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RAPPORTEUR'S REPORT

ON

RURAL CREDIT: STRUCTURE AND FLOWS

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The number of papers accepted for discussion on this topic is as high as 88. The problems of rural credit at the national level are discussed in 16 papers while another 15 papers have confined themselves to State level analysis. A large majority of the papers, namely 54, are based on case studies narrowly confined to specific issues. The case studies emanate from almost all States in India including the Union Territories of Goa and Pondicherry and the conspicuous exceptions are the States of Kerala, Haryana and Orissa. Incidentally, Kerala has the highest per hectare availability of institutional credit in the country. While Haryana stands first in terms of the institutional credit available per farm household, Orissa figures prominently among the States receiving the lowest volume of institutional credit. Case studies from Uttar Pradesh abound in number, while a few villages in different blocks of one or two districts in the State provide the background material for a number of papers. Only three papers have dealt with the credit requirements of the non-farming activities in the rural areas, two of which again are case studies. The sheer number of papers makes the task of review and recapitulation unwieldy.

The issues discussed in most of the papers may be broadly classified into two groups: (1) the structural changes in the demand for credit and (2) the flow of credit and its composition. Though all the papers cannot be strictly divided into these groups, the relevant issues raised in each of the papers may be analysed under these broad groups.

I

STRUCTURAL CHANGES

The textbook image of rural indebtedness is one in which the poor peasantry is suffering under the crushing weight of 'debt burden'. The growing volume of indebtedness is being viewed with concern until very recently. With the advent of planning and perhaps after the publication of the Rural Credit Survey Report, the 'debt burden' has visibly yielded place to 'credit requirement' in all literature on rural credit. This shift in the conceptual framework is very relevant as the focus is now on the 'credit needs' which is an increasing function of agricultural development. The increase in the demand for rural credit and the changes in the demand pattern are the important issues which may be analysed on the basis of empirical evidences available. A review of the major determinants of the demand pattern is also of

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practical relevance. The forecasts of the demand for credit, the linkage between the adoption of modern farming technologies and the demand for credit and the interest insensitivity of demand are some of the issues which have been examined on the basis of case studies in most of the papers.

1. Demand for Credit

The proverbial demand for rural credit is insatiable. In the low income-low productivity model of poor peasant economy, the basis of demand for credit is the necessity of meeting the family expenditure. Hence the demand for rural credit is treated as unproductive consumption credit.

Amiyamoy Chatterjee using the National Sample Survey data explains that the cause for the credit need of the small cultivators is the imbalance of incomes and expenditure. He estimates that the indebtedness per household is Rs. 314 per year; the data relates to 1970-71. The credit needs of the small cultivators in the country have been estimated at Rs. 270 crores. This is perhaps a gross under-estimation of the total credit requirements.

S. P. Sinha *et al.* have examined the extent of agricultural indebtedness in North Bihar, one of the backward regions in the country. Their survey reveals that inheritance of indebtedness is absent among the farm households selected from this less developed region. Whether bequeathing the debt burden is disappearing as a relic of the past, it cannot be answered.

There are quite a few papers where efforts have been made to estimate the credit requirements either of a particular crop in a selected district or the credit requirements for improving the irrigation facilities or for increasing the consumption of fertilizers. A. R. Padoshi in his paper has analysed the growing demand for co-operative credit from the small cultivators in a taluk in Goa. P. R. Waghmare *et al.* have found that the demand for crop loan from the co-operative bank has been steadily increasing in Parbhani district in Maharashtra with the increase in the improvements of the irrigation ratio.

Ram Iqbal Singh and V. Prasad have indicated on the basis of a small sample survey that there has been a diversification in the pattern of credit demanded. The borrowings were mainly for crop production and repairs of masonry wells in 1967-68, while in 1977-78 the demand for credit for the installation of tubewells, purchase of tractors and fertilizers has expanded. A. K. Ray and C. C. Maji have observed in their paper that the demand for credit by the small farmers in Hooghly district has increased two-fold since the propagation of the high-yielding varieties (HYVs) of paddy.

