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Research Note

AGRICULTURAL CREDIT IN INDIA : DISTRIBUTIONAL DISPARITIES AND OVERDUES

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Institutional credit has been used as an important policy instrument for growth and development of agriculture sector in India. The task of rural lending has been entrusted to multiple agencies, namely, Commercial Banks (CBs), Primary Agriculture Cooperative Societies (PACS), Land Development Banks (LDBs) and Regional Rural Banks (RRBs). An attempt has been made in this study to examine the agency wise and State wise progress made in supply of short term (ST) and term institutional credit, and position of overdues since 1974-75.

Concepts, Definitions and Data

The amount of loan disbursed during a given year has been used as a measure of credit supply though some researchers have used amount of loan outstanding as a measure of credit supply. We preferred the former measure because the latter measure has some limitations such as i) beside loan advanced it also includes interest, accumulated amount of overdues carried from previous periods etc., ii) it excludes some amount of loan supplied during the year but repaid before the reporting date and iii) it conceals temporal-changes in credit supply. Short term or production credit in this study refers to direct finance given to farmers for purchases of farm inputs including labour for carrying out farm operations. Term (medium and long) or investment credit refers to loan granted to farmers for development purposes such as development of irrigation potential, purchase of agricultural machinery and implements, improvement of land, development of plantations, construction of godowns and cold storage and purchase of pump sets/oil engines, plough animals, etc. Loan advanced for the allied activities is not included in this. Amount of overdues has been computed from figures on demand, collection and balance

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and per cent overdues refer to balance or unpaid demand as a percentage of total demand at a given date.

The amount of ST and term credit disbursed during any year by each agency in different States was divided by corresponding figure for gross cropped area of the State in that year to make the quantities of credit supply comparable across States/agencies/years. The data on loan issued during a year and amount of demand, collection and balance in respect of PACs, CBs, LDBs and RRBs were obtained from published as well as unpublished sources from National Bank for Agriculture and Rural Development and Reserve Bank of India, Bombay for the period 1974-75 to 1985-86. Comparable data on RRBs were available for the period 1980-81 onward only.

Results and Findings

The data on State wise distribution of the short term (ST) and term agricultural credit, on per hectare basis and overdues position in respect of PACs, LDBs, CBs and RRBs are presented in Tables 1 to 8. PACS supplied mainly short term loans, and term credit was supplied to a very limited extent. Kerala received highest amount of both types of credit in almost all the years. Tamil Nadu which topped during the initial years showed a sharp decline during 1979-80 and 1980-81. At all India level, per hectare production credit supplied by PACS increased moderately from Rs. 46 per hectare during 1974-75 to Rs. 116 per hectare during 1983-84. The amount supplied in Himachal Pradesh, Jammu and Kashmir, Bihar, Rajasthan and Assam was far below the national average. Distribution of ST credit was highly concentrated in States of Punjab, Kerala and Haryana. Coefficient of variation indicated that inequality in distribution of credit by PACS did not show any tendency to decline during the study period.

Short term credit supplied by commercial banks increased from Rs. 9 per hectare in 1974-75 to Rs. 71 in 1985-86 at all India level. Kerala, Andhra Pradesh and Tamil Nadu received three to six times higher short term credit than all India average during most of the years. Due to unproportionately high share of these States, the other States, except Karnatka and Punjab, received less credit than the all India average. The amount of loan issued in Madhya Pradesh, Rajasthan and the Hill States was meagre. Despite the vast increase in short term loans by commercial banks, the PACS continued to dominate the scene. The amount of short term credit supplied by commercial banks was less than half the amount supplied by PACS even during the latest years. Thus, the entry of com-

Table 1. Trends in State-wise distribution of short term and term agricultural credit by PACS, per hectare of cropped area

