difficulty in the past had been that a substantial proportion of the farmers were non-credit worthy in relation to the existing rules and conditions for loans. The plan, therefore, proposed that loans should be advanced by credit societies on the basis of production programmes and anticipated crops. Special emphasis had been laid in meeting the credit requirements of the marginal and sub-marginal cultivators, during the Third Five Year Plan period.

The role of credit institutions in agricultural development is more and more emphasized since the beginning of the Fourth Five Year plan. Adequate and timely supply of credit has been emerged as a pre-conditions for the implementation of new agricultural strategy adopted in the plan periods. But paucity of cheap and adequate credit has been one of the crucial factors stifling agricultural growth in our country.

In the Fifth Five Year plan, the general policy regarding the development of agricultural

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2 Government of India, Planning Commission; Second Five Year Plan, p= 226.
3 Government of India, Planning Commission; Third Five Year Plan, p= 203.
credit is designed to have three-fold objectives:—
(i) institutionalise agricultural credit quantitatively to the maximum extent, (ii) to redress the imbalances that have arisen in the availability of agricultural credit between different states, (iii) to ensure that the loaning policies and procedures of co-operative credit institutions and commercial banks will be so oriented to take care of the credit needs of small and marginal farmers. 4 The Government, therefore, has given vital importance to the total rural and agricultural development in the Fifth Plan. More than forty five per cent of the total outlay in the plan would be on rural programmes.

However, to set problem of rural credit on proper footing, our country has embarked upon various programmes and credit agencies. Unfortunately the matter has been continued to be a slur on our economy.

The Co-operative credit institutions have been found in the doldrums. In many states, their progress have been uneven and little effort has been made to use these agency to mobilize rural savings. At the same time, over dues of these societies have increased to staggering levels in a number of

states. Even though specific emphasis has been laid on meeting the credit needs of the weaker sections, Co-operatives were not in a position to reach out to the vast majority of the rural poor. But the affluent few were able to corner the public resources to the detriment of the weaker sections.5

Callously exploited by the privileged classes, the poor farmers for whom these institutions are meant, were thrown to the cobwebs of ruthless money-lenders. They had a virtual monopoly in the sphere of lending business with the effect that the credit supplied by them was costly. They have exploited for centuries the small farmers and landless labourers to such an extent that these people have continued to live in debt and could not improve their lot. Illiteracy and traditions of these rural elites further added fuel to the fire of their own plight. This phenomenon paved the way for the grim realities of rural indebtedness and bonded labour.

Commercial banks, on the other hand, traditionally being inclined towards trade and industry, kept themselves at a safe distance away from agricultural sector. The insignificant

5 Mohan Dharia; 'Co-operative movement should decentralize Economic power' Co-operative News Digest, March 1978, Vol. XXIX, P-34.
involvement by them in financing for agricultural purposes has been also subject to the vicissitudes of weather conditions. Since uncertainty involved in agricultural production is greater than any other industry, financing of cultivators was considered as risky. Again, organizationally also commercial banks were not particularly suited to enter this field. The illiquid nature of land as security, what the farmers can offer all the more, was least appreciated by the banks. All these factors compelled the traditional banker to minimise agricultural lending at the best. This fact was obviously brought to the surface by the two All India Surveys viz: the All India Rural Credit Survey of 1952 and All India Debt and Investment Survey of 1962.

In 1952, the Rural Credit Survey Committee reported that out of the total borrowings of the cultivators, the share provided by the moneylenders constituted as much as 69.7 per cent. The share provided by commercial banks and co-operatives were 1.8 and 3.1 per cent respectively. According to the Debt and Investment Survey (1962), out of the total estimated borrowings of Rs. 2000 crores, only Rs.300 crores came from co-operatives and other institutional agencies. On the contrary, the share of agricultural and professional money lenders were Rs.1,300 and Rs.300 crores respectively.
While all the above mentioned conditions hold good, the credit needs of the farmers have been further propelled by a spurt in technological change due to the new strategy adopted in 1966-1967. The Rural Credit Review Committee of 1969 observed the situation that, 'even though much progress has been made in providing institutional credit for current cultivation expenses,... the credit available for financing investments in agriculture was still inadequate in relation to the potential that exists in the country'. According to one estimate the total demand for agricultural credit during 1970-74 was around Rs. 40,000 million for short and medium-term loans and Rs. 1500 crores for long-term loans. The co-operative credit facilities were quite inadequate to cope up with the increasing credit needs of the cultivators. The planners, therefore, found a resource-gap in meeting the credit requirements of the farmers. An argument in favour of the multi-agency approach to solve the problem of rural credit also gathered momentum among the policy makers. The Government of India, therefore, followed by the Social Control in 1967, nationalised 14 major commercial banks in the country, under the Banking Companies Act, in 19th July 1969.

Accordingly, for the first time in the history of banking in India, commercial banks were brought into the field of agricultural credit which, till then, was reserved for co-operatives. The aim of nationalization was that "an institution, such as banking system, which touches, and should touch the lines of the millions, has to be inspired by social purposes and has to subserve national priorities and objectives." The broad objectives of nationalization were therefore,

i) removal of control by a few,

ii) provision of adequate credit for agriculture and small industry and export, and

iii) utilization of deposits for national growth and removal of disparities.

