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In Kerala the bulk of long-term loans is given for debt redemption. There is no reason to believe that excepting for the paltry sum of Rs. 1.37 lakhs allotted to land improvements any significant part of the modest sum of Rs. 10 lakhs was used for effective investment in 1959-60.

#### ROLE OF THE STATE

The question naturally arises; if the bulk of funds should emanate from government, if the government have to bear the responsibility for creating appropriate conditions for the use of long-term credit (including the demand for it), if the use of credit has to be organised, assisted and supervised mainly with governmental help and if even then it may not be possible to ensure that innovations are adopted on the scale adequate for bringing about rapid agricultural development, would it not be more desirable for government to shoulder the primary responsibility for agricultural development, assigning a secondary role to co-operative finance?

In a subsistence farming dominated economy of unusually tiny holders and explosive population pressure the government should provide an initial break-through so that the economy can be developed to take off stage when sufficient income will be generated to ensure the process of self-sustaining growth.

Such a break-through would mean first of all the creation of social overheads like irrigation, power and transport. It means arrangement for flood control and drainage, soil conservation and afforestation. No less important is the supply of improved seeds, fertilizers and better tools. Special mention has to be made of agricultural research and education, extension and training in respect of improved cultural practices. The construction of warehouses, protection of crops from pests and diseases, crop insurance and the establishment of regulated markets are some of the more important of the other measures on which public outlay has to bear the brunt. These are no doubt being undertaken now but they should be intensified and made in such a manner that the need for separate long-term loans is reduced.

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#### AGRICULTURAL DEVELOPMENT AND CO-OPERATIVE FINANCE

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The present paper is the result of study of the working of 9 co-operative institutions selected from six different types with particular reference to the types and size of credit made available for agricultural development purposes. The main findings of this study are briefly summarised below.

## LAND MORTGAGE BANKS AND LONG-TERM FINANCE

*The Peelamedu and the Sulur Co-operative Land Mortgage Banks* : Both these banks are located in the Coimbatore district. The objects of these banks are to promote the economic interests of their members and more particularly to arrange for funds to be lent to their members on mortgage security for (a) the redemption of mortgages of agricultural land; (b) the improvement of agricultural land and of methods of cultivation; (c) the discharge of other prior debts; and (d) the purchase of land in special cases so as to enable the ryots to round off their holdings and work them more economically. Secondly, to encourage in the members the spirit and practice of thrift, mutual help and self-help in such ways as may be decided upon from time to time. The following table gives the loan operations of these Banks for 1961-62.

LOAN OPERATIONS OF THE CO-OPERATIVE LAND MORTGAGE BANKS : 1961-62

	Peelamedu C.L.M.B.	Sulur C.L.M.B.
(1) Number of loans given .. .. .	137	44
(2) Total amount involved (Rs.) .. .. .	7,08,900	2,03,699
(3) Total outstandings at the end of the year (Rs.) ..	33,65,144	14,05,593
(4) Classification of loan according to purpose (Rs.):		
(a) Land improvement .. .. .	4,33,940	1,88,388.63
(b) Redemption of mortgage .. .. .	38,060	15,310.00
(c) Discharge of prior debts .. .. .	1,78,900	—
(d) Debts incurred for purchase of land ..	58,000	—

It was observed that generally a time lag of 4—6 months is involved between the date of application and the disbursement of loan provided all the records are produced intact by the applicants. It is necessary to educate the borrowers in presenting loan applications properly filled and supported by required documents.

*The Tudyalur Co-operative Rural Bank Limited* : This is the first Rural Bank started in the Coimbatore district on 5-5-1955 under the scheme sanctioned by the Government of Madras in 1955 to start 25 rural banks in this State as an experimental measure. It was started to help the villages and to tap the rural savings, the idea being to have banks in villages and spread the banking habit in rural areas. Anybody can deposit money in this bank but only members can take loans from it. The basis of its working is to attract money from private persons and institutions and lend the money to the agriculturists besides offering other facilities such as storage, processing and the supply of requisites of the agriculturists as seeds, manures, pesticides, etc. The Bank had on its rolls on 30-6-1962, 3,246 members and a paid-up share capital of Rs. 1,59,105. The area of operation extends to 13 revenue villages within a radius of five miles. There

were about 784 deposit accounts and the total outstanding aggregated to Rs. 4,74,842. During the year 1961-62 deposits to the tune of Rs. 10,75,670 were accepted and the demand to the extent of Rs. 8,82,528 were duly met. The Bank borrowed from the financing bank to the extent of Rs. 4,87,043 by way of cash credit accommodation and medium-term loan and the liability of the bank to the Central Bank stood at Rs. 2,99,060 on 30-6-1962.