(Rupees)										
State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1	2	3	4	5	6	7	8	9	10	11
Haryana	72 (5)	76 (2)	122 (10)	125 (12)	166 (12)	162 (21)	206 (11)	220 (11)	306 (12)	263 (12)
Himachal Pradesh	24 (27)	18 (28)	15 (28)	21 (32)	16 (42)	14 (38)	15 (50)	18 (54)	22 (77)	30 (71)
Jammu and Kashmir	22 (ng)	23 (5)	24 (11)	24 (7)	24 (4)	32 (5)	33 (5)	34 (6)	35 (5)	23 (4)
Punjab	125 (2)	102 (ng)	116 (3)	113 (1)	179 (ng)	291 (ng)	265 (2)	386 (2)	473 (4)	414 (6)
Rajasthan	21 (1)	34 (1)	33 (1)	32 (2)	37 (3)	42 (5)	42 (8)	51 (19)	54 (11)	60 (6)
Assam	2 (ng)	2 (1)	3 (1)	2 (2)	2 (1)	3 (ng)	3 (ng)	1 (1)	2 (1)	2 (1)
Bihar	11 (3)	13 (3)	13 (1)	15 (2)	16 (3)	15 (2)	13 (1)	24 (1)	28 (2)	20 (7)
Orissa	19 (6)	21 (5)	30 (10)	30 (7)	38 (11)	50 (19)	62 (13)	67 (10)	83 (15)	74 (15)
West Bengal	26 (1)	41 (1)	52 (2)	63 (3)	69 (6)	52 (2)	51 (3)	56 (2)	52 (1)	56 (2)
Madhya Pradesh	27 (1)	30 (1)	29 (1)	28 (1)	36 (2)	38 (6)	54 (3)	61 (3)	60 (5)	75 (7)

1	2	3	4	5	6	7	8	9	10	11
Uttar Pradesh	29 (1)	39 (1)	52 (4)	60 (5)	64 (6)	61 (11)	65 (6)	71 (11)	72 (13)	80 (12)
Gujarat	127 (9)	100 (4)	98 (3)	102 (4)	122 (5)	130 (8)	113 (6)	122 (21)	126 (13)	158 (14)
Maharashtra	67 (2)	70 (3)	81 (5)	74 (4)	69 (4)	82 (5)	107 (9)	129 (11)	133 (13)	129 (16)
Andhra Pradesh	38 (1)	52 (3)	67 (6)	55 (9)	64 (7)	76 (9)	78 (12)	85 (9)	115 (16)	130 (19)
Karnataka	47 (4)	55 (4)	63 (11)	57 (6)	60 (6)	68 (9)	87 (9)	92 (8)	93 (17)	133 (15)
Kerala	111 (1)	128 (21)	141 (37)	172 (48)	212 (89)	276 (97)	344 (96)	373 (98)	399 (118)	526 (102)
Tamil Nadu	126 (4)	138 (4)	167 (7)	155 (8)	143 (16)	48 (6)	28 (6)	112 (12)	142 (26)	214 (21)
All India	46 (3)	51 (3)	61 (5)	61 (5)	69 (7)	74 (9)	81 (8)	98 (10)	109 (13)	116 (13)
C.V. (%)	81	72	75	75	79	97	98	98	102	99

Notes : 1. Figures in parentheses refer to term loans.

2. Figures presented in the Table were compiled by using data from following sources :

(a) RBI/NABARD, Statistical Statements Relating to Co-operative Movement in India, Part-I, Credit Societies; 1974-75 to 1983-84; Bombay.

(b) Govt. of India, Indian Agricultural Statistics; various editions, Ministry of Agriculture, Deptt. of Economics and Statistics, New Delhi.

3. ng—Negligible; less than one rupee.

Table 2. Trends in State-wise distribution of short-term and term agricultural credit by all scheduled commercial banks, per hectare of cropped area.