Among the case studies estimating the credit requirements are the study of credit needs for integration of crop and milk production on small farms (Raj Vir Singh and Amrik S. Saini) and the study of capital requirements of Himachal orchardists for marketing apples (B. K. Sikka *et al.*). An estimation of the production supporting credit, specially the long-term co-operative credit is made on the basis of a sample of 36 farmers selected in Kanpur district of Uttar Pradesh (D. S. Singh *et al.*). The credit requirements of the marginal farmers and agricultural labourers are estimated (K. N. Pandey *et al.*) based on a sample selected from Ballia district in Uttar Pradesh.

2. *New Technology and Credit*

The demand for credit increases with the adoption of new technology of farm production. In the case of a proven technology where its acceptability is established, the non-availability of credit hinders the adoption of new technology. Farmers' dependence on borrowings increases inevitably after the adoption of new technologies. The study of K. C. Dhawan and A. S. Kahlon based on a sample of small holdings selected from Ferozepur district of Punjab has pointed out that the credit requirements of the farm households increases by 278 per cent over their owned capital owing to higher cash requirements of improved varieties of crops. The need to purchase irrigation further raises the credit requirements by three-fold.

B. W. Ashturkar *et al.* have estimated that the demand for fertilizer credit from the cultivators of jowar in Maharashtra is expected to grow very fast as the area under hybrid jowar is expanding annually in the State. Pandey *et al.* have also tried to quantify the increase in credit demand due to the adoption of new farm practices. Parkash Mehta's study has shown that the non-availability of working capital appears to be the most common constraint affecting the decision process of adopters in the case of small, medium and large farmers in the Punjab sample. The paddy cultivators in the Bengal sample, in P. K. Chatterjee and Shibdas Banerjee's study, also experience the working capital constraint as the paid out expenses per acre are fairly higher in the case of HYVs than that of traditional varieties.

A. J. Singh *et al.* have analysed the impact of short-term credit on the adoption of improved technology, based on a sample of farmers selected from Punjab. In the different optimum farm plans evolved for the sample farmers, using different levels of technology, it is observed that the relaxation of credit constraint can be instrumental in facilitating the adoption of the size-neutral technology on the small and medium farm holdings.

3. *Interest Sensitivity of Credit*

One of the arguments in favour of institutionalising the sources of rural credit is to make credit available at a cheaper rate. The proverbial moneylender is exploiting the needy borrower by charging exorbitant rates of interest. Cheaper credit is no doubt beneficial to the borrower. However, it is very pertinent to enquire as to whether the adequacy of credit is of more importance than the lower cost of borrowing. Ray and Maji in an interesting econometric analysis have shown that even with traditional crop activities, the amount of credit demanded on a small farm to ensure the optimal use of the limited resources remained invariant with the interest range of 10 to 32 per cent per annum. Almost a similar conclusion is drawn by P. Kumar *et al.* who have adopted profit function approach to estimate the demand for credit. This study is based on a small sample of marginal farmers selected from Moradabad district in Western Uttar Pradesh. The credit demand functions estimated for three different seasons indicate that the demand elasticities for credit with respect to input and output prices are highly elastic for all the seasons. The rate of interest thus is not likely to influence significantly the quantum of credit demanded as compared to the prices of other farm inputs as well as outputs.

K. D. Rajmane and V. C. Kale also have concluded in their study on the normative demand function for working capital in Ahmednagar district of Maharashtra that the demand is inelastic in respect to the rate of interest.

4. *Non-farm Credit*

Rural credit is often treated as synonymous with farm credit. The credit needs of the non-agricultural segment of the rural economy are not given the attention due to it. In a situation of changes taking place in the farm operations, and the growing interaction between the rural and urban economies, the nature of non-farming activities in the villages is likely to change. With this change, their credit requirements may also undergo some changes. The All-India Debt and Investment Surveys of the Reserve Bank of India have generated some useful data on these issues. V. A. Avadhani's paper, drawing largely from this source, examines the nature and extent of borrowings of the cultivators for non-farm business. The borrowings for non-farm business are very small when compared to the borrowings for farm operations. This has been attributed by the author to the low capital-output ratio of the non-farm business. The available data do not indicate any perceptible trend in the growth or diversification of the non-farm business during the last decade. Though no direct indication of the growth in demand for non-farm credit is available, the spurt in the quantum of institutional credit provided during the period 1961 to 1975-76 may be construed as a sign of the growing importance of non-farm business activities in the rural economy. Since the emphasis in the Sixth Plan is on the generation of rural employment, the question of identifying the non-farm business activities and providing the necessary credit facilities gains crucial importance.

