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ture have done much to undermine the motivations of its once energetic, resourceful, and individualistic peasantry. Somewhat similar experience was gained in India's crash employment schemes also, which were undertaken during the years 1972-73.

Therefore, without adequate agricultural (product) surplus, the mobilization of surplus farm family labour towards industrial sector is not a possible proposition for the State. The adequacy of agricultural surplus is a major macro level constraint as without such a surplus the labour transfer from the farm to the non-farm sector would adversely affect the wages and prices in both the sectors. The attachment of farm labour with family and land, particularly on the small and medium farms, would pose another difficulty in its transfer to the industrial sector which, in the absence of enough agricultural surplus, may not be able to attract it on better remunerative wages. Agricultural surplus is also essential for the capital formation which is needed for promoting industries where such labour transfers can be absorbed.

Commenting on Fleming's[10] assertion that the ease with which labour can be transferred from agriculture to the non-agricultural industry "has frequently been exaggerated," Johnston and Mellor[11] observed that he largely ignored the significant potential that exists for raising productivity in agriculture. Thus, the mobilization of this surplus labour within agriculture/rural sector appears to be the only possible proposition for the State at present. This can be achieved, first, through more effective use of labour in crop production, second, through promoting growth of promising breeds of milch animals and poultry birds as supplementary enterprises, particularly on the small and medium farms, and third, through establishing rural/farm based small-scale industries in agro-business, handloom textile, artisan and foundry, etc.

POSSIBILITY OF SURPLUS MOBILIZATION FROM AGRICULTURE THROUGH INDIRECT MEANS

S. K. Chakravarty*

Referring to the public role in the development of agricultural income in the country the Planning Commission observed:[1] "Public investment under the Plans has contributed substantially to the development of agriculture. This together with the rise in prices, has led to a substantial

10. J. M. Fleming, "External Economies and the Doctrine of Balanced Growth," *The Economic Journal*, Vol. LXV, June, 1955, p. 254.
11. B. F. Johnston and J. W. Mellor, *op. cit.*, p. 369.

* Agro-economic Research Centre, Visva-Bharati, Santiniketan, West Bengal.
1. Draft Fifth Five-Year Plan 1974-79, Vol. I, Planning Commission, Government of India, New Delhi, 1973, p. 59.

increase in agricultural incomes." Regarding the reciprocal role of this increased income in agriculture the Planning Commission further observed:[2] "With the anticipated growth of agricultural production and higher support prices for major agricultural products, it is reasonable to expect agriculturists to make a larger contribution towards the financing of development efforts. This is more so when a substantial part of the Plan outlay in the public sector will benefit agriculture directly or indirectly. It is therefore necessary to tap a part of additional incomes of agriculturists' to finance the general development efforts of the country.

Various measures have been suggested to tap a part of additional incomes from agriculture. The Planning Commission accepted the Raj Committee's recommendation which suggested an imposition of agricultural holding tax and or "a combination of measures like withdrawal of concessions in land revenue, imposition of surcharges on land revenue at graduated rates, greater use of cesses on commercial crops and the imposition of a betterment levy." But unfortunately "the contribution of agriculture to the public exchequer," till now "has not been commensurate with the rise in incomes. The incidence of direct taxes on agriculture is extremely low, being hardly 1 per cent of the net domestic product from agriculture."[3]

Owing to various practical difficulties including accounting problems, the scope for direct taxation on agriculture seems extremely limited and in order to realise higher contribution from agricultural surpluses the method of gradual reduction of subsidies coupled with measures of indirect taxation appears more effective provided the items (for taxation and withdrawal of subsidies) are properly selected and the rates are kept within certain pre-calculated limits. In this context, the purpose of the present paper is to suggest with special reference to the complex relationship in agriculture between inputs and outputs, the possibility of mobilizing a part of agricultural surplus through additional taxation, or reduction of subsidies, on certain selected agricultural inputs, without affecting production or output prices. In other words, cost rise due to a reduction of subsidies or surcharge on certain production factors directly responsible for large-scale increase in production, may keep the output prices unaffected if some other variables such as the rate of marginal return, production uncertainty, future price expectations, etc., are simultaneously taken into consideration.