The Bank gives loans on jewels to its members. Among the different schemes for provision of agricultural requisites to its members started by the bank which have been appreciated by the agriculturists of this area is the distribution of improved cotton seeds procured from the Agricultural Department, traded on a non-profit basis and obtaining of cotton certification on behalf of the ryots who purchased the seeds from the bank. The Bank distributes every year 10,000 kgs. which is sufficient to sow 1,200 acres.

The Bank has also undertaken the distribution of fungicides and insecticides. The turnover during the year 1961-62 aggregated to Rs. 16,000. To control the pest attack on cotton, the bank has undertaken a scheme by which it helps the agriculturists by providing sprayers and dusters on a nominal hire charge of Re. 0.75 per day with the help of the subsidy and interest free loan of the Government. The Bank has invested Rs. 19,500 for 120 sprayers and dusters. The nominal hire charges collected during 1961-62 were Rs. 3,535 which obviously shows the advantage to the ryots in protecting the cotton crop, which is a major commercial crop of this area from pest attack. The Bank also supplies improved agricultural implements like bund formers, ridge ploughs, chaff cutters, etc., to the ryots at a nominal hire charge of Re. 0.50 per day.

Another important scheme carried out by the Bank is the distribution of balanced fertilizers. Government have granted licence to this bank for the preparation of balanced fertilizers containing nitrogen, phosphoric acid and potash in right proportions. The Bank has six types of fertilizer mixtures containing various percentages of NPK suitable for different crops and this is now marketed in the entire district of Coimbatore through co-operatives. The actual mixing commenced on 1-1-1962 and the total production till 30-6-1962 exceeded 200 tons and the sales exceeded Rs. 87,000 resulting in a gross profit of Rs. 17,156. Apart from this, fertilizers like ammonium sulphate, urea, etc., were distributed to the ryots to the tune of Rs. 46,109 during the year 1961-62.

The Bank has earned a record profit of Rs. 25,870 for the year 1961-62, perhaps the maximum earned by any rural bank in the entire State of Madras. This bank shows that co-operative finance is not the only imperative for agricultural development and that finance is an adjunct which should be buttressed by other aids.

#### CO-OPERATIVE AGRICULTURAL BANKS

*The Karamadai Co-operative Agricultural Bank* was started on 19-11-1958. It is in the Avanashi taluk. Its area of operation is Karamadai and its seven hamlets and one hamlet of Kakkampatti village. Its objects include giving short-term and medium-term loans for agricultural purposes. The bank can also give loans for village and cottage industries, petty trade, consumption, etc.

It has 875 'A' class members with a paid-up share capital of Rs. 50,920 with 10,184 shares and 1,475 'B' class members with a paid-up share capital of Rs. 4,182. The bank disbursed the following loans during 1961-62.

(i) Loans on surety basis to 178 members .. ..	Rs. 42,340
(ii) Jewel loans to 2,400 members .. ..	5,65,000
(iii) Produce loans to 60 members .. ..	15,000
(iv) Long-term loans to 24 members .. ..	23,500
(v) Anticipated crop loans to 424 members .. ..	37,295

The outstanding loans to members on 30-6-1962 was Rs. 6 lakhs. Apart from this, the bank sold fertilizers and pesticides worth Rs. 6,825 and Rs. 3,500 respectively during the year 1961-62.

The bank has completed only 3 years of existence and in this limited period of time has helped the agriculturists of this area considerably especially as regards jewel loans.

#### *The Avanashi Co-operative Agricultural Bank*

It was started on 27-11-1957 and is affiliated to the Avanashi Co-operative Union. The area of operation of the bank is confined to the Avanashi village and its two hamlets. The already existing multi-purpose co-operative credit society was converted into an agricultural bank in order to cover the various activities of the society as well as that of the bank.

Its objects are similar to that of the Karamadai Agricultural Bank. It has 773 'A' class members and 38 'B' class members. It provided loans to the extent of Rs. 2,95,646 in 1961-62, the purpose-wise breakdown of which is as under:

	No.	Amount (Rs.)
(i) For cultivation expenses .. ..	403	2,16,146
(ii) For purchase of cattle .. ..	10	8,000
(iii) For <i>Kist</i> , etc. .. ..	2	4,000
(iv) Trade loans .. ..	122	42,285
(v) Education .. ..		—Nil—
(vi) For construction of houses, cattle sheds, repairs, etc. .. ..	174	25,215
Total ..	711	2,95,646

During 1961-62 the bank distributed fertilizers to the tune of Rs. 19,000 and pesticides to the tune of Rs. 3,000. Thus this bank has given over Rs. 2 lakhs for agricultural development to 403 members in the last year.

