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AGRICULTURAL DEVELOPMENT AND LONG-TERM CO-OPERATIVE FINANCE IN SOME PARTS OF GUJARAT

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With the growing and pressing need to conserve and augment the country's foreign exchange resources so as to facilitate imports of plants and equipments for larger capital formation in the nation's industrial sector, much greater stress than ever before is being laid these days on the importance of stepping up India's agricultural production. Considerably higher production from agricultural land would be the only answer to the twin problems of food shortage and inadequate surpluses for earning foreign exchange as it would not only offset the need for foodgrains imports but would create surpluses; and the raw material requirements of industries dependent on agricultural produce would be so fully met from them that the resultant increase in the industrial output would open up a large scope for the export of finished goods and foreign exchange earnings. In order to raise the level of production to fulfil the above conditions, agriculture should be developed in proportionately larger dimensions and intensity. For a development of this nature, the present attitude, means and modes governing the country's agriculture in general would need to undergo a fundamental change. It should no longer be regarded and in practice treated merely as a means of subsistence of the farming community—and nothing further. The country has now much greater and far reaching expectations from its cultivable land resources; and their total utilisation should now brook no further delay. Agriculture should not only be growth-oriented but viewed and developed as an industry to be geared up for maximum exploitation of the total production potential of the land. Applications of technological skill, labour and capital in unprecedented measures will have to be made on farming units if the hitherto dormant resources of the country's agricultural land are to be stirred up and optimum results secured with the aid of prudent and planned management.

In the way of fresh reorientation for growth, lack of correct outlook, non-employment of right type of practices and means in the process of production as well as non-availability of adequate resources of land, labour and finance generally act as severe restricting factors. They will have to be overcome to secure agricultural development of the magnitude envisaged. When one takes into consideration the extent and implications of these limitations, one can easily come to the conclusion that inadequacy of finance is one of the major restricting factors or constraints on the development of agriculture. Employment of better techniques and improved methods of cultivation as well as applications of larger quantums of labour for extensive and intensive development would inevitably entail higher costs—particularly in the initial stages. Hence, the cultivator should be ensured of a provision of an enduring nature for adequate finance before he is expected to launch upon a programme of agricultural development on the contemplated scale.

Credit requirements of the farmer are usually met either (1) through drawals upon whatever little savings he has been able to make, (2) with the help of accommodation secured from relations or moneylenders, (3) through in-

stitutional agencies, such as Revenue and Development Departments of the Government, and the co-operatives. A programme of agricultural development with growing needs of finance could hardly be met from the first two sources enumerated above. Amongst the institutional agencies only the co-operatives could easily answer farmers' financial requirements of short, medium and long-term nature. Perhaps a modest beginning in the right direction towards the aim of total agricultural development could be said to have been already made if the latest noticeable trend of turning more to the co-operatives and availing of credits from them in increasing measures, is to be taken as an indication. While other sources of credit are of a limited nature, the credit support through the co-operatives is more or less of a definite and unlimited nature. The finance received from the short and medium-term co-operative agencies is mostly for seasonal crops or for purposes of purchase of livestock, etc. This sort of financial accommodation no doubt helps higher agricultural production; but it is the capital formation on the land resource such as sinking of wells, installation of pumping sets, purchase of tractors and mechanical equipments, etc., which really contribute to increasing the very productivity of the land. It is only through such increased productivity that one could expect regular and enduring high rate of yield from the land. Land Mortgage Banks come into the picture here as they are the co-operative institutions in the country which cater to long-term credit needs of the farmers. It is through the large quantums of finance obtained from them as loans that the farmer is able to effect capital formation on his land. Hence while considering agricultural development, it is obvious that the long-term co-operative finance has a much greater relevance to the entire question than the short and medium-term co-operative finance. An attempt is therefore made in this paper to present certain aspects of agricultural development and the bearing that the finance provided by a long-term co-operative credit organisation has on this development. For the purpose of this study, co-operative finance integrated through the Gujarat State Co-operative Land Mortgage Bank is taken into account and hence the words "co-operative finance" now occurring in the paper are meant to convey long-term co-operative finance.

Now if one is set about to establish relation between agricultural development and co-operative finance, one has to take into account the various aspects of development of agriculture during a particular period of time on a given operational unit under observation and the flow of co-operative finance to this unit during the period. In a general way one could easily attribute to the co-operative finance a very significant portion of the entire agricultural development all over the country, where co-operative finance has made considerable headway. However in order to present a clear picture, one has to pick up certain areas or villages or some individual cases for study from the point of view of assessing agricultural development over a period of time in relation to the growth of co-operative finance in this area or for these individual cases during the period under review. Also by making a comparative study of areas or individuals at a given point of time in whose case co-operative finance has not been availed of, as opposed to areas or individuals who have received co-operative finance in full measure, one could judge the extent of the contribution of the co-operative finance to the agricultural development. It is with this end in view that an endeavour is made in this paper to submit a study of some villages and individuals to bring out the general impact of the co-operative finance on agricultural development.