Through nationalization, the commercial banking industry is supposed to slough its old skin off to participate in the process of agricultural development. The planners were ambitious that these banks can introduce effective service for farmers provided effective intermediaries like the Farmers Service Societies and the Co-operative credit structure are built up rapidly. It was again felt that, while imbued with a social purpose it would be possible for

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7 Pranab Mukherjee, "Bank Nationalization a balance sheet", Eastern Economist, July '75
8 Ibid.
these banks to view the problem of agricultural credit from a wider and detached perspective. The banks were urged not only to fill the credit-gaps but also to assist the weaker sections of the community in a more meaningful way. To put it in a nutshell, the commercial banks were expected to funnel more resources for the rural up-lift, so as to free the cultivators entangled in the meshes of the usurious private agencies.

The landscape of commercial banking has changed with new dimensions since nationalization. The banks have taken remarkable strain to branch out in rural and unbanked areas of the country. Their deposits, accordingly, have undergone a sea of change. Similarly, the number of accounts on agricultural borrowings have increased from 1,64 lakhs in 1969 to 21,33 lakhs in 1974. The amount outstanding against agriculture which were Rs. 162 crores in June 1969 rose to Rs. 937 crores in December 1975.

The present study, therefore, is designed to bring out a spectacular view of the role of nationalized banks in agricultural lending. To be more specific, it is aimed at an evaluation of the work done by these banks in the sphere of agriculture credit. The study is also intended to examine the pattern and extent of credit disbursement by
nationalised bank over a period of time. The present study is confined to the state of Madhya Pradesh which has a special status in the agricultural production in India.

Formerly, in the above context, the nature of farm credit in certain selected foreign countries is viewed in brief. Special features inherent in the sources of agricultural credit in these countries are deliberately brought into surface. It was expected that on the basis of this, it would be proper to identify the short-comings for which agricultural credit structure in our country suffers. Secondly, the problem of agricultural credit, in India, is examined in depth before evaluating the role of nationalized banks. The role of important agencies in this sphere, till nationalization, is reviewed further. Again, new dimensions of agricultural credit since nationalization have been brought forth.

The performance of nationalized banks in the realm of agricultural credit with reference to the 45 districts of Madhya Pradesh have been studied subsequently. Various aspects like, branch expansion, regional inequalities in credit disbursement, credit deposit ratio, regional concentration in deposits and advances, and the share of agriculture in the total outstanding credit of nationalized banks have been examined for this purpose.
The analysis for the study has been done on the basis of secondary data provided mainly by the Reserve Bank of India publication, 'Banking Statistics, B.S.R.' and District-wise Indicators of Economic Development in Madhya Pradesh,' a journal published by the Directorate of Economics and Statistics, Government of Madhya Pradesh, Bhopal. As district-wise statistical data separately for nationalized banks is not available data regarding scheduled commercial banks have been taken for consideration. It has been done on the assumption that almost all the scheduled commercial banks working in the state (M.P.) are nationalized. However, data related to State Bank of India and its subsidiaries are significantly involved in the analysis, since it is difficult to eliminate.

A detailed test of the chapter analysis followed in the present study is given below:

Chapter I: Introduction

Chapter II: "Agricultural credit in certain selected foreign countries" describes the sources of farm credit in United States, Japan, Netherlands, and Finland.

Chapter III: "Problem of Agricultural Credit in India", deals with Agricultural in
Indian economy, Role of Agriculture in Economic development, New strategy of Agricultural development, Significance of Agricultural credit and the problem of Agricultural credit.

Chapter IV: "Agencies of Agricultural credit before bank nationalization", studies relative importance of credit agencies, Non-institutional agencies- Money Lenders, Legislation on money lending, Importance of money lenders, Other private agencies, Institutional agencies- Co-operative credit institutions, Reserve Bank of India, Agricultural Re-finance corporation, Government, State Bank of India and Commercial Banks.

Chapter V: "Nationalized Banks and Agricultural finance," examines area approach and Lead Bank Scheme, Branch expansion in rural areas, Priority sector advances by Nationalized Banks, Co-ordination between Nationalized Banks and co-operative credit structure and Regional Rural Banks.
Chapter VI: "Role of Nationalized Banks in Reducing Regional Imbalances in the Disbursement of Agricultural Credit", studies the working of the co-operative credit institutions in M.P. Mode of credit disbursement by co-operatives and regional imbalance in credit disbursement before and after nationalization.

Chapter VIII: "Regional concentration in deposits and advances of Nationalized Banks", examines the relationship between per capita credit and deposits and the number of credit institutions, credit deposit ratio of Nationalized Banks, percentage of Agricultural advances to deposits and regional concentration in deposits and advances.

Chapter VIII: "Share of Agriculture in the total Bank Credit of Nationalized Banks", examines the relationship between the number of borrowal accounts and advances by Nationalized banks with the help of a single equation regression model, assuming a linear relationship, and analysing the
Chapter IX:

share of Agriculture in the total Bank Credit with the help of Occupation-wise outstanding credit.

"Conclusion", envisages the problem of Agriculture finance and assesses the role of Nationalized Banks in Agricultural lending on the basis of the findings of the present study. It also puts forth certain suggestions in order to make Nationalized Banks a more useful agency of Agricultural finance.