The illustrative part of the paper is based on a detailed list of inputs and outputs of 22 farming households[4] (Table I) using both traditional and im-

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2. *ibid.*
3. *ibid.*
4. The households were surveyed as a part of the field programme of the author in connection with his Ph.D. dissertation. Of the 100 households surveyed (selected through random sampling method) only 22 households used both traditional and modern inputs for producing all types of crops and the present study includes all those 22 households.

TABLE I—INPUT COSTS AND OUTPUT VALUES PER ACRE

(for 22 Farming Households in Howrah District, West Bengal. 1971-72)

(Rupees)

Sr. No.	Area under operation of the individual farm	Costs of traditional inputs				Costs of improved inputs			
		Seed	Oil cake manure, compost	Hired labour (human and bullock)	Other costs	Seed (additional)	Chemical fertilizers	Labour (additional)	Costs on improved implements
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	1.44	60.42	29.86	83.33	13.89	32.42	46.39	48.56	—
2.	1.24	56.68	29.84	56.29	10.29	64.00	80.32	49.28	48.26
3.	1.33	69.70	46.08	62.39	11.28	10.00	67.67	71.95	19.56
4.	2.07	45.89	39.95	43.48	12.08	9.02	83.48	120.04	90.27
5.	1.32	86.36	40.30	56.82	22.73	21.54	90.91	56.24	—
6.	2.10	33.33	56.00	28.57	7.14	28.32	97.62	99.17	56.12
7.	2.09	72.73	50.14	86.12	21.51	18.42	98.24	80.88	21.40
8.	1.08	64.81	29.63	83.33	16.24	32.02	97.22	90.27	—
9.	2.08	45.67	36.81	56.06	14.42	86.56	88.08	36.52	41.56
10.	2.22	42.79	50.18	55.14	18.02	26.18	67.03	80.00	22.20
11.	2.10	54.29	48.00	71.43	21.43	24.06	88.57	45.24	57.47
12.	1.22	57.36	40.33	24.59	8.20	19.00	84.59	77.17	80.25
13.	2.03	53.20	56.05	9.85	12.32	41.56	91.72	99.24	21.24
14.	3.33	57.06	30.03	40.10	7.03	16.64	74.05	50.30	—
15.	3.12	43.08	41.13	44.23	11.28	19.21	59.29	102.29	12.64
16.	3.30	40.30	28.00	24.45	15.15	52.46	52.73	64.10	19.92
17.	3.08	24.68	29.87	28.44	9.74	37.12	69.22	37.12	112.48
18.	3.39	44.84	21.09	48.50	11.46	41.84	84.07	52.50	—
19.	4.37	52.17	29.98	68.65	10.30	19.92	67.76	32.64	—
20.	3.09	31.49	42.10	47.09	9.42	30.62	44.66	52.01	48.42
21.	4.17	45.56	19.98	34.75	10.79	22.48	65.97	44.08	37.11
22.	4.17	27.34	36.98	31.94	18.12	46.20	46.91	51.02	72.92

(Contd.)

TABLE I—(Concld.)

(Rupees)

Sr. No.	Costs of improved inputs		X₁ Total cost	X' (log X₁)	X₂ Total cost	X (log X₂)	Y Value of output	Y (log Y)
	Pesticides, insecticides, etc.	Irrigation charges and other costs						
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1.	—	48.00	187.50	2.27301	175.37	2.24394	1736.11	3.20954
2.	22.24	56.51	153.10	2.18497	320.61	2.50596	1834.68	3.26362
3.	8.50	26.24	189.45	2.27657	203.92	2.30946	2364.66	3.37384
4.	18.20	21.92	141.40	2.15042	342.93	2.53520	1618.35	3.20893
5.	—	27.42	206.24	2.31438	196.11	2.29250	2196.97	3.34185
6.	19.50	19.11	125.04	2.11073	430.95	2.63442	1500.00	3.17609
7.	—	22.48	230.50	2.36266	223.42	2.34911	2081.34	3.31827
8.	—	41.92	194.01	2.28782	261.43	2.41736	3287.03	3.51681
9.	21.04	29.14	152.96	2.18446	302.90	2.48130	1514.42	3.18010
10.	9.11	22.94	166.13	2.22044	217.46	2.33739	1891.89	3.27693
11.	13.20	31.42	195.15	2.29036	259.96	2.41495	3285.11	3.51654
12.	11.00	42.19	130.50	2.11556	314.20	2.49721	2745.90	3.43870
13.	—	39.24	131.42	2.11862	295.00	2.46687	1992.61	3.29952
14.	—	37.08	134.22	2.12781	178.07	2.25059	1749.25	3.24273
15.	31.20	25.24	139.72	2.14532	249.87	2.39776	2091.34	3.32036
16.	42.14	38.46	107.90	2.03311	269.81	2.43108	2181.82	3.33886
17.	41.92	19.92	92.73	1.96675	317.78	2.50213	1948.05	3.28958
18.	—	23.60	125.89	2.10002	202.01	2.30537	1821.53	3.26054
19.	21.11	42.46	161.10	2.20709	183.89	2.26453	1636.15	3.21377
20.	12.42	22.41	130.10	2.11426	210.54	2.32331	2233.00	3.34538
21.	29.11	31.95	111.08	2.04559	230.70	2.36303	1870.50	3.27184
22.	11.92	25.62	114.38	2.05835	254.59	2.40579	1438.85	3.15804