The credit needs of the village artisans are assessed in a case study of ten villages of Kanpur district of Uttar Pradesh in another paper by Y. S. Chauhan *et al.* The credit requirements of the artisans are meagre compared to those of the farmers. Yet the credit availability is inadequate. K. N. Thapliyal in his study of Phulpur in Allahabad district has drawn similar conclusion. The credit needs of village artisans have increased and a larger portion of the credit is required for the purchase of raw materials. Their dependence on non-institutional credit agencies has not diminished.

In their study of rural credit in a dry farming tract in Andhra Pradesh, K. P. C. Rao and B. K. Rastogi have estimated the credit needs of artisans, traders and cartmen. A comparison of their borrowings in 1971 and 1976-77 reveals that not only the dependence on non-institutional agencies has increased, but also the rate of interest charged has risen.

5. *Projection of Credit Demand*

Projection of the demand for credit is attempted in a few papers, though no sophisticated methodology is adopted for this purpose. N. G. Gandhi

Prasad and B. G. Sapate have projected the demand for short-term credit requirements on a cropwise and districtwise basis for Vidarbha region for a five-year period, 1978-1983. Projections made on alternative assumptions regarding the extent to which credit could be extended reveal staggering amounts. The credit gap would remain conspicuous if the projected figures are compared with current level of credit disbursed.

Ratan Ghosh presents a simple estimation of the credit requirements of the rice growers of West Bengal for the next five years (1978-83). P. V. Sarma and K. Siva Prasad have estimated the demand for short-term credit in four districts of Andhra Pradesh using regression analysis. The economic variables considered here included land cultivated per worker, irrigation ratio, crop intensity ratio and productivity and the technological variables included are tractor-land ratio, oil engine-land ratio, rate of fertilizer consumption and the area under HYVs. It is observed that the importance of different variables varied from district to district. However, the technological variables tend to have a more predominant role than the economic variables in affecting the demand for credit.

M. Ramadass and M. Sebastian have projected the demand for credit in Pondicherry region during the next three years (1978-79 to 1980-81) using a linear trend equation. The authors have opined that the estimated amount is staggering.

Prakash Bakshi in his paper argues that it is futile to estimate the credit needs alone. Instead, he pleads for the estimation of 'input requirements'. This is true as quite often bottlenecks emerge when the farm input demanded by the farmers are not available even though they have the necessary credit. Realistically, therefore, the demand for credit can be estimated by assessing the input demand in kind and then estimating the volume of credit required to obtain these inputs.

While estimating the demand for agricultural credit, the relevance of the concept of 'credit absorption capacity' may have to be examined. Conceptually, like the 'debt burden', it is a static phenomenon. In the short-term analysis, credit absorption capacity—if it can be measured—can be the limit upto which the credit expansion is possible.

II

FLOW OF CREDIT

In regard to the supply of rural credit, the major issues for examination are the quantitative and qualitative expansion in credit supply resulting from the increase in the different types of credit agencies operating in the rural areas. The changing composition of rural credit and their unequal distribution among various regions are the other facets of the flow of credit to be analysed. The present position and the future role of each of the organized credit agencies may be critically assessed in the context of the growing need for farm credit.