Agricultural development is a term with wide connotations and may include various aspects of the growth of agriculture. The development may extend on more than one sector. It may be a linear one in the sense that in some cases actual physical additions to the already existing land have taken place. In the process of development, a stage may arrive when addition to the existing land resource is contemplated. Such conditions for linear development are possible only where extra land is available in the vicinity. There are definite limitations to a development of this nature as in many parts of the State there is a considerable pressure on land and availability of additional areas for augmenting present holdings is only very marginal. The other form of development is a sort of intensive one, which is more general in its scope and application and affords greater possibilities in our present conditions. In such development, existing units of working receive improvements on lands such as levelling and bunding to prevent soil erosion and fencing and deeper cultivation, etc., to achieve higher yield per acre. Even on the existing holdings the ratio of dry farming to irrigated farming could be altered in favour of the latter by development of their irrigational potential. This alteration, although it results in addition to the already existing irrigated area and appears like linear development, is all the same a result of employment of technical skill, labour and finance in increasing measures over the unit itself and therefore would mean intensive development. As agricultural development is the aggregate result of combined inputs of technological skill, labour, finance and managerial efficiency, such development on a unit could be assessed in terms of additions of assets and such other inputs at different points of time; and its correlation with the co-operative finance could be established by taking into account the allocation of such finance during the given period.

We may illustrate an aspect of agricultural development as obtained in the village Tarsai in the Jamnagar district at two points of time, *viz.*, on 1st January, 1956 and 1st January, 1962, in terms of additions to cultivated area and irrigated area, increase in agricultural output and per acre yield and increase in some assets of a capital nature on the village land along with the extent of long-term co-operative finance at these two periods. During 1956-62, long-term finance aggregating to Rs. 1,95,150 was availed of by the village and the resultant development was reflected in the increase of cultivated area by 46 acres from 3,241 acres in 1956 to 3,287 acres and in an increase of irrigated area by 226 acres or 65 per cent from 346 acres to 572 acres; and total production and average yield per acre increased by about 64 per cent during the period. The formation of capital assets on the land mostly accounted for this marked increase on all sectors. The number of wells increased from 65 to 99 between 1956 and 1962, of pumping sets from 4 to 36 and where there were no tractors, three tractors were purchased.

A study of the stages of development of two adjacent villages, Kathavirdi and Bhojabedi in the Jamnagar district at one point of time, *viz.*, 30th June, 1962, indicates the relative impact of co-operative finance on the village economy. It may be mentioned that in Kothavirdi village, utilisation of long-term co-operative finance had been considerably low during the last five years, being only Rs. 6 per acre and in Bhojabedi village, the flow of co-operative long-term finance was of a fairly high order, being Rs. 26 per acre. The villages being adjacent to each other, conditions of land tenures, mode of cultivation and configuration of the land were more or less identical. However, the higher incidence of long-term co-operative finance availed of by the village Bhojabedi was reflected in a rise in

the total additional acreage by 95 acres, in an increase of irrigated area by 246 acres and of yield per acre by 7.5 Bengal maunds or by 81 per cent. In the Kothavirdi village, on the other hand, the additions to area brought under cultivation, additional area irrigated and increase in yield per acre during the last five years were not significant, being only 15 acres and 15 gunthas, 5 acres and 1.5 Bengal maunds (13 per cent) respectively.

A study of a farm situation at two points of time, *viz.*, between 1st January, 1956 and 1962 and comparison of data relating to two farm holdings at one point of time, *i.e.*, on 30th June, 1962, in relation to the extent of long-term co-operative finance availed of by the selected farmers provided some interesting results. In the former case, the selected cultivator in village Tarsai in the Jamnagar district had 59 acres of cultivable area of which area irrigated was 4 acres in 1956. The annual agricultural output amounted to 895 Bengal maunds and the average yield per acre was 14.5 Bengal maunds. During the interval of six years, he availed of Rs. 16,500 as long-term co-operative finance. As a result of productive utilisation of this finance for digging three additional wells and installation of two more pumping sets, his cultivable area increased by 61 per cent to 95 acres, irrigated area increased by 675 per cent to 31 acres and yield per acre rose by 50 per cent to 23 Bengal maunds. The total agricultural output increased by 144 per cent to 2,185 Bengal maunds.

By contrast, another farmer in the same village who did not avail of long-term co-operative finance could get only a per-acre yield of 8 Bengal maunds and could not add to his capital assets.

A study of agricultural resources and production in Jamjodhpur Taluka in the Jamnagar district at two stages, *viz.*, between 1957-58 and 1961-62 also brought out the general impact of long-term co-operative finance on agricultural development. The cultivated area and irrigated area in the taluka as on 30th June, 1957 were 1,36,842 and 3,974 acres respectively. There were 2,149 wells, 117 pumping sets and 8 tractors. An amount of Rs. 12.3 lakhs was given as long-term co-operative finance to cultivators in this taluka. The per-acre yield of produce was 9.6 Bengal maunds. In June, 1962, the amount of long-term co-operative finance availed of by the taluka increased by 340 per cent to Rs. 54.6 lakhs. As a result of the utilisation of this finance, the number of wells, pumping sets and tractors increased to 2,738, 857 and 37 respectively; the cultivated area and irrigated area in the taluka increased by 38 per cent and 187 per cent respectively; and the yield per acre of produce recorded an increase of 38 per cent.

As is clear from the study of the various stages in agricultural development in cases of individuals, villages and a Taluka, and that of the extent of long-term co-operative finance availed of at these levels, co-operative finance of this nature has made a definite contribution to the capital formation on land and consequently helped in raising its productivity. The emerging pattern of agricultural development moving more or less side by side with the increase in long-term co-operative finance, calls for the need for still higher allocation and utilisation of this type of finance on a much wider scale, so as to solve the problem of higher production from agricultural land. If the resources of the co-operatives are strengthened and reinforced and their organizational set-up extended nearest to the farming communities and geared up to meet the challenge, there is no doubt that they will turn the dream of higher agricultural production into reality within a short space of time.