AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Ind. Jn. of Agri. Econ.
Vol.55, No.3, July-Sept. 2000

Emerging Credit Demand of Tenants in Haryana

S.S. Sangwan*

I

INTRODUCTION

The latest National Sample Survey (NSS) 48th Round (1991-92) on land holdings revealed that Haryana has the highest area under tenancy, i.e., 33.7 per cent of total operated area as compared to an average of 8.3 per cent at all-India level (NSSO, 1997). Another interesting feature is the increase in area under tenancy from 7.2 per cent in 1981-82 to 8.3 per cent in 1991-92 (NSSO, 1997) at all-India level whereas in Haryana it increased from 18.2 per cent in 1981-82 to 33.7 per cent in 1991-92 . This increase in area under tenancy is also accompanied with a number of related developments. At present, the factors of agricultural production are dominated by purchased inputs unlike owned human or animal labour in the earlier periods. The semi-feudal forms of tenancy prevalent earlier have undergone important changes with the penetration of the new farm technology (Kumar and Chamola, 2000). Fixed cash rent is emerging as an important mode of payment in developed regions and there is no support from lessors in terms of inputs or consumption expenditure (Singh, 1989). These changes in factors of production and terms of tenancy are bound to have profound impact on the demand for production credit from the tenants. The problem of bank credit to tenant farmers has attracted the attention of many academicians since the mid-fifties (Raj, 1971). Recognising the need for providing credit to tenants/sharecroppers, Reserve Bank of India in 1972 had laid down the procedure to be followed by the while financing tenants and sharecroppers. The banks have in turn issued guidelines to their financing units but till now, there is no monitoring mechanism to assess the actual flow of credit to this segment of cultivators. This paper attempts to analyse the existing characteristics of tenancy in Haryana, tenants' demand for credit and their existing sources of supply. The broad objective of the study is to evolve a suitable credit flow system/package with appropriate terms and conditions for increasing the flow of credit to sharecroppers from banks, viz., commercial banks, regional rural banks (RRBs) and co-operatives.

---

* Deputy General Manager, National Bank for Agriculture and Rural Development, Chandigarh-160 101.

The author is thankful to Rajeev Mahajan, AGM, NABARD, Chandigarh, who was associated in field visit as well as compilation of data for this paper and giving valuable comments on the draft. He is also thankful to P. Satish, General Manager, NABARD for giving useful suggestions in finalising the paper. The author is personally responsible for the facts and views expressed in the paper.

To understand the dynamics of the problem, the specific objectives are: (i) to analyse the factors affecting leasing-in and leasing-out of land, (ii) to study the terms and conditions of leasing contracts and (iii) to assess the credit demand of the tenants and the existing sources of supply. Constraints in supply of bank credit to tenants and solution thereof are discussed.

II

DATA BASE AND SAMPLE DESIGN

The paper is based on primary data collected from a sample of 55 tenant farmers and 14 lessors in two selected districts of Haryana. The districts of Bhiwani and Kurukshetra were selected to represent the wet and dry zones of the state. The percentage of net irrigated area to net sown area (NSA) is 99.3 and 53.0 per cent in Kurukshetra and Bhiwani districts respectively. Even annual rainfall in Kurukshetra is higher than in Bhiwani. The tractor population per thousand of net sown area is 76 and 32 in the above respective districts. The average size of holding as per 1990-91 Agricultural Census was 2.81 ha and 2.33 ha in Bhiwani and Kurukshetra respectively as against 2.43 ha for the entire state. The small and marginal holdings formed 52.25 and 61.62 per cent of the total holdings in the above respective districts as compared to 60.52 per cent for the state. Thus these agro-economic features also justify the selection of the two districts to represent the broad average situation of the state. In each of the selected districts three primary agriculture co-operative societies were selected to give fair representation to the district in the selection of sample tenants and lessor. Some details of the sample selected are given in Table 1.