proved types of inputs[5] and producing both ordinary and improved types of crops during the year 1971-72. The households belong to a cluster of five villages consisting mainly of small and medium farmers in Howrah district of West Bengal.

Let us assume that fixed capital in agriculture is not directly related with production variation in the short run and only variable costs on traditional and modern inputs determine output and ultimately the farmers' profit or loss. By definition, traditional inputs are not capable of increasing production beyond the traditional level. Hence an enterprising cultivator, in order to increase output will go on adding up his expenditure on improved inputs (if, however, his funds permit) and for the maximization of output this addition to costs will continue until his marginal costs and marginal return equate each other (theoretically). But in practice, though the marginal cost can be known to the farmer the marginal return is never known to him unless the period is over.

The marginal return, *ex post*, can be known by solving a set of normal equations derived from the series of input and output values (see Table I). But in agriculture two successive years never fully resemble each other and hence one year's actual return does not correctly foretell next year's return. Thus during the whole of production period when costs are actually incurred, the cultivator has to depend on his subjective estimates of production probability and product prices to arrive at the expected level of marginal return upon which his present adjustment of marginal costs depend. Obviuolsy, at this stage, mere cost cannot be the sole consideration of the cultivator to fulfil his profit maximization motive.

Symbolically, let Y represent output and X_1 and X_2 represent inputs of traditional nature and improved nature respectively in value terms, so that

$$Y = f(X_1, X_2)$$

Assuming a Cobb-Douglas production function, the relationship reduces to $Y = aX_1^{b_1} X_2^{b_2}$, where b_1 and b_2 are the rates of realised marginal returns per unit of traditional and improved inputs respectively and a is a constant. Since a farmer with a maximization motive will add up cost only on improved inputs by keeping his traditional inputs unchanged, X can be taken as constant, so that $aX_1^{b_1} = A$, and the production function reduces to $Y = AX_2^{b_2}$.

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5. The traditional inputs include local varieties of seeds (home produced or purchased), manures, compost, oil cakes, ordinary labour expenditure (on both human and bullock labour) and other usual minor expenditure to cultivate in the local way. The improved inputs contain costs of improved seeds, seed processing, chemical fertilizers, pesticides, insecticides, hire charges of improved implements and depreciation rates of purchased machineries (if any), additional labour charges, irrigation charges, electricity charges, etc.

Now consider a situation where

(1)   costs on inputs and return from outputs are changing, and

(2)   the probability of receiving the targeted production with stipulated doses of inputs is always less than unity because of

(a)   weather hazards, (b) timely non-availability of particular input, (c) labour problem, (d) planning and management defects, etc.

Let

the expected price change of output per unit $= r$
the cost change of input per unit $= r'$

[r and r' are expressed in ratio terms with the previous position.]

The targeted production with reference to a particular input cost $= k$

Probability of realising that production $= p$

Hence the subjective estimate of production at the time of incurring cost on inputs $= kp$

and in value terms expected returns $= kpr$

and in value terms actual cost $= X_2 r''$

The function now reduces to

$$kpr = A (X_2 r')^{b_2}$$

$$\text{or} \quad r = \frac{A}{kp} (X_2 r')^{b_2}.$$

Differentiating r with respect to r'

$$\frac{dr}{dr'} = \frac{A}{kp} . b_2 . (X_2 r')^{b_2 - 1} X_2.$$

The equation indicated that the relative price variation, i.e., variation in the price of outputs in relation to the cost change on inputs is determined by several constants and variables including the production probability and the marginal productivity of the concerned inputs.