(Rupees)												
State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
1	2	3	4	5	6	7	8	9	10	11	12	13
Haryana	4 (15)	3 (16)	4 (31)	5 (33)	6 (54)	7 (33)	15 (78)	7 (29)	9 (52)	11 (85)	17 (106)	31 (494)
Himachal Pradesh	3 (4)	8 (6)	6 (13)	13 (6)	11 (8)	13 (6)	22 (19)	7 (21)	6 (12)	11 (18)	17 (22)	24 (23)
Jammu and Kashmir	1 (1)	1 (2)	1 (2)	3 (3)	12 (5)	6 (3)	16 (17)	5 (11)	3 (8)	10 (28)	24 (35)	13 (10)
Punjab	3 (9)	5 (21)	11 (32)	20 (40)	34 (60)	25 (61)	60 (154)	33 (48)	55 (93)	68 (163)	88 (148)	115 (208)
Rajasthan	1 (4)	1 (5)	2 (6)	2 (9)	2 (14)	1 (9)	3 (18)	2 (7)	4 (16)	5 (25)	8 (30)	6 (33)
Assam	1 (ng)	ng (1)	3 (2)	2 (1)	1 (2)	ng (ng)	ng (2)	1 (1)	2 (3)	4 (5)	2 (8)	8 (20)
Bihar	1 (3)	4 (8)	5 (12)	5 (10)	4 (17)	3 (10)	5 (13)	3 (9)	4 (11)	4 (14)	12 (34)	17 (39)
Orissa	3 (1)	4 (2)	7 (4)	9 (5)	10 (9)	9 (2)	36 (28)	6 (6)	26 (12)	26 (12)	23 (16)	18 (19)
West Bengal	5 (2)	6 (3)	14 (7)	19 (12)	23 (5)	10 (12)	23 (4)	11 (7)	18 (5)	17 (12)	20 (14)	36 (61)
Madhya Pradesh	1 (5)	1 (7)	2 (5)	2 (8)	3 (9)	2 (9)	4 (19)	2 (6)	2 (15)	5 (24)	6 (27)	7 (29)
Uttar Pradesh	3 (4)	4 (9)	6 (12)	6 (16)	8 (23)	5 (14)	14 (34)	7 (18)	9 (23)	12 (23)	17 (44)	20 (46)

1	2	3	4	5	6	7	8	9	10	11	12	13
Gujarat	20 (6)	12 (6)	14 (7)	14 (7)	19 (15)	8 (12)	22 (30)	7 (14)	19 (28)	32 (39)	42 (64)	51 (63)
Maharashtra	10 (6)	8 (7)	8 (7)	8 (7)	9 (10)	6 (6)	15 (16)	9 (10)	14 (18)	22 (30)	28 (33)	31 (49)
Andhra Pradesh	23 (3)	34 (4)	47 (8)	56 (6)	63 (11)	47 (8)	77 (13)	43 (7)	96 (18)	222 (32)	246 (55)	302 (52)
Karnataka	14 (10)	28 (16)	30 (25)	29 (16)	35 (23)	17 (8)	48 (25)	23 (14)	63 (35)	75 (55)	81 (89)	104 (80)
Kerala	51 (62)	84 (15)	102 (18)	100 (18)	139 (28)	64 (16)	188 (56)	64 (25)	248 (55)	301 (68)	353 (90)	425 (89)
Tamil Nadu	49 (6)	66 (6)	71 (7)	71 (8)	95 (12)	60 (6)	160 (22)	87 (16)	212 (42)	232 (63)	385 (126)	382 (103)
All India	9 (6)	12 (7)	15 (11)	17 (12)	21 (17)	13 (11)	30 (29)	15 (13)	33 (24)	46 (35)	59 (51)	71 (56)
Total	143	149	140	127	132	119	126	121	155	147	144	147
CV (%)	(168)	(73)	(78)	(83)	(88)	(111)	(109)	(75)	(86)	(90)	(73)	(77)

Note : 1. Figures in parentheses refer to term loans.

2. Compiled by using data from following sources.

(a) R.B.I., Direct Finance to Farmers—State-wise Distribution of Short Term and Term Loans—All Scheduled Commercial Bankt, Various statements, 1974-75 to 1985-86; Rural Planning and Credit Department, Bombay, Unpublished.

(b) Same as in 2 b in footnote to Table 1.

Table 3. Trends in State-wise distribution of term loans for agricultural purposes by land development banks, per hectare of GCA.

State,	(Rupees)									
	1974-75	1975-76	1976-78	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Haryana	28	26	32	35	41	54	56	80	64	69
Himachal Pradesh	2	2	3	3	4	3	3	9	11	9
Jammu and Kashmir	4	2	2	2	4	5	4	9	9	10
Punjab	27	27	45	29	34	50	64	72	62	70
Rajasthan	4	4	6	8	7	10	10	11	12	10
Assam	15	1	1	2	1	1	1	2	2	2
Bihar	15	16	17	6	5	8	13	27	18	10
Orissa	5	4	11	7	10	14	12	11	14	8
West Bengal	5	5	10	12	15	11	8	9	9	9
Madhya Pradesh	8	8	11	5	6	11	9	9	10	14
Uttar Pradesh	13	15	17	20	15	25	21	20	22	26
Gujarat	14	6	3	4	3	4	5	13	13	20
Maharashtra	8	12	9	7	10	21	27	20	31	28
Andhra Pradesh	19	27	22	39	36	43	50	43	50	55
Karnataka	15	19	26	14	11	11	19	19	25	35
Kerala	10	19	27	29	36	49	80	69	58	83
Tamil Nadu	29	71	27	18	18	13	6	24	24	20
All India	11	13	17	14	14	19	21	22	25	23
C.V. (%)	72	106	79	83	86	90	103	93	77	88