TABLE 1. SAMPLE OF STUDY

District (1)	Societies (2)	Tenants (3)	Lessors (4)
Bhiwani	Jamalpur (1), Milakhpur (2) and Dighawa (3)	29	5
Kurukshetra	Sandholi (4) Rampur Rorh (5) and Masana (6)	26	9
Total	6	55	14

Each society covered two to three villages. Detailed information from all the lessees and lessors were collected through a structured schedule. Besides the above Primary Agriculture Credit Societies (PACS), one branch each of State Bank of Patiala and Haryana Kshetriya Gramin Bank in Bhiwani and Punjab National Bank, Mathana in Kurukshetra district were also visited to ascertain the status of financing and provision in their circulars. Opinion Survey of Panchayat representatives, co-operative banks, land revenue officials and local bodies were also undertaken in the

selected districts/PACS/villages. The reference year of the study is 1998-99, the field visit was undertaken in November 1999.

III

FACTORS INFLUENCING LEASING-IN LAND

Usually the small size of holding, lack of alternative employment, availability of family labour or even machinery are the reasons for leasing-in land and the actual situation as revealed by the sample tenants are discussed.

(a) *Size of Operational Holding*

The distribution of 55 tenants as per owned land is presented in Table 2.

TABLE 2. STATUS OF TENANT FARMERS

(area in acres)

	Distribution of tenants as per own and leased-in land							
	Bhiwani				Kurukshetra			
Size and class of land owned	Number	Leased-in area	Area of owned land	Operated land Per holding	Number	Leased-in area	Area of own land	Operated land
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Landless	4	32	0	8.00	12	176.00	0	14.67
0 - 5	14	33	41	5.29	6	24.00	18	7.00
5 - 10	9	57	70	14.11	6	49.00	52	16.83
> 10	2	25	25	25.00	2	30.00	40	33.00
Total	29	147	136	9.76	26	279.00	110	14.96

The table shows that about 65 per cent of 55 sample tenants were landless and small farmers, 27 per cent owned land between 5 and 10 acres and 8 per cent were other farmers owning land above 10 acres. The distribution is almost similar in both the districts. Thus the small and landless farmers still dominate in leasing-in land who were augmenting their small holdings. Interestingly, the operated holding of landless tenants was more than that of the small and marginal farmers which may be to obtain reasonable net income after payment of lease rent. The average operational land holding was about 10 acres in Bhiwani and 15 acres in Kurukshetra. Interestingly, 50 per cent of the landless labourers and other tenants owned tractors which may be the reason for larger operational holding in Kurukshetra district. Some of the landless tenants in Kurukshetra district have availed credit to purchase tractors on behalf of some landowners residing in the village.

(b) *Ownership of Means of Cultivation*

Of the total 55 tenants, 80 per cent of them owned either tractor or camel or bullocks as the means of cultivation (Table 3). Camel or bullocks were owned by 56 per cent of all sample tenants who have leased-in lands to augment their holding to make use of their family manpower. Tractors are owned by 24 per cent of sample tenants who have leased-in land to make use of their tractors as well as family labour. The remaining 20 per cent were forced to farming on leased-in land due to non-availability of other work. Interestingly, a few landless in Kurukshetra too have acquired tractor with the collatoral of landowners.

TABLE 3. OWNERSHIP OF MEANS OF CULTIVATION BY SAMPLE TENANTS

	Bhiwani			Kurukshetra	
Owned land (1)	Camel (2)	Bullock (3)	Tractor (4)	Bullock (5)	Tractor (6)
Landless	2	-	-	4	4
0 - 5	8	4	-	3	1
5-10	4	3	1	3	3
Above 10	-	-	2	-	2
	14	7	3	10	10

(c) *Other Reasons*

Direct questions were also put up to tenants to know the reasons for leasing-in land. The responses are given in Table 4.

TABLE 4. DISTRIBUTION OF SAMPLE LESSEES - REASONS FOR LEASING-IN LAND

Reasons for leasing-in (1)	Bhiwani (2)	Kurukshetra (3)	Total (4)
Employment to landless	3 (10.34)	12 (46.15)	15 (27.27)
Unviable holding/less land/excess power of tractor	22 (75.86)	12 (46.15)	34 (61.82)
Land of relatives	2 (6.90)	2 (7.70)	4 (7.27)
Others	2 (6.90)	-	2 (3.64)
Total	29 (100.00)	26 (100.00)	55 (100.00)

Figures in parentheses are percentages to the total.