MULTI-PURPOSE CO-OPERATIVES

*The Sulur Multi-purpose Co-operative Society, Palladam Taluk:* The society serves only the Sulur village of the Palladam taluk and is affiliated to the Sulur Co-operative Union. In 1961-62 there were 885 'A' class members with a share capital of Rs. 35,948 and 19 'B' class members with Rs. 81.50.

The objectives of this society are : (i) in order to give loans for useful purposes to members, the society has drawn deposits both from members and non-members; (ii) to supply to the cultivators their requisites and helping them in the marketing of their produce; (iii) to propagate improved implements, handi-crafts, weaving, etc.; (iv) to provide plant protection equipments, machinery, etc., on hire to the members; (v) to help the ryot to get licence for palm gur jag-gery manufacture; (vi) to induce thrift, self-help and mutual aid among the members.

The classification of loans issued according to amount in 1961-62 was as under:

	No. of loans	Amount (Rs.)
(i) Less than Rs. 50 .. .. .	7	348.00
(ii) Rs. 50 to Rs. 100 .. .. .	29	2,825.00
(iii) Rs. 100 to Rs. 250 .. .. .	42	8,220.00
(iv) Above Rs. 250 .. .. .	128	94,631.00
Total ..	206	1,06,024.00

*According to Purpose:*

(i) Purchase of seeds, manures, agricultural imple-ments, etc. .. .. .	7	5,500.00
(ii) Purchase of livestock .. .. .	34	9,436.00
(iii) To effect permanent improvements like digging wells .. .. .	5	6,997.00
(iv) Purchase of electric motors, sowing machines, etc. .. .. .	4	2,664.00
(v) Repairs and construction of houses, cattle sheds, etc. .. .. .	94	47,726.00
(vi) Purchase of bullock carts .. .. .	2	349.00
(vii) Purchase of land .. .. .	2	2,800.00
(viii) Domestic requisites .. .. .	2	1,150.00
Total ..	150	76,622.00
(ix) Redemption of past debts .. .. .	56	29,402.00
Grand Total ..	206	1,06,024.00

No loans were given to pay *kist* and for trade and educational purposes.

*Orattukkuppai Chettipalayam Multi-purpose Co-operative Credit Society* : This is situated in Chettipalayam and affiliated to the Coimbatore Co-operative Union. It was started on 12-12-1937. It had 261 members, 2,065 shares and Rs. 12,773.99 paid-up share capital in June 1959. It covers five villages with a population of 6,800.

#### THE COIMBATORE DISTRICT CO-OPERATIVE CENTRAL BANK

There are 169 individual shareholders with a share capital of Rs. 1,12,600, 1,570 societies with a share capital of Rs. 34,09,725.90 and State participation in the capital to the extent of Rs. 12.4 lakhs making a total of Rs. 47,62,325.90.

The loans disbursed during the year 1961-62 were :

Short-term	..	..	Rs. 4,60,80,498.50
Medium-term	..	..	97,27,792.00
Long-Term	..	..	53,72,213.00
			6,11,80,503.50

Cash credit to societies was Rs. 3,77,85,419.29 and the societies repaid Rs. 3,81,30,104.08.

*Outstanding on 30-6-62*

		(in Rupees)	
		Cr.	Dr.
(i)	Agricultural Credit Societies (112) Controlled Credit .. .. .	6,282	96,285
(ii)	Agricultural Banks .. .. .	10,34,681	1,24,993
(iii)	Co-operative Credit Union .. .. .	1,209	3,411

The interest on cash credit charged from the agricultural credit societies is 5 per cent.

#### THE FULL FINANCE SCHEME

This scheme was introduced in 1956-57 as an experimental measure for providing the entire short-cum-medium-term credit needs of the ryots through co-operatives. Its object is to make the co-operatives, as quickly as possible, the sole suppliers of production and marketing credit to the agriculturists in their areas of operation. The issue of *taccavi* loans except those which carry an element of subsidy and those which require technical supervision will be stopped



in the Full Finance Scheme Area. The co-operatives should therefore be able to meet the entire credit needs of the agriculturists. In this way it is expected that agricultural production will increase. This scheme is being implemented in 46 Community Development Blocks including 26 Community Development Blocks in the Thanjavur district where the Intensive Agricultural District Programme is being implemented. The objective of the Full Finance Scheme and of the Intensive Agricultural District Programme is the same, and the Orthanad and Nagapattinam areas and 20 other places in the Thanjavur district are covered by both the schemes. This scheme will be extended to all the developmental blocks in the State by the end of the Third Five-Year Plan.