Note : Compiled by using Data from sources as in footnote to table 1.

mercial banks in the field of agricultural credit accentuated the imbalances in distribution of agricultural credit.

Distribution of term loans also showed that a few States namely, Punjab, Haryana, Kerala, Karnatka and Tamil Nadu continued to receive lion's share in all the years. The States which were starved in capital were not paid much attention. Commercial Banks continued to allocate more and more term credit in the States which had already been receiving higher amount of term loans. The amount of term credit distributed by LDBs was much higher compared to commercial banks in the initial years but during the later years the picture became mixed. The State wise analysis showed that distribution of term credit by both agencies followed similar pattern indicating that multi-agency approach was not reducing regional disparities.

The amount of credit disbursed by RRBs was very small compared to the loans issued by other institutional agencies. The share of four southern States was so high that all other States except Orissa received less amount of short term credit than the all India average. Among the remaining States, distribution of short term credit was in favour of Bihar, Jammu and Kashmir and Himachal Pradesh.

Inequalities in distribution of loan by one agency should not cause imbalance in overall distribution if different agencies concentrate their operations in different regions. But all agencies showed more or less similar pattern in credit distribution in India. The disparities in distribution of production credit, instead of decreasing exhibited tendency to increase. Kerala topped in receiving short term and term credit in most of the years. Amount of short term credit distributed in Haryana, Punjab and Kerala ranged between Rs. 200/- to Rs. 866/- per hectare of cropped area in post 1979-80 period. In the same period, States of Bihar, Rajasthan and hill areas received credit in the range of Rs. 3/-to Rs. 66/-.

The ratio of the short term credit supplied by all institutional sources to the expenditure made on purchased inputs, namely, chemical fertilizer, diesel oil, electricity, irrigation charges and insecticides is a sound indicator of the extent to which requirement of farm sector are met by institutional sources. The study shows that the short term loans covered 68 per cent of total value of these inputs in 1975-76 which declined sharply to 36 per cent in 1983-84 (Table 5) pointing towards the increasing gap between supply of and demand for short term agricultural credit. The distribution pattern of total term credit by all agencies did not show any perceptible change over ten years period between 1974-75

Table 4. Trends in State-wise distribution of short-term and term loans for agricultural purposes by RRBs, per hectare of GCA.

(Rupees)

State	Short-Term					Term				
	1980-81	1981-82	1982-83	1983-84	1984-85	1980-81	1981-82	1982-83	1983-84	1984-85
Haryana	0.13	0.13	0.10	0.10	0.20	0.69	0.66	2.12	1.40	4.09
Himachal Pradesh	1.16	0.52	1.55	1.33	1.52	1.40	2.31	3.65	2.38	2.22
Jammu and Kashmir	2.25	5.33	5.22	4.86	5.31	3.81	9.83	8.93	11.90	14.50
Punjab	0	0	0	0.02	0.31	0	0	ng	ng	0.06
Rajasthan	0.81	0.62	0.47	0.68	0.94	3.35	3.96	4.26	4.23	5.86
Assam	1.81	1.61	0.92	1.22	0.53	0.32	0.98	1.96	3.02	2.05
Bihar	1.63	2.69	3.24	3.47	3.91	5.46	11.31	14.68	9.37	10.42
Orissa	4.08	6.37	11.61	11.77	9.12	1.53	3.04	5.76	4.26	2.94
West Bengal	3.90	5.20	8.22	8.94	4.10	1.37	1.59	1.96	4.14	1.65
Madhya Pradesh	0.49	0.77	0.76	1.68	1.63	1.22	1.83	2.54	3.95	5.33
Uttar Pradesh	1.30	2.10	2.56	3.09	5.09	3.93	5.77	7.71	9.28	11.84
Gujarat	0.15	0.37	0.28	0.59	0.81	0.15	0.21	0.33	0.94	1.88
Maharashtra	0.06	0.16	0.106	0.42	1.22	ng	ng	ng	0.20	1.28
Andhra Pradesh	9.29	9.70	22.33	26.72	41.10	3.16	3.24	3.11	4.19	6.23
Karnataka	6.65	9.90	12.51	20.40	21.10	2.88	2.98	4.26	6.37	6.63
Kerala	47.84	41.84	50.50	39.04	66.32	5.74	6.47	9.11	7.18	8.21
Tamil Nadu	10.06	15.07	18.30	17.50	NA	0.64	0.16	0.16	0.94	NA
All India	3.26	5.01	5.65	6.65	7.48	2.17	3.04	3.90	4.26	5.31