The table shows that 27 per cent of the tenants have leased-in land for their employment, about 62 per cent of the small landowners have leased-in land to make their holdings viable and the rest 11 per cent have leased-in land from their relatives and others. However, the smaller/unviable holding was also a relative term. The

holdings were unviable due to very small own land holding with 44 per cent, excess family labour with 35 per cent tenants and excess tractor capacity with the remaining 21 per cent. Thus along with excess family labour, the usual reason for leasing-in land, the excess capacity of machinery in the form of tractor/tubewell has also emerged as a contributing factor in the decision-making process for leasing-in land in recent years.

(d) *Compulsion of Lessors*

During the study 14 lessors were also interviewed and out of them 7 per cent owned 2 to 5 acres, 57 per cent owned 5 to 10 acres and the remaining 36 per cent owned more than 10 acres but accounted for 84 per cent of leased-in land. Informal discussions revealed that about three-fourths of the land leased out by the farmers above 10 acres belonged to a few persons who were professionals or engaged in politics. They were not living in the villages. The distribution of sample lessors as per size of their holding land is presented in Table 5.

TABLE 5. DISTRIBUTION OF LESSORS AS PER LAND HOLDING

Farm size (acres)	Bhiwani		Kurukshetra	
	Number	Leased-out land (acres)	Number	Leased-out land (acres)
(1)	(2)	(3)	(4)	(5)
< 2	-	-	-	-
2 - 5	-	-	1	5.00
5 - 10	3	27	5	42.50
> 10	2	45	3	249.00
Total	5	72	9	296.50

Further probing of lessors revealed that 36 per cent of the lessors were leasing out due to less family manpower, 57 per cent were engaged in service and trade/business and the remaining 7 per cent were having specific problems like widows, handicapped, etc. Panchayat was also an important lessor in many villages, though it is not covered in the sample as a lessor. Panchayats in Haryana account for about 1.24 per cent of total area which is largely given on lease. The above pattern of tenants and lessors reveals that most of the tenants are small farmers and landless labourers and the lessors do not have much economic relations with them. About 20 per cent of the tenants were not owning means of cultivation which indicates their compulsion to go for agriculture due to non-availability of other work.

IV

TERMS AND CONDITIONS OF LEASING-IN LAND

(a) *Mode of Payment*

The distribution of sample tenants as per terms of lease presented in Table 6 shows that 'fixed money' was the main mode of leasing-in land for 71 per cent of the sample tenants, followed by produce sharing for 25 per cent and the remaining 4 per cent paid some fixed produce to the landlords. Produce sharing was mainly observed in the dry belt of Bhiwani, i.e., Dighawa PACS only which represents the situation of dry belt districts of Mahendergarh, Rewari and Gurgaon. During discussions, it was revealed that some tracts of land on the banks of the river Yamuna in Kurukshetra were also given on produce sharing basis due to uncertainty of production. It indicates that reduction in uncertainty and risk of yield in irrigated areas may be the reason for increasing mode of 'fixed money' for leasing-out land.

TABLE 6. DISTRIBUTION OF SAMPLE LESSEES AS PER THE TERMS OF LEASE CONTRACT

District (1)	Terms of lease contract: Fixed money (2)	Fixed produce (3)	Produce sharing (4)	Total (5)
Bhiwani	14 (48.28)	2 (6.90)	13 (44.82)	29 (100.00)
Kurukshetra	25 (96.15)	-	1 (3.85)	26 (100.00)
Total	39 (70.91)	2 (3.64)	14 (25.45)	55 (100.00)

Figures in parentheses are percentages to the total.

(b) *Range of Fixed Rent*

The fixed rent was realised in advance by all the lessors, though 15 per cent were realised in one instalment only while the rest was realised as 50 per cent advance in *kharif* and 50 per cent in *rabi* seasons. Fixed produce is given after the harvest only. In produce sharing, input costs are also paid by both the lessor and tenant at the time of expenditure. Table 7 shows that the quantum of annual fixed rent per acre varied widely from Rs. 4,000 to Rs. 8,500 depending upon the source of irrigation, quality of land and location of the piece of land for the tenant concerned. A piece of land near one's tubewell was taken by the farmer on relatively higher rent.