In this expression all the variables excepting b_2 is known to the farmer. b_2 which represent the realised marginal productivity of the concerned inputs should be taken from past experience. Since some conditions in the production system must change every year, the same b_2 cannot be obtained in different year but past b_2 is necessary to asses future b_2.

By way of illustration let us now obtain the marginal productivity (b_2) of the improved inputs used by 22 cultivating households using both the traditional and improved inputs.

The production function $Y = a X_1^{b_1} X_2^{b_2}$ reduces to $\log Y = \log a + b_1 \log X_1 + b_2 \log X_2$ in the linear form. Let Y', a', X_1', and X_2' represent their respective log values so that the equation becomes

$$Y' = a' + b_1 X_1' + b_2 X_2'.$$

Now, from the series of observed values (table) for Y, X_1 and X_2 we arrive at the following normal equation :

$$a' \, 22 + b_1 \, 47.68830 + b_2 \, 52.72926 = 72.56539 \qquad \dots(1)$$

$$a' \, 47.68830 + b_1 \, 103.59210 + b_2 \, 114.20170 = 157.36900 \qquad \dots(2)$$

$$a' \, 52.72926 + b_1 \, 114.20170 + b_2 \, 126.60490 = 173.923340 \qquad \dots(3)$$

By solving the normal equation we get the following values for the constants :

$a' = 2.004456$ and hence $a = 158.63$

$b_1 = 0.4040 \qquad b_2 = 0.1743$

and hence the production relation (in value terms) reduces to

$$Y = 158.63 \, X_1^{0.4040} \, X_2^{0.1743}.$$

The marginal productivity of the improved inputs in this case (being only 17 per cent) appears to be much lower than what is expected from improved inputs. There might have been some managerial defects or practical difficulties in its application which might be responsible for this low return.

We now come to the conclusion that so long as the rate of marginal return from the concerned input is quite high, the price of that input can be raised through surcharge or withdrawal of subsidies. In such a situation the price of the output will remain unaffected due to cost rise. But when the rate of marginal return is low (as in the present illustration) the output prices are likely to be disturbed with a slight change in cost. In such a situation there is little scope for surcharge or reduction of subsidies on inputs.

As the anticipated rate of return is more important in practice than the realised return, due consideration should be given to the specific uncertainty factors regarding production and product price to rectify the past rate of marginal return.

ROLE OF INSTITUTIONAL AGENCIES IN MOBILIZING FINANCIAL RESOURCES IN RURAL INDIA

Arup Chakrabarti*

Investible surplus is the difference between income and expenditure at the family level. Such surpluses generated in the rural areas need careful mobilization for the promotion of development. This is particularly true in India where there is considerable need for strengthening the resource mobilization effort in the rural sector, for a number of reasons. First, a gap is said to persist in the agricultural sector between capital requirements and its actual availability. The extent of "credit gap" is estimated to be to the tune of Rs. 8.96 crores.[1] Second, some surveys conducted by the Reserve Bank of India found that the growth of trade and small-scale industries in many unbanked rural and semi-urban areas was retarding because of lack of institutional credit.[2] Thirdly, substantial portion of potential saving of the rural household sector is not mobilized at present; it is simply used for unproductive or speculative investment in land, real estate, gold, etc.

While seeking to mobilize resources, a distinction should, however, be drawn between inflationary and non-inflationary means of resource mobilization. This is specially necessary in India where one important facet of planning is to ensure 'growth with stability.' It is therefore necessary to rely, as far as practicable, on non-inflationary means for mobilizing resources. Of the non-inflationary means, two are well-known, viz., taxation and potential saving. In India, while the incidence of direct taxes on agriculture is said to be hardly 1 per cent of the net domestic product from agriculture,[3] mobilization of rural savings through institutional channels have been 'relatively slow' (Table I).

TABLE I—RURAL SAVINGS IN INDIA

(crore rupees at current prices)

		1950-51	1962-63
(1)	Total savings	541.9	1498.4
(2)	Per cent of national income..	5.7	9.7
(3)	Savings from the rural households	166.3	237.0
(4)	(3) as per cent of (1)	30.7	15.8
(5)	(3) as per cent of national income	1.7	1.5

Source : *Reserve Bank of India Bulletin*, Vol. XIX, No. 3, March, 1965.