Note : 1. Compiled by using data from following sources :

- (a) NABARD, Statistics on Regional Rural Banks : Institutional Development, Regional Rural Banks Division, Bombay, Unpublished.
- (b) Same as in 2 b in footnote to Table 1.

Table 5. Trends in State-wise distribution of short term and term agricultural credit by all agencies, per hectare of gross cropped area.

State	(Rupees)									
	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1	2	3	4	5	6	7	8	9	10	11
Haryana	76 (48)	79 (44)	126 (73)	130 (80)	172 (107)	169 (108)	221 (146)	227 (121)	314 (129)	274 (167)
Himachal Pradesh	27 (33)	26 (36)	21 (44)	34 (41)	27 (54)	27 (47)	38 (73)	26 (86)	30 (104)	42 (100)
Jammu and Kashmir	23 (5)	24 (9)	25 (15)	27 (12)	36 (13)	30 (13)	50 (30)	44 (36)	43 (31)	38 (54)
Punjab	128 (38)	107 (48)	127 (80)	153 (70)	213 (94)	316 (111)	345 (220)	419 (122)	528 (159)	428 (239)
Rajasthan	22 (9)	35 (10)	35 (13)	34 (19)	39 (24)	48 (24)	46 (39)	54 (41)	58 (43)	66 (45)
Assam	3 (1)	2 (3)	6 (4)	4 (5)	3 (4)	3 (1)	6 (3)	4 (5)	5 (11)	7 (11)
Bihar	12 (21)	17 (24)	18 (30)	20 (18)	22 (25)	18 (20)	20 (32)	30 (46)	35 (46)	27 (40)
Orissa	22 (12)	25 (11)	37 (25)	39 (19)	48 (30)	59 (35)	102 (55)	81 (30)	121 (47)	112 (39)
West Bengal	31 (8)	47 (9)	52 (19)	82 (27)	92 (26)	62 (25)	78 (16)	72 (20)	78 (17)	82 (27)
Madhya Pradesh	28 (14)	31 (16)	31 (17)	30 (14)	39 (17)	40 (26)	59 (32)	64 (20)	63 (33)	82 (49)

1	2	3	4	5	6	7	8	9	10	11
Uttar Pradesh	22 (18)	43 (25)	58 (33)	66 (41)	72 (44)	66 (50)	80 (75)	80 (55)	84 (66)	95 (70)
Gujarat	137 (29)	112 (16)	112 (13)	116 (15)	141 (23)	138 (24)	135 (41)	129 (48)	145 (53)	191 (82)
Maharashtra	77 (16)	78 (22)	89 (21)	82 (22)	73 (24)	88 (32)	122 (52)	138 (41)	147 (62)	151 (74)
Andhra Pradesh	61 (23)	84 (34)	114 (56)	111 (51)	127 (54)	123 (60)	164 (70)	138 (62)	232 (87)	379 (110)
Karnataka	61 (29)	83 (29)	93 (52)	86 (36)	95 (40)	85 (28)	142 (56)	125 (44)	169 (81)	227 (111)
Kerala	162 (93)	212 (55)	243 (82)	272 (85)	351 (153)	340 (162)	560 (238)	479 (198)	697 (240)	866 (260)
Tamil Nadu	175 (39)	204 (81)	238 (41)	228 (34)	238 (46)	106 (23)	198 (35)	214 (42)	372 (92)	469 (105)
All India	55 (20)	63 (23)	76 (33)	78 (31)	80 (38)	83 (39)	114 (60)	117 (48)	148 (66)	171 (71)
Coefficient of variation (%)	85 (82)	81 (71)	83 (66)	81 (68)	86 (82)	92 (98)	96 (97)	94 (77)	102 (73)	104 (73)
ST credit as percent of value of inputs	—	68	42	43	41	36	36	28	32	36

Note : 1. Same as in footnotes to Table 1 to Table 4.