(c) *Consistency of Tenants*

Most of the sample tenants, i.e., 91 per cent of the sample tenants have been resorting to leasing-in land for the last 5 years or more but the average number of their

TABLE 7. DISTRIBUTION OF SAMPLES AS PER SOURCES OF IRRIGATION AND THEIR RENT RANGE

Sources of irrigation for lessor (1)	Bhiwani		Kurukshetra	
	Number (2)	Rent range (Rs.) (3)	Number (4)	Rent range (Rs.) (5)
Canal only	10	5,500 – 8,000	1	4,000
Tubewell	13	5,000 – 7,000	23	7,000 – 8,500
Canal and tubewell*	5	4,500 – 7,000	2	4,000 – 6,000
Unirrigated	1	2,000 – 3,000	-	-
Total	29	2,000 – 8,000	26	4,000 – 8,500

* Tubewell of tenant.

landlords in the last 5 years was about four which indicates annual change of the lessor. The practice of frequently changing the tenants was followed by landowners with a view to raise the annual rent and to avoid registration of cultivation (Girdawari) in the name of the tenant. This is substantiated by leased-in land and the number of landlords in the past 5 years for the sample tenant in Table 8.

TABLE 8. LEASING-IN RECORD OF TENANTS IN THE LAST FIVE YEARS

Status land owned (acres) (1)	Number of landlords (2)	Number of acres (3)	Of the total sample leasing-in all years by (4)
Bhiwani	117	720	27 of 29
Annual average	24	144	
Kurukshetra	80	945	23 of 26
Annual average	16	189	

(d) *Pattern of Cost Sharing*

Produce sharing was in the ratio of 50:50 with equal sharing of purchased inputs too. Fixed produce sharing was reported in some cases where the land was taken for one crop near some tubewell especially in Bhiwani district. There was no sharing of cost in the case of 'fixed money' and 'fixed produce' mode of lease.

(e) *Nature of Lease Contract*

Almost all the land has been given on oral lease except panchayat land where receipts are issued to the tenants. Interestingly, the share of panchayat land was quite significant in the leased-in land because as per the records of Government of Haryana, 10,87,029 acres of the land is owned by Panchayats in the state (*Annual Report 1994-95*, Panchayat Vibhag, Haryana). The contracts are annual except for

some stray cases in Bhiwani where even a six-month lease was observed for sowing *rabi* crops with tubewell water. Cordial relation between the tenants and the landlords was the basis for leasing land. Most of the tenants freely told the names of their lessors but they can ask for any written contract at the risk of losing that land only.

(f) *Investment by Tenants on Leased-in Land*

Tenants have generally not made any investment on the leased-in land because of the annual change of lease. A few tenants who were given some undeveloped land for three years have made some improvement on that land as per the agreement with the landlord. The landlord has not shared any cost except the oral commitment for leasing-out land for three years to the same tenant(s).

(g) *Sharing for Crop Damage*

None of the lessors who have leased out land for fixed money shared losses on account of crop damage. Sometimes little concessions were made by a few lessors under the social pressure or panchayat decision in a situation like natural calamity. Under the produce sharing contracts, crop sharing itself took care of the loss.

The above strict terms and conditions have emerged due to tough competition for leased-in land. In one of the Kurukshetra district villages, mainly inhabited by agricultural labourers from Uttar Pradesh, a big plot of land measuring 20-25 acres was leased-in by some of them. It was revealed that they were earning about Rs. 2,000 per acre for their family labour after meeting all other expenses. Besides, they were able to maintain some milch animals on account of own fodder. This activity provided some extra income and better diet for the family. However, in pure monetary terms, their position was not much different from the agricultural labourers due to the following reasons. Firstly, with the non-availability of opportunities in non-farm activities, the competition for leasing-in land has increased especially due to emergence of reverse tenancy. Secondly, borrowing at a high rate of interest, i.e., at 30 per cent per annum for paying the rent of leased-in land and arranging for the expenditure on inputs took away a major part of their income. Therefore, the credit to this category of cultivators emerges as a challenge to the banks.