1. Increase in Credit Supply

That there has been a rapid increase in the flow of rural credit in recent years is not disputed. However, the increase in input prices and the general inflationary trends have to be taken into consideration while gauging the rise in the flow of rural credit. Much light has not been thrown on this aspect while explaining the spurt in rural credit in many of the papers. In spite of the growth in the flow of rural credit, the demand for credit is not fully met. Some stray attempts have been made to estimate the credit gaps. One of the recent operational exercises undertaken by the public sector banks is to formulate the credit plans for all the districts in the country and to estimate the credit gaps with reference to agriculture and other sectors at the district level. Neither any reference is made to this credit planning exercise nor any of them is used to estimate the credit gaps for different regions. Only one paper has made a reference to the influence of the lead bank on the flow of credit in a West Bengal district (Bhanudeb Bagchi and K. Sain).

Credit gaps are likely to vary widely between different regions on account of the economic conditions, the level of agricultural development and the existence of the institutional credit agencies in these regions. Some of the studies have examined the factors contributing to the low volume of credit flowing to different regions.

2. Composition of Credit

Crop loans account for a major portion of the rural credit flows. Both the co-operative banks and the commercial banks grant crop loans. As for the relative shares of these two agencies, the co-operatives have a larger share and very little impact is made on this by the rapid progress of direct lending achieved by the commercial banks in the post-nationalisation period. In the case of medium-term loans also there has been very little change in the relative shares of co-operatives and banks. The recent entrants like the Farmers' Service Societies (FSSs) and the Regional Rural Banks are yet to make a dent on credit flow. Agricultural Refinance and Development Corporation and Agricultural Finance Corporation are two national level credit agencies whose contribution to agricultural credit has not been taken up in any one of the papers.

Changes in the relative magnitude of the institutional credit flowing into various productive purposes are evident. More credit is being lent for improving the production potentialities and for the adoption of modern farm technologies than for the redemption of old debts and other unproductive investment. Some of the studies have clearly indicated that the credit availability has hastened the process of adoption of HYVs and other improved farm practices. C. Arputharaj *et al.* in their study of co-operative credit in Tamil Nadu have observed a negative correlation between medium and short-term credit. It is not clarified as to whether the credit from other sources have a complementary relationship with co-operative medium-term credit.

Consumption loans are not given the importance due to them in the lending programmes of rural credit agencies. This has contributed to the perpetuation of the farmers' dependence on the unorganized agencies for consumption credit. One of the recent official reports has been emphatic in pleading for the provision of consumption credit by the banks and co-operatives. Borrowings against gold ornaments are one of the very common modes of borrowings by the the farmers as consumption loans, specially in the southern States. The bank advances against gold ornaments exhibit seasonality trends parallel to the seasonal farm operations. Gold advances made to the farmers and agricultural labourers go up before the harvesting season and decline in the post-harvest period. None of the papers has thrown any light on this aspect of institutional credit available to the farming community.

3. *Sources of Credit*

The inadequacy of credit is the bane of less developed agrarian economies. The organized credit agencies do not have the necessary organization and the willingness to provide the credit necessary for agricultural development. The non-institutional credit agencies like the village moneylenders continue to be the main source of credit. Efforts have been made to combat the situation by creating many credit agencies and also by curbing the activities of the moneylenders. Legal measures are taken in many States to control and regulate the rural moneylending business. It is, however, not possible to conclude as to whether the proliferation of institutional credit agencies has been effective in dislodging the ubiquitous village moneylender. Empirical evidence appears to be inconclusive.

S. K. Chakraborty in his study of the recent changes in the flow of credit in West Bengal points out that the agriculturist moneylenders are rapidly replacing the professional moneylenders in rural Bengal. V. T. Raju holds the view that the moneylenders still predominate in the pattern of credit availability in the West Godavari district in Andhra Pradesh. In the tribal economy of Ranchi district in Bihar, the private moneylenders continue to have their sway over the credit scene. M. L. Singh and M. C. Sarkar reveal that over 70 per cent of the credit for the small and marginal farmers in the tribal area come from the private moneylenders. In an irrigated village in Tamil Nadu also, K. Thiruvenkatachari's study show that the private moneylenders are still a major source of credit.

(*i*) *Co-operative Banks*

By far the largest source of institutional credit for the agricultural sector has been the co-operatives. They have grown along with functional and geographical diversifications. Most of the papers dealing with the co-operative credit have confirmed its rapid growth either at the national level or at the micro level. Some attempts have been made to quantify the rate of expansion. R. P. Kurulkar in his paper has given some indication of the extent of growth in this sphere.