As per G. O. Ms. No. 3935 (Co-operative) dated 3-8-62, the scheme was extended to Palladam and Perianaickenpalayam on September 4th and 5th of 1962 respectively. Thus, this scheme has been extended in 1962 to 56 blocks in the Madras State in addition to the 46 Community Development Blocks in which the scheme had already been functioning.

(1) The entire area selected for the scheme will be covered by co-operatives by organising co-operative credit societies or societies already existing will extend their area of operation to such villages. Where there is need, there is no objection to form new societies provided they are viable units.

(2) All agricultural families whether landowners or lessees will be brought within the co-operative fold by admitting to the membership of societies at least one representative of each family.

(3) Besides short-term and medium-term credit for agricultural production, steps will be taken for supply of chemical fertilizers and other agricultural requisites in kind.

(4) Sale societies will help the ryots in the marketing of their agricultural produce.

(5) The integration of credit and marketing should be achieved more effectively in the full finance scheme areas. For this purpose, the credit societies and the local agricultural banks in the blocks should be linked to the nearest marketing societies and the marketing of the produce of the members undertaken by the societies. Agreement should be obtained from all the members of the societies to whom production loans are issued to sell their produce through the marketing societies. Even when loans are issued on the pledge of produce the cultivation loans advanced by the credit societies should be recovered out of the pledge loans. Society-wise targets should be fixed for the marketing of the produce, recovery of production loans from the pledge loans or from the sale proceeds of the produce and the position periodically reviewed.

The credit needs of the agriculturist members, whether they are landowners or lessees, for agricultural production will be given by the societies on the basis of upto Rs. 1,000 on the member's personal security and upto Rs. 3,000 on the mortgage of lands except in the package programme areas where the limit is upto Rs. 5,000. Within this limit loans will be given on the basis of Rs. 125 per acre

of their lands cultivated by the members. In the package programme areas the landowners can stand surety for those who have leased lands but cannot prove it on the basis of written records. In such areas the maximum borrowing power of the societies will be one-fifth instead of one-eighth. In the package programme areas every village co-operative society is given one-fourth of the credit needs of the members or Rs. 10,000 whichever is less as "Cash Credit" facilities by the Central Bank as a result of which the societies are able to advance loans expeditiously. In these areas the loan application of the members are prepared on the basis of the cultivators' farm production plans as prepared by the Agricultural Departmental staff. Government have been sanctioning the employment of additional supervisors for the supervision of the societies in the full finance scheme areas at the rate of one supervisor for every three agricultural banks or six societies. The Government in the above order have revised the yard-stick as one supervisor for ten societies and one for every five agricultural banks/credit unions subject to a maximum of two supervisors per block. Besides this, in order to appoint extra staff, to attend to the day-to-day activities village societies have been given financial help which will be gradually reduced in a five-year period. This applies to full finance scheme areas and societies in the package programme areas. In these areas *taccavi* loans (short, medium and long-term Government loans) are not to be given and *taccavi* loan applications should be sent to the co-operative societies as per Government order. The extension officer (Co-operation) is to be in charge of implementing the scheme and attend to the above items of work.

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## CO-OPERATIVE CREDIT AND AGRICULTURAL PRODUCTIVITY IN INDIA : EXPERIENCE OF A DECADE

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### RURAL CREDIT AND AGRICULTURAL PRODUCTION

The close relationship between productive efficiency and expansion and availability of finance for investment is self-evident. The successive Five-Year Plans have formulated production programmes, indicating roughly the broad methods through which targets of production of different crops are to be attained. The plans have also formulated targets of credit to be made available to agriculturists through co-operative and other institutional agencies. No attempt, however, appears so far to have been made to bring the two sets of targets together or to translate the physical production targets into appropriate figures of corresponding financial requirements. The role given to co-operative or institutional finance in agricultural development so far does not appear to have been particularly crucial in so far as the bulk of the finance needed for the development is not provided for in the plans themselves. The Rural Credit Survey (R.C.S.) estimated that co-operative credit accounted in 1951-52 for only 3.1 per cent of the total credit