V

CREDIT DEMAND AND STATUS OF SUPPLY

The discussion in the previous sections reveals that tenant farmers require funds not only for usual production expenditure like all cultivators but also for fixed cash rent of leased-in land ranging from Rs. 6,000 to Rs. 8,500 per acre for irrigated lands. Leased rent is to be paid in advance on annual or seasonal basis. Expenditure

is incurred in advance for purchased inputs like seeds, fertilisers, pesticides and use of machinery. The landless, marginal and small farmers have even to borrow for their consumption requirements. The existing arrangements for the sample borrowers is discussed in this section.

(a) *Sources of Funds*

The position of sourcewise fund mobilised by the sample tenants is presented in Table 9. The table shows that 29 per cent of the tenants have depended on informal sources only for their fund requirements and about 33 per cent have availed loan from PACS only, whereas the remaining 38 per cent have borrowed from both informal sources as well as from the banks. During discussions, it was revealed that the tenants borrowed mainly from the moneylenders and rich farmers in Bhiwani district whereas *arhtiya* (moneylender) was the main informal source in Kurukshetra district. Informal sources have provided loans without any specific security except three cases (5 per cent) where jewellery was taken as a security. Occasional loans were provided by a few lessors, i.e., 10 per cent of 14 lessors interviewed. In Kurukshetra district about 10 per cent of *arhtiya* had taken the consent of the landlord while providing finance to his tenants. This also brings out the fact that *arhtiyas* as purveyors of informal credit proliferate only in the irrigated areas where certainty of production is high.

TABLE 9. SOURCEWISE FUNDS MOBILISED BY SAMPLE TENANTS

District (1)	Informal sources only (2)	Banks (PACS only) (3)	Both (4)	Total (5)
Bhiwani	4 (13.79)	14 (48.27)	11 (37.94)	29 (100.00)
Kurukshetra	12 (46.15)	4 (15.38)	10 (38.47)	26 (100.00)
Total	16 (29.09)	18 (32.73)	21 (38.18)	55 (100.00)

Note: Figures in parentheses are percentages to the respective total sample tenants.

The prevailing rate of interest from informal sources ranged between 18 and 30 per cent per annum at half yearly rests. The rate of interest was especially higher (not less than 24 per cent) from *arhtiyas* in Kurukshetra district.

(b) *Borrowing from Banks*

The District Central Co-operative Banks (DCCBs) of the selected districts were quite aware about the problem of financing the tenants as well as the RBI circular (1972) on this issue. Commercial banks have provided for financing to sharecroppers with some landowners as co-borrowers whereas some RRBs have even not

made provision in this circular to finance the sharecroppers. There is no system of monitoring the credit to sharecroppers at present. In spite of the guidelines, there was no flow of credit to the tenants by commercial banks. However, PACS have financed the sharecroppers as discussed below.

(c) *Financing by PACS*

(i) *Sample tenants:* Of the total 55 sample tenants, 36, i.e., 65.45 per cent have availed loan from PACS (Table 10). Relatively more sample tenants, i.e., 83 per cent in Bhiwani have availed loans from PACS as compared to 46 per cent in Kurukshetra. Of the 36 loanees, 42 per cent obtained crop loan against their leased-in land too, though the percentage of borrowers who included their leased-in land is 50 per cent in Kurukshetra as against 37 per cent in Bhiwani.

TABLE 10. DETAILS OF SAMPLE TENANTS FINANCED BY PACS

	Bhiwani		Kurukshetra	
Purpose of loan (1)	Leased-in land* (2)	Own land* (3)	Leased-in land* (4)	Own land* (5)
Crop loan	8	24	6	12
Consumption loan	1	-	-	-
Total	9	24	6	12

*Against own land or leased in land or both.

(ii) *Extent of financing to tenants by PACS:* Five of the six sample PACS have prepared credit limits including the leased-in land of the landowning members. However, the credit limits for a few landless tenants were also prepared in the PACS of Jamalpur and Milakhpur only. Dighawa PACS in the dry belt of Haryana has not prepared the credit limit for leased-in land. Table 11 shows the position of financing of tenants in the sample PACS.