The crop loan system of the co-operative banks in Surat district in Gujarat is analysed by Raghuvir S. Mehta; but no quantitative assessment is made. S. Rami Reddy's study of the primary agricultural co-operative societies in Visakhapatnam district in Andhra Pradesh reveals that the differences in the performances of the societies depend largely upon the overall level of development of the agricultural economy in different areas. S.B.L. Gupta *et al.* have used the Gini coefficient to assess the extent of uneven distribution and concentration of co-operative credit in different States in India. The co-operative credit, when measured in terms of per capita or per hectare, appears to be very unevenly distributed among the States. The economically backward States get a smaller share of the total credit lent by the co-operative agencies. T. Haque and C. C. Maji have made a detailed analysis of the changes in the Statewise distribution of co-operative credit between 1965-66 and 1974-75. The composition of credit has changed substantially with the fertilizer credit gaining importance in the total volume of credit lent. V. P. S. Arora *et al.* have also made a similar analysis of the inter-State variations in the disbursement of short-term co-operative credit. It is observed that the credit lent for seasonal agricultural operations constitutes the largest portion of the total credit lent.

The co-operative land development banks have been the single largest source of credit for investment on land development. Their contribution is significant. J. S. Garg *et al.* find the achievements of the U. P. State Co-operative Land Development Bank satisfactory. V. C. Kale *et al.* reviewing the expansion in the credit lent by the land development bank in Parbhani district in Maharashtra conclude that fairly high growth rates are achieved in financing new wells. In another paper the same authors have assessed the growth in the volume of credit lent by the land development banks in all the districts in Maharashtra. J. S. Chawla *et al.* in a study of the pattern of advances of the primary land mortgage bank in Amritsar district indicate that after the green revolution there has been an increase in the advances made for tubewells and tractors. H. D. Yadav *et al.* have found in their study of land development bank in Jaunpur district in Uttar Pradesh that the membership of the bank has increased substantially and the advances also have grown in tune with the growing demand.

(*ii*) *Commercial Banks*

Until the social controls goaded them to venture into the agricultural sector, the commercial banks were reluctant to lend to the agricultural sector. However, after nationalisation there has been greater involvement of the banks in agricultural lending. Considering the overall credit requirements of this strategic sector, the banks' achievement so far is not very significant. S. D. Suryawanshi *et al.* in one of their papers complement the public sector banks for stepping up their agricultural advances. The same authors in another paper analysing the spread of banking activities in the post-nationalisation period express the satisfaction on the progress achieved. Shri Ram *et al.* conclude that bank credit has a salutary effect on the income of the farmers selected for their sample in Kanpur district of Uttar Pradesh.

M. P. Dhongade and S. B. Dangat have examined the inter-regional disparities in the availability of farm credit by the commercial banks in

Maharashtra. The disparities are quite conspicuous within the State and also among the States as another study reveals. S. K. Tewari and J. S. Sharma have analysed the inter-State disparities in the disbursement of farm credit by banks using a multiple regression analysis. The disparities have declined slightly during recent years as a result of the expansion of rural branch network. The inter-regional differences in the percentage of area under HYVs, progress of rural electrification, the spread of bank branches account for the regional imbalances in credit disbursement. N. Sugayya makes a review of the improvement in the deployment of rural credit by banks by stepping up the credit-deposit ratios in the rural areas. It may be added here that the Government of India has directed all the public sector banks to ensure that by the end of March 1979, the credit-deposit ratios in the rural and semi-urban areas should exceed 60 per cent.

S. D. Kulkarni *et al.* have analysed the inter-district disparities in the deployment of bank credit in Maharashtra. The observed disparities are largely attributable to the disparities in the overall growth of the districts.

Bagchi and Sain opine that the lead bank of Nadia district in West Bengal has contributed significantly to the disbursement of short-term and medium-term credit. Examining the extent of utilization of the credit lent by the Agricultural Development Branch of State Bank of India in Jorhat in Assam, K. C. Talukdar *et al.* have observed that the amount of crop loans borrowed by the marginal and small farmers is on the increase.

