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PATTERN OF ASSETS OF RURAL HOUSEHOLDS, 1961-71[1]

Introduction

The data on assets held by rural households at the end of June 1971, based on the All-India Debt and Investment Survey 1971-72 (AIDIS)[2] have been analysed in a Monograph published by the Reserve Bank of India recently. This article makes a comparative study of AIDIS data with those of the All-India Rural Debt and Investment Survey (AIRDIS)[2], 1961-62. While the comparison at the national level would broadly reflect the order of improvement in assets over the decade, variations in the pattern and trend in assets of rural households in different States would focus the attention on identification of the basic factors, including the various policy measures undertaken by different States, that might have influenced the trend in the respective States. Further, it can also be seen whether the pace of change was accompanied by distributional change, if any, and the direction thereof. The differences among States may be expected to pinpoint the areas in which corrective measures are called for.

Limitations in Comparison

The validity of any comparison and the conclusions drawn therefrom, obviously depend on the extent of the comparability of data. For AIDIS, 1971-72, this aspect of comparability of data with those of AIRDIS, 1961-62 was kept in view and the concepts and definitions