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CREDIT FOR SMALL FARMERS

One of the important conclusions emerging from the Second Rural Credit Follow-Up Survey 1957-58 is that small farmers have derived proportionately less benefit from the provision of co-operative credit. The comparative position in regard to borrowings from co-operatives by large and small cultivators in 1957-58 given in Table I illustrates this point.

TABLE I

Specified Share in Percentage	Number of districts with specified share			
	Cultivators borrowing from co-operatives		Borrowings from co-operatives to total borrowings	
	Large	Small	Large	Small
Nil	—	3	—	3
Below 5	2	4	4	5
5-10	2	2	4	1
10-15	4	1	—	—
Above 15	4	2	4	3

It may be noted that this happened in spite of the avowed objective of co-operative development in the last two Five-Year Plans to reach small cultivators by an increasing measure. The same objective not only continues in the Third Five-Year Plan but also is shaped into a more definite programme. The Plan lays down that to enable co-operative societies to admit all classes of cultivators including marginal and sub-marginal cultivators, landless tenants, etc., as members and provide them with adequate credit on the basis of their production requirement and repaying capacity, the State Governments should make an outright contribution to the funds of each society at 3 per cent of the additional loans made during the year over those advanced by it in the preceding year and an outright contribution of 1 per cent to bad debt reserves to the central co-operative banks in respect of finance provided by them (in the intensive agricultural districts the respective percentages will be 4 and 2). The continuance of these outright grants is to depend upon the condition that the weaker sections of the community who have hitherto been unable to get adequate credit, should now receive the necessary assistance. The proposal is good as far as it goes. It may induce co-operatives to admit small farmers in larger number and revise their policies in relation to them. But the basic weaknesses affecting the demand for credit by small farmers are such that the existing situation of differential benefits accruing to large and small farmers will continue to persist. The analysis of the nature of economy of small farmers reveals certain interesting facts. Data giving the broad picture of the economy of small cultivators are given in Table II in which all the districts are arranged in the descending order, according to the average area of cultivated holdings of small farmers.

TABLE II

Districts	Area of cultivated holdings (acres)	Value of gross produce	Cash receipts ¹	Borrowings	Percentage of borrowing families from co-operatives to total borrowing families	Borrowings from co-operatives ²	Family expenditure financed from borrowings	Repayment	Percentage borrowed at rate of interest 12½% or more
		Rs.	Rs.	Rs.			%	%	
Sorath ..	8.4	907	888(70)	395	26	118(30)	41	48	22
Jullunder ..	6.0	1,047	780(30)	163	24	56(34)	50	12	7
Akola ..	4.9	336	489(44)	46	7	10(22)	30	54	52
Jaipur ..	2.9	126	472(4)	194	8	12(6)	59	16	38
Sagar ..	1.9	87	220(10)	126	3	4(4)	58	11	84
Bangalore ..	1.5	165	200(17)	110	—	—	76	9	13
Burdwan ..	1.3	278	463(10)	77	—	—	81	36	63
Chingleput ..	1.0	178	189(14)	80	2	4(5)	59	14	9
Monghyr ..	1.0	119	567(7)	84	3	3(4)	90	1	76
Deoria ..	0.7	131	305(15)	87	13	4(3)	85	18	78
Nizamabad ..	0.6	124	215(9)	91	1	—	68	17	38
Quilon ..	0.4	65	296(6)	61	—	—	74	31	41

1. Figures in the brackets indicate percentage of cash receipts derived from the sale of agricultural produce

2. Figures in the bracket indicate borrowings from co-operatives as percentage to total borrowings.

It can be observed that the category of small farmers is not at all uniform and conceals marked variations in their economic status. Districts in which the coverage of small farmers by co-operatives exceeds 15 per cent are Sorath and Jullunder where the size of holdings for small farmers averages at 8.4 and 6.0 acres respectively. Again, districts in which the borrowings of small farmers from co-operatives exceed 15 per cent are Jullunder, Sorath and Akola, the last district having the size of holdings 4.9 acres. It may be noted that the average size of holdings for small farmers in Jullunder and Akola is bigger than that of large farmers in one district and that of medium farmers in 7 districts out of 12. The small cultivators of these three districts are for all practical purposes similar at least to medium cultivators in other districts. If they are excluded, all the remaining districts are characterised by the tiny size of small holdings, varying between 2.9 to 0.4 acres and also the equally low value of gross produce varying between Rs. 278 to Rs. 65. The share of agricultural produce in the total cash receipts is considerably low varying between 17 per cent to 4 per cent. This implies that agriculture for these cultivators is only a subsidiary occupation of very low significance.

Borrowings by small cultivators were small, but what is more important is the fact ~~that the major portion of the borrowings was utilised in meeting the family demands~~ *that the major portion of the borrowings was utilised in meeting the family demands* ture. In five districts out of 9, more than 75 per cent of the borrowings was utilised in family expenditure and in no district its share was below 58 per cent. The repayment performance was extremely poor, it exceeded 30 per cent of the debt only in two districts, it was below 20 per cent in 7 districts out of 9. This poor performance of repayment is the measure of risk involved in financing the needs of small cultivators. It is considerably beyond the capacity of the co-operative societies to undertake the risk of heavy bad debts. And it is this obstacle which prevents co-operative societies from extending their activities to small farmers in a substantial measure. Nevertheless, the small farmers obtain credit from other agencies but these agencies charge rate of interest high enough to cover adequately the risk of non-payment. The proportion of funds borrowed (from private agencies) at the rate of interest 12 per cent or more exceeds 75 in 3 districts out of 9 and it was above 38 in 7 districts. Since co-operative societies cannot charge very high rates of interest, and are not in a position otherwise to cover the risk of non-payment, it becomes difficult for them to substitute effectively the private agencies. A hope for extension of co-operative credit to small farmers in a large measure in near future would therefore be unrealistic. Nevertheless, the problem of small farmers cannot brook delay. However, the remedy of their problem lies elsewhere. More than subsidised credit, a greater help will be rewarded to them by either the readjustment of the structure which helps to enlarge their holding or training them to improve their operative efficiency both outside and within agriculture. Often what we lack is not extension but technological improvements to suit the needs of small farmers. Research programme oriented to this goal will also help solve their problem a great deal. The problem of small farmer being fairly complicated this needs to be solved in a wider context.

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