(*iii*) *Farmers' Service Society*

The FSS is a new entrant into the domain of rural credit. It is a multi-purpose credit and service agency designed to cater to all the requirements of the farmers. In their case study of two FSSs sponsored by the district central co-operative banks in Uttar Pradesh, P. C. Shukla *et al.* have very little to say about the achievements of the societies. M. B. Padki and C. S. Gajarajan in their study of a FSS from Karnataka have attempted to identify some of the conflicts in co-operative rural finance. The large and medium farmers are reaping the benefits of the lendings of FSS more copiously than the marginal farmers and agricultural labourers. With the overdues slowly increasing as in the case of other co-operative institutions, the FSS may not be able to deliver the goods as contemplated by the National Commission on Agriculture.

(*iv*) *Regional Rural Bank*

One of the papers has made a descriptive analysis of the activities of a Regional Rural Bank in Uttar Pradesh (J. S. Garg *et al.*). The authors appear to be satisfied with the progress made by the bank in its first two years of operation. A more analytical assessment of the operational results of the Regional Rural Banks is necessary to answer the question as to whether they can perform the tasks more effectively than the sponsoring bank and at a lower cost. Though it is too early to pronounce a judgement on the utility of the Regional Rural Banks, their real test lies in catering to the banking needs of the specified categories of borrowers and maintaining the viability of their own operations.

4. Return Flow of Funds

With the increase in the flow of credit into the rural economy, the following three issues need to be examined: (1) Proper utilization by the borrowers; (2) Timely realisation by the lenders; and (3) The generation of additional income and likely return flow of funds into the organized agencies as savings. A critical review of these issues is also useful in judging as to whether the credit structure is resilient.

(i) Utilization

Diversion of credit for purposes other than for what it is borrowed is a phenomenon not less common in any field of institutional credit as in agricultural financing. The single factor responsible for the diversion of funds in the case of agriculture is perhaps the absence of consumption credit. A part of the borrowing, unless it is a specific release tied to the purchase of certain inputs, is diverted for consumption expenditure. Crop loan is a line of credit in which it is difficult to ensure the end use.

V. D. Galgalikar and N. A. Gadre find in their case study of a credit society in Akola that the diversion of funds for unproductive purposes is the highest in the case of the marginal farmers . In an agriculturally prosperous district like Ludhiana it is observed by A. J. Singh and K. C. Dhawan that about 43 per cent of the short-term borrowings are diverted for unspecified purposes by the small farmers. The big farmers in the dry farming tract of Hyderabad, according to Rao and Rastogi, use nearly 96 per cent of their borrowings for productive purposes.

(ii) Default Ratio

The growing irregularities of advances have been the bane of co-operative credit in India. As the involvement of the commercial banks in agricultural financing has increased, the default ratio has also risen. According to the published figures, the recovery performance of banks is declining and causing concern. The Regional Rural Banks are just in their infancy and hence they are yet to face this situation.

Thiruvenkatachari's case study of a primary co-operative society in Tamil Nadu points out that the overdues amount is growing faster than the total advances and is more than the share capital of the society. Padki and Gajarajan fear that an overdue of 32 per cent for FSS might result in the costs of service tending to outrun the expected social benefits. S. S. Grewal and P. S. Rangi analysing the alarming overdues position (61.8 per cent) of co-operative credit societies in different districts in Punjab conclude that it is the outcome of poor management of village co-operative societies. Rami Reddy's findings indicate that the default ratio is higher for the primary co-operatives in the less developed region compared to those in the developed region in Andhra Pradesh. The recovery performance of the co-operatives in Unnao district of Uttar Pradesh is reported to be as low as 12 per cent by G. N. Singh *et al.* Political interference and low productivity of farming are considered to be the factors responsible for this state of affairs. The higher repaying capacity of farmers in the Aligarh sample is stated to be responsible for the lower default ratio as against the farmers in Rampur sample of Uttar Pradesh as explained by R. N. Pandey *et al.*