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1. Organisational Framework for the Implementation of Social Objectives—Report of a Study Group of the National Credit Council, Reserve Bank of India, Bombay, October, 1969 p. S 78.
2. 'Scope for Institutionalising Credit in Certain Rural Areas and in respect of Certain Sectors, *ibid.*, p. A 450.
3. Draft Fifth Five-Year Plan 1974-79, Vol. I, Planning Commission, Government of India, New Delhi, 1973, p. 59.

From the table it appears that the growth of rural savings compares very unfavourably with that of total savings, and it has declined as a per cent of total savings, or national income. But this should not be construed to mean that the rural people because of their 'marginal' income cannot save, or because of their illiteracy do not save. On the contrary, one study shows that the rural families in India save a high proportion of current income, and that the propensity to save among families of comparable levels of income is found to be higher in the rural areas than in the urban sector.[4] But the full potential saving is not mobilized due largely to inadequate development of financial institutions and instruments consistent with the preferences of the savers. The 'big' cultivators are generally reluctant to keep their savings with the institutional agencies, because they can directly lend them, at a relatively higher rate, to their poor neighbours. The "large" and "medium" cultivators, on the other hand, prefer to invest their savings in physical assets (*e.g.*, land, buildings, livestocks, etc.), and the 'small' farmers' gross savings are seen to be negative. (Table II.) The task of institutional machinery is to collect the scattered savings and make them available for investment in productive enterprises.

TABLE II—GROSS SAVINGS AMONG CULTIVATING FAMILIES IN INDIA

	Amount per family (Rs.)
Big cultivators	703.5
Large cultivators	331.6
Medium cultivators	38.8
Small cultivators	−5.2
All cultivators	113.5

Source : All-India Rural Credit Survey : Report of the Committee of Direction, Vol. I, The Survey Report, Part 1 (Rural Families). Reserve Bank of India, Bombay, 1956, p. 799.

Let us consider the role of institutional agencies in mobilizing investible surplus of the rural households.

The commercial banks after the nationalisation of the Imperial Bank in 1955 and the other 14 big banks in 1969 have evinced much eagerness in opening branches in rural and semi-urban areas, and in funnelling credit to agriculture, small industries. But their record in mobilizing rural deposits has not been appreciable. Of the total increase of Rs. 2,950 crores in the deposits of all scheduled commercial banks between June, 1969 and June, 1972, the share of the new offices in the rural and semi-urban areas was Rs. 283 crores (9.6 per cent only).[5] The relatively low deposit rate offered

4. P. G. K. Panikar : Rural Savings in India, Somaiya Publications Pvt. Ltd., Bombay, 1970, pp. 54 and 122.
5 *State Bank of India Monthly Review*, Vol. XII, No. 7. July, 1973, pp. 280-281.

by banks, compared to the rate obtained in private lending has induced the affluent section of the farming community to invest their fund privately rather than through the banks. The urban orientation in the customer service of the banks is said to have been incompatible with rural manners and customs. This has undermined the efficacy of commercial banks as a vehicle of rural deposit mobilization.

The co-operative organizations have been pioneers in the field of mobilizing rural deposits from time immemorial. In absolute terms, deposits of the different forms of co-operatives have increased, as is shown in Table III.

TABLE III—GROWTH OF DEPOSITS IN THE CO-OPERATIVE SECTOR

(lakh rupees)

	State co-operative banks	Central co-operative banks	Primary agricultural credit societies
End of Second Plan (1960-61)	77,33	1,12,03	14,59
End of Third Plan (1965-66) ..	1,46,51	2,36,59	34,49
1968-69 ..	2,15,63	3,50,84	56,84
1969-70 ..	2,34,31	3,81,71	62,67
1970-71 ..	2,78,70	4,38,55	69,46
1971-72 ..	3,30,45	5,09,73	74.78

Source : Selected Statistics Relating to Co-operative Credit in India, Reserve Bank of India, Bombay, 1974.

Considering the growth of deposit potential, the progress of the co-operative banks in the mobilization of deposits, it has been contended, has not been encouraging [6] As estimated, nearly 80 per cent of the increase in deposits with these societies had come from their members who constitute a minority of the rural population.[7] They have failed to attract non-member depositors because the banking services provided by them are not adequate in terms of either quality or variety. Further, for such organization, the cost of collection of resources in the form of deposits is said to be much higher than that of borrowings from the Reserve Bank,[8] and this perhaps goes to explain why the co-operatives have preferred borrowings to deposit mobilization.