2. Amount of the loan distribution by RRBs included only from the year 1980-81 onwards.

3. Data on value of purchased inputs taken from government of India, National Accounts Statistics, various issues, Deptt. of Statistics, Ministry of Planning, New Delhi.

Table 6. Trends in loan overdues as per cent of demand in case of PACS and land development banks.

State	June 1975	June 1976	June 1977	June 1978	June 1979	June 1980	June 1981	June 1982	June 1983	June 1984
1	2	3	4	5	6	7	8	9	10	11
Haryana	34 (2)	27 (2)	29 (4)	31 (6)	37 (7)	31 (18)	31 (10)	31 (13)	30 (30)	35 (30)
Himachal Pradesh	41 (56)	42 (59)	46 (67)	44 (76)	44 (79)	58 (42)	41 (34)	41 (50)	37 (40)	36 (39)
Jammu and Kashmir	35 (36)	NA (46)	67 (39)	51 (39)	56 (49)	36 (48)	52 (51)	52 (43)	54 (68)	54 (36)
Punjab	33 (14)	33 (13)	39 (22)	27 (16)	24 (15)	26 (16)	20 (17)	14 (14)	18 (13)	21 (31)
Rajasthan	37 (40)	26 (29)	38 (36)	41 (43)	41 (46)	44 (61)	39 (46)	39 (44)	38 (47)	42 (43)
Assam	89 (72)	NA (68)	89 (63)	90 (58)	81 (55)	86 (72)	83 (73)	89 (73)	89 (73)	89 (73)
Bihar	62 (42)	61 (42)	69 (NA)	69 (53)	63 (53)	63 (71)	46 (NA)	67 (40)	75 (60)	63 (61)
Orissa	58 (63)	75 (33)	54 (53)	50 (32)	40 (45)	41 (57)	40 (44)	42 (49)	45 (56)	49 (29)
West Bengal	37 (31)	37 (32)	29 (25)	47 (29)	22 (39)	61 (40)	55 (56)	60 (64)	68 (64)	61 (66)
Madhya Pradesh	48 (50)	48 (42)	55 (54)	54 (50)	50 (60)	50 (64)	45 (56)	49 (53)	45 (52)	50 (55)

1	2	3	4	5	6	7	8	9	10	11
Uttar Pradesh	54 (24)	40 (24)	43 (24)	42 (26)	40 (19)	40 (26)	47 (30)	48 (24)	50 (24)	50 (19)
Gujarat	27 (74)	39 (58)	44 (64)	42 (60)	41 (72)	48 (76)	50 (76)	36 (63)	38 (70)	35 (64)
Maharashtra	42 (56)	40 (62)	45 (63)	54 (59)	52 (NA)	52 (65)	43 (68)	42 (63)	41 (57)	45 (48)
Andhra Pradesh	39 (23)	37 (29)	34 (32)	38 (29)	40 (32)	47 (48)	40 (37)	39 (37)	46 (54)	39 (36)
Karnataka	40 (42)	39 (44)	42 (55)	48 (54)	48 (49)	49 (47)	51 (55)	47 (47)	35 (40)	42 (48)
Kerala	32 (32)	50 (31)	31 (33)	26 (22)	20 (46)	21 (19)	21 (5)	19 (17)	20 (25)	20 (26)
Tamil Nadu	24 (41)	28 (31)	28 (47)	36 (77)	52 (83)	73 (95)	44 (82)	67 (67)	55 (82)	50 (81)
All India	40 (42)	35 (39)	42 (46)	43 (46)	43 (44)	46 (54)	41 (43)	40 (41)	40 (48)	41 (45)

Note : 1. Figures in parenthesis refer to IDBs.