In both the districts about 26 per cent of the members have been shown in the Land Register with leased-in land. In terms of acreage, the leased-in land accounted for 18 per cent of the total land entered in the Land Register for preparing credit limits. It indicates that District Central Co-operative Banks are largely meeting the credit needs of the leased-in land in Haryana. During discussions, it was revealed that they were feeling hesitant to show and disclose this position. The reason for this could be that the survey numbers of the land leased-in were not mentioned in the land record register and even the leased-in land was slightly changing every year. The incidence of *ghost acreage* could also be one reason for the bank's hesitation.

TABLE 11. FINANCING TO TENANTS BY SAMPLE PACS IN HARYANA (AS PER LAND REGISTER)

District	PACS	Total members	Members provided credit limit			Land (acres) included		
			With own land only	Own including or leased-in land	Total	Own land	Leased-in Land	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Bhiwani	(1)	793	416	77	493	2,080	279	2,359
	(2)	533	166	165	331	2,014	468	2,482
	(3)	624	390	-	390	1,938	-	1,938
Kurukshetra	(4)	1,687	398	234	632	1,894	919	2,813
	(5)	962	138	162	300	1,040	696	1,736
	(6)	1,337	381	34	415	2,300	128	2,428
Total		5,936	1,889 (73.76)	672 (26.24)	2,561 (100)	11,266 (81.90)	2,490 (18.10)	13,756 (100)

The land register was being verified by the patwari only at the end of the list and that too without verification of the individual holding. Patwari was only particular about the fact that the total land of all the members shown by PACS in the land register does not exceed the total land of the village. The Managing Committee of the society was also certifying the land register. At some places, the land of the individual cultivators were recorded in consultation with the Managing Committee. In the normal credit limit (NCL) statement, there is no separate column for leased-in land but the total land cultivated is the basis of preparing the limit.

(d) *Extent of Tenancy/Sharecropping*

The estimates of tenancy in the selected districts are based upon the discussion with sarpanches, the branch manager, secretaries of societies and some honourable persons of the selected villages. These estimates for the areas falling under the sample PACS are presented in Table 12. The table shows that leased-in area as a percentage of total net sown area was about 29 per cent in the areas of sample PACS. The figure of 29 per cent leased-in area is slightly less than the NSS 48th Round's figure of 34 per cent which may be due to our small sample size. Tenants as a percentage of total cultivating households were estimated to be about 29 per cent during the study. Thus the study confirms that financing to tenants is a major issue in the state of Haryana. It was also revealed that the tendency towards leasing-out land is increasing due to shift of the small landowners to other activities as also to avoid the toil and hassles associated with agriculture when good contract money is available.

TABLE 12. ESTIMATES OF TENANCY/SHARECROPPING: ESTIMATED NUMBER OF TENANTS AND THE AREA LEASED- IN

District	PACS	Tenants (No.)	Tenants as per cent to total cultivating Households	Area under tenancy (acres)	Leased-in area as per cent to total net sown area
(1)	(2)	(3)	(4)	(5)	(6)
Bhiwani	(1)	250	30	750	25
	(2)	300	27	1,000	33
	(3)	200	32	624	31
Kurukshetra	(4)	234	33	1,019	25
	(5)	162	35	696	43
	(6)	240	24	628	25
Grand total		1,386	29.23	4,717	29.03

VI

CONCLUSIONS AND SUGGESTIONS

1. Annual oral lease is practised by almost all the lessors with no identifiable proof in favour of tenants. Under these circumstances, commercial banks and RRBs have not initiated financing of oral tenants in spite of comprehensive RBI circular (1972) in this regard. However, co-operative banks have hesitantly implemented it to some extent in the state. The annual changes in the leased-in area of tenants is one of the constraints in preparing their normal credit limits (NCLs) which are prepared once in three years. The study revealed that most of the tenants are usually leasing-in land consistently. Therefore, the average leased-in land by a farmer/landless tenant in the last three years may be considered as a realistic area for preparing their NCLs. As regards surety, taking signatures on pronote of two fellow members who are owners of land or registered tenants is the usual practice for all the members (owners or tenants) in the co-operatives. This may be continued to cover oral tenants too. The above circular of RBI was issued long back, therefore the same may be reiterated with the above modification to co-operatives, commercial banks and RRBs. A code number could also be introduced in the Lead Bank Return (LBR) system to monitor flow of credit to this category of cultivators.