(*iii*) *Generation of Additional Income*

The objective of improving the flow of institutional credit is to accelerate the development of the agricultural economy by raising its productivity. Being production-oriented, the proper utilization of credit must result in additional output and income. Over a period of time, the borrower must be in a position to repay the loan with interest. The indomitable moneylender was thriving on the farmer's misery while the co-operatives did precious little to inculcate the saving habits among their borrowers. It is an essential part of developmental strategy to create the necessary conditions to syphon off at least a portion of the additional income generated into the financial agencies. The available empirical data do not point out any appreciable increase in the savings mobilized by the banks and co-operatives in the command areas of major irrigation projects where the huge investments made on land have generated new wealth. None of the papers has covered this aspect.

In some of the papers, however, an attempt is made to assess the additional income generated on account of the adoption of new farm technology made possible through borrowings. Shri Ram *et al.* have estimated the savings emerging out of the additional income. It is estimated that a rupee of bank credit invested results in a saving of 30 paise. This appears to be slightly on the higher side. If the saving generated is of this magnitude, in the absence of its flow into the organized sector, it must be spent on consumption essential or otherwise.

5. *Desirability of Multiple Agencies*

The proliferation of credit agencies during the last seven decades is the result of *ad hoc* approach to the rural credit punctuated by the recommendations of committees appointed for specific purposes. As a result, certain overlapping of functions becomes inevitable. However, it must be admitted that for a country of India's size, it would be rather impracticable to recommend the formation of one single agency to cater to the requirements of the rural economy. Secondly, with all types of agencies operating in the country, they have touched only the fringe of the problem of providing adequate and timely credit to the agricultural sector.

Singh and Prasad in their paper have pleaded for a single credit agency. An integrated credit agency, not defining its constitution, is recommended by D. V. Kasar and R. G. Patil. In a similar vein, V. Venkata Ramana puts forth the case for revitalisation of rural co-operative societies as the single source. Jitendra Kumar Hajela is emphatic in arguing that co-operative credit societies are the "only institutions which can break the long and solid chain of monopolists—professional and agriculturist moneylenders". Prem Prakash does not recommend any single agency but suggests that close co-ordination must be developed between various credit agencies.

In contrast, V. V. Desai's interesting study of the farm loans disbursed by banks in 30 villages in Tamil Nadu discloses that the competition among the branches of different banks in the same village induces them to lend more for agricultural purposes.

ISSUES FOR DISCUSSION

Some of the major issues emerging from the above review of the subjects covered in various papers are listed below for discussion.

(*i*) Regional imbalances in both the demand for and supply of institutional credit are very conspicuous and have a direct bearing on the level of economic development at the regional level. To what extent these inequalities are inevitable ? How do we measure the permissible level of regional inequalities ? Is it desirable to evolve a separate approach to this problem by offering concessions and subsidies to the credit agencies to step up their activities in such regions ?

(*ii*) An assessment of the performance of the credit agencies reveals that both quantitatively and qualitatively, they lag behind expectations, despite the rapid progress made in recent years. Is the demand for rural credit insatiable or do the credit agencies not have the financial or organizational resources ?

(*iii*) A multiple agency approach to rural credit followed so far is due to *ad hocism* in solving the credit problems. If the inevitability of the multiplicity of agencies is accepted, then what should be the desirable pattern of credit agencies serving the rural economy ? How could we forge an effective organizational linkage among them so as to achieve the desired results ?

(*iv*) The policy of deliberately accelerating the flow of rural credit may have to be followed by the organizational efforts to augment the return flow of funds emanating from productive investment. Delinquency on the part of the borrowers and their propensity to spend the additional income are important issues to be discussed here.

(*v*) What should be the tenets of a national credit policy conducive to the promotion of integrated rural development ? The credit policy evolved may have to ensure (*a*) the availability of cheaper credit, (*b*) productivity orientation of credit and (*c*) effective utilization of credit. The credit policy in association with other developmental policy measures has to induce the adoption of modern farm technologies. Is it possible to translate this policy goal into operational measures ?