2. Source : RBI/NABARD, Statistical Statements Relating to the Cooperative Movement in India, Part-I, Credit Societies; 1974-75 to 1983-84, Bombay.

to 1983-84. Kerala received highest amount of term credit in all the years followed by Haryana and Punjab while Assam remained at the bottom receiving meagre amount of term credit. The other States which seemed to be badly neglected in the distribution of term agricultural credit were Orissa, West Bengal, Bihar, Rajasthan and Jammu and Kashmir. Some researchers justify concentration of agricultural credit in a few States on the grounds that the credit absorption capacity of those States is high. But it needs to be kept in mind that credit distribution is as much a consequence as it is a cause of agricultural development. Due to poor resource position of farmers, credit serves as a catalyst for adoption of new or improved technology which require use of purchased farm inputs and investment on some fixed assets at farm. The coefficient of variation in Statewise distribution of two types of credit showed that inequality in distribution of short term credit was increasing while the inequality in distribution of term credit was showing a tendency to decline (Table 5).

A highly distressing feature of agricultural credit is that all agencies suffer from high incidence of overdues. The data showed that overdues were confined not only to co-operatives but these were equally serious in case of commercial banks and RRBs loans. It is an irony that commercial banks which are manned by trained and well paid staff did not show better recovery position than the primary agricultural credit societies and land development banks.

During the period 1975 to 1985 overdues of PACS and LDBs (expressed in terms of balance or unpaid demand as per cent of demand) at all India level ranged between 39 to 48 per cent, except in 1980 in case of LDBs. In Assam and Bihar overdues of PACS varied around 85 and 60 per cent, respectively. Overdues were minimum in case of Kerala followed by Punjab and Haryana. This could be one of the reasons for high concentration of loan issued to these States. The recovery of PACS loans deteriorated over time in West Bengal and Tamil Nadu. The overdues of LDBs in case of Haryana were less than 8 per cent in pre 1980 period which increased to 30 per cent in 1983 and 1984. Overdues ranged between 13 to 31 per cent in States of Punjab, Uttar Pradesh and Kerala. Tamil Nadu was worst affected State where overdues rose from 31 per cent in 1976 to more than 80 per cent in 1983 and 1984, touching all time high figure of 95 per cent in 1980. In West Bengal overdues of LDBs showed sudden rising trend after 1978. In case of commercial banks overdues moved around 40 per cent at all India level. For all corresponding years recovery position of LDBs was better than the recovery position of

Table 7. Trends in loan overdues as per cent of demand in case of all scheduled commercial banks for short term and term agricultural loans.

State	June 1975	June 1976	June 1977	June 1978	June 1979	June 1980	June 1981	June 1982	June 1983	June 1984	June 1985	June 1986
1	2	3	4	5	6	7	8	9	10	11	12	13
Haryana	25 (39)	24 (37)	32 (35)	34 (32)	31 (35)	26 (37)	34 (43)	36 (46)	34 (41)	36 (46)	36 (42)	30 (42)
Himachal Pradesh	49 (39)	54 (42)	56 (62)	58 (50)	60 (52)	55 (39)	57 (56)	62 (55)	66 (46)	45 (47)	56 (47)	54 (47)
Jammu and Kashmir	52 (51)	62 (54)	53 (51)	37 (37)	57 (35)	64 (NA)	60 (44)	57 (43)	58 (53)	66 (61)	40 (52)	69 (69)
Punjab	24 (38)	19 (38)	20 (34)	19 (27)	18 (23)	18 (21)	21 (25)	23 (31)	28 (29)	36 (40)	23 (32)	23 (30)
Rajasthan	37 (57)	34 (54)	34 (57)	40 (53)	35 (54)	37 (49)	40 (57)	40 (56)	62 (55)	41 (55)	43 (53)	41 (54)
Assam	73 (78)	66 (78)	65 (65)	76 (61)	82 (64)	87 (65)	76 (79)	70 (77)	62 (76)	56 (69)	81 (60)	69 (63)
Bihar	52 (63)	51 (56)	54 (63)	64 (64)	71 (67)	70 (61)	69 (59)	63 (60)	67 (59)	64 (61)	68 (61)	67 (55)
Orissa	50 (60)	42 (66)	55 (71)	57 (62)	52 (59)	53 (60)	67 (62)	60 (58)	62 (60)	60 (68)	51 (62)	55 (52)
West Bengal	53 (79)	56 (75)	46 (73)	50 (71)	49 (26)	65 (73)	64 (77)	66 (81)	67 (76)	59 (74)	63 (70)	62 (55)
Madhya Pradesh	61 (52)	56 (54)	58 (56)	60 (61)	55 (64)	56 (64)	55 (58)	59 (59)	52 (56)	54 (59)	51 (57)	52 (56)