2. Besides the production expenditure, the tenants also require funds for paying the lease rent which is quite high ranging from Rs. 6,000 to Rs. 8,500 per acre for irrigated lands. The study revealed that two-thirds of the tenants are tied with the *arhtiyas* or moneylenders for this requirement in the beginning of the agricultural year. The lease rent is to be paid in advance and the *arhtiyas* charge a rate of interest ranging from 2 to 3 per cent per month. This problem has not been addressed so far by the formal credit agencies. To begin with, the range of prevailing lease rent may necessarily be mentioned as a footnote to the scales of finance fixed for crops in

various districts. The following solutions may be thought of for meeting the above requirements.

(a) A revolving cash credit limit may be provided on the basis of the average leased-in land for the last three years. The banks may get this land certified from their field officers. A collateral security for such loan may be required. The collateral may be in the form of mortgage of land owned by such tenants or any other tangible security. Most of the banks in Punjab and Haryana are not providing loans against the security of gold or silver jewellery so far. A few tenant farmers in these areas expressed their willingness to avail gold loan for such purposes if provisions are made by the banks.

(b) The credit requirement of tenants for production as well as lease rent can also be addressed through the emerging phenomenon of micro-credit finance. Special self help groups (SHGs) of tenant farmers/sharecroppers can be encouraged with flexibility in some of the existing operational guidelines. The membership of such group can be from 5 to 20 and financing upto ten times of their deposits may be considered if they are going to purchase in one lot some common inputs like fertilisers, pesticides, etc., or paying lease rent to panchayat/Government. These SHGs can be largely based on the pattern of joint liability groups being financed by Bank of Agriculture and Agricultural Cooperatives of Thailand.

3. Some lessons may also be drawn from *arhtiyas* who are purveying a major portion of credit requirements of the farmers and tenants in Punjab and Haryana without any specific collateral security. Even a commercial bank experimented with liberal financing through some selected bank officials just on the basis of a pronote from borrowers who were members of some SHGs (Sangwan, 1997). The regular saving and one per cent contribution out of the loan amount to a common pool of a SHG was a binding condition. This model of financing to individual tenants with the consent of their SHG can be replicated by other banks as well. It will require rigorous selection procedure for suitable officers with commensurable incentives too.

4. The study also brought out that as many as 64 per cent of the lessors were landowners owning land upto 10 acres only. This percentage may further increase due to diversification towards agricultural allied and non-farm activities in the rural areas. The high range of fixed cash rent may induce more of small farmers to lease out land especially to farm owners. This needs looking back in measures undertaken in the name of land reforms which are hindering the process of change. If tenancy is legalised, the marginal and small farmers can benefit from leasing out their land without hesitation and continue to hold the title of land. This will have two implications, viz., (a) give an opportunity to the small and marginal owners to seek outside employment with higher income, and (b) their tenants shall be able to get credit facility without difficulty if some proof of leasing-in is available to them.

REFERENCES

Krishna, Raj (1971), "Ownership and Diversification of Land Holdings in India", *Indian Economic Review*, Vol. 5, No. 1, April.

Kumar, P and S.D. Chamola (2000), "Emerging Land-Lease Market - A Case Study of Haryana", *Indian Journal of Agricultural Economics*, Vol. 55, No. 1, January-March, pp. 55-61.

Reserve Bank of India (1972). "Financing to Share Croppers/Tenants", Circular addressed to Registrars of Co-operative Societies of all States, No. PCD.PDG.687/86/7-72 dated January 13, 1972.

Sangwan, S.S. (1997), " Financing Through Self Help Groups - An Experience of Financing by a Commercial Bank in Dehradun", *Journal of Indian Institute of Bankers*, April-June, pp. 63-67.

Singh, I. (1989), "Tenancy in Punjab Agriculture: Impact of Technological Change", *Economic and Political Weekly*, Vol. 24, No. 25, June 24, pp. A-86-A-92.

National Sample Survey Organisation (NSS) (1997), "A Note on Operational Holdings in India 1991-92, NSS 48th Round (Jan.-Dec. 1992)", *Sarvekshana*, Vol. 20, No. 3, Issue No.70, January-March.