Post office savings bank deposits form the mainstay of small savings movement in India. During the period 1951-52 to 1970-71, net realisation of small savings was highest from the postal deposits.[9] Up to mid-sixties, postal

6. Report of the *L.i*-India Rural Credit Review Committee, Reserve Bank of India, Bombay, 1969, p. 183 ; also, Report of the Banking Commission, Government of India, 1972, p. 153.
7. "Deposit Mobilisation by Co-operative Institutions," *Reserve Bank of India Bulletin*, Vol. XXVII, No. 12, December, 1973, p. 2029.
8. Report of the All-India Rural Credit Review Committee, *op. cit.*, p. 716.
9. "Small Savings in India : 1951-52 to 1970-71," *Reserve Bank of India Bulletin*, Vol. XXVI', No. 3, March, 1972, p. 338.

savings far exceeded the savings mobilized by commercial banks.[10] Since then, however they have lagged behind the growth of bank deposits. The main reason for this is the spread of organized banking in hitherto unbanked areas, and the liberalisation of withdrawal facilities from rural banks. Another institutional agency for mobilizing rural investible surplus is the Life Insurance Corporation (LIC) of India. Through this organization, long-term 'contractual' savings is mobilized. Compared to the urban sector, the spread of life insurance business in the rural areas has been rather tardy, as Table IV shows. Illiteracy and lack of foresightedness on the part of the rural people constitute the main impediments in this respect.

TABLE IV—NEW BUSINESS OF LIC

(1st April , 1970 to 31st March, 1971)

				New business in urban areas	New business in rural areas
1. No. of policies	..	..	..	11,05,307	506,992
2. Sum assured (Rs. crores)	..	..	..	998,08	296,37
3. Percentage to total business	..	..	..	77.1	22.9

Source : Report of the Activities of the LIC of India for the year ended 31st March, 1971 and Account for that period, Appendix II, Statement 5, p. 35.

The present institutional arrangement is thus not sufficient to tap the full potential of rural investible surplus. During the past decade, public investment for the development of the agricultural sector has stepped up much. This together with the rise in agricultural prices has led to a substantial rise in farm income, but not to a concomitant growth in rural indirect financial savings. Moreover, income earners belonging to the higher strata in the agricultural sector pay less taxes than those in comparable strata deriving their income from non-agricultural sources.[11] In effect, the tax burden in the agricultural sector rose between 1951-52 and 1969-70 by 108 per cent and that in the non-agricultural sector by almost 600 per cent.[12]

It is necessary, therefore, to stimulate indirect financial savings by taking several institutional and policy measures. The Banking Commission has recommended the setting up of 'Rural Banks' by amalgamating a primary credit society with the branch of a commercial bank with a view to generate better banking facilities in the rural areas.[13]

10. Report of the Banking Commission, *op. cit.*, p. 101.
11. Report of the Committee on the Taxation of Agricultural Wealth and Income (K. N. Raj Committee), Government of India, New Delhi, 1970, para 1.20, p. 11.
12. B. M. Bhatia, "Agricultural Taxation : No Way Except Reform," *The Statesman*, February 20, 1975. p. 4.
13. Report of the Banking Commission, *op. cit.*, pp. 164-174.

It is also essential to induce the household sector in the rural area to have a dominant part of its saving in the form of financial assets, particularly thrift deposits. For this, the monetary yield on various types of deposits should be comparable to the yield, exclusive of risk premium, on private lending. It is essential to make the real return on deposits sufficiently attractive to induce the savers to keep their savings in the form of bank deposits rather than in the form of private lending, gold, real estate or inventories of commodities.

So long as the majority of the peasants are poor and illiterate, life insurance schemes may not prove much attractive. Crop insurance schemes might be substituted in its place. These and such other measures are not only likely to tone up the magnitude of financial savings, but also to modify the pattern of household sector saving in favour of financial assets.

It should also be noted that the main purpose of the small saving scheme is to inculcate the habits of thrift among small savers. A vigorous and sustained campaign is needed to urge people to save more. Unless this is done, it would be difficult to step up the rate of deposit mobilization in terms of reforms of credit mechanism alone. The saving habit, after all, is called a plant of slow growth; if nurtured and nursed properly, it can bloom and bear fruits profusely.