1	2	3	4	5	6	7	8	9	10	11	12	13
Uttar Pradesh	38 (50)	33 (46)	38 (46)	39 (46)	39 (45)	45 (47)	41 (47)	46 (49)	42 (48)	42 (47)	44 (46)	43 (43)
Gujarat	47 (68)	52 (66)	53 (62)	55 (65)	48 (53)	40 (54)	46 (50)	45 (48)	47 (68)	46 (48)	46 (48)	47 (50)
Maharashtra	54 (67)	49 (89)	55 (72)	46 (75)	43 (72)	44 (67)	38 (64)	42 (64)	46 (64)	42 (63)	46 (61)	41 (55)
Andhra Pradesh	36 (58)	33 (49)	44 (48)	40 (55)	38 (50)	43 (57)	43 (58)	41 (60)	41 (55)	41 (53)	39 (51)	38 (46)
Karnataka	34 (58)	36 (59)	39 (62)	45 (65)	45 (59)	11 (62)	41 (61)	40 (60)	30 (61)	34 (61)	45 (53)	45 (47)
Kerala	20 (45)	25 (45)	28 (48)	29 (40)	52 (29)	27 (44)	27 (42)	30 (43)	27 (51)	25 (48)	23 (50)	25 (40)
Tamil Nadu	35 (73)	43 (64)	42 (64)	40 (64)	42 (52)	42 (60)	36 (56)	38 (59)	39 (55)	38 (50)	33 (46)	31 (46)
All India	40 (60)	40 (58)	58 (55)	42 (58)	41 (54)	43 (54)	41 (54)	41 (54)	42 (52)	42 (53)	40 (50)	38 (47)

- Note :* 1. Figures in parenthesis refer to term loans.
2. Overdues relate to agriculture advances including loans for allied agricultural activities.
3. Compiled from : Reserve Bank of India, Recovery Performance of Agricultural Advances of All Scheduled Commercial Banks, Rural Planning and Credit Department, Bombay. (Unpublished records).

Table 8. Trends in loan overdues as per cent of demand in case of regional rural banks.

State	June 1983	June 1984	June 1985	June 1986	June 1987
Haryana	45	46	48	54	60
Himachal Pradesh	51	51	39	40	30
Jammu and Kashmir	53	62	61	56	58
Punjab	—	14	21	16	15
Rajasthan	50	53	57	56	54
Assam	42	44	58	50	54
Bihar	50	52	56	59	60
Orissa	56	61	63	60	59
West Bengal	61	62	56	61	63
Madhya Pradesh	53	55	57	56	54
Gujarat	39	37	44	56	57
Maharashtra	55	62	55	51	53
Andhra Pradesh	49	40	50	54	52
Karnataka	37	43	42	44	43
Tamil Nadu	41	61	53	60	59
Kerala	27	31	26	23	22
All India	42	50	52	51	50

Note : 1. The overdues relate to all types of loans issued by RRBs.

Source : NABARD, Statistics on Regional Rural Banks, Institutional Development Department, Regional Rural Banks, Division, Bombay.

commercial banks in case of term loans. Similarly, overall recovery position of PACS was as good as recovery position of commercial banks in respect of short term loans. The data on overdues of RRBs were not available separately for agricultural loans. For aggregate of all types of loans the overdues of this agency varied around 50 per cent.

Conclusions

Inequality in the distribution of agricultural credit was increasing over time and there did not appear to be any improvement in flow of credit to traditionally under-developed regions. The commercial banks and regional rural banks did not improve the status quo. At all India level the gap between cost of inputs in agriculture and supply of short term credit was increasing. The overdues position of primary agricultural societies and commercial banks was same. Since the commercial banks do not seem to be doing better than primary agricultural credit societies it would be in the interest of nation to strengthen the primary agricultural credit societies because the cost of credit delivery through primary agricultural credit societies would be much lower than the cost of credit delivery through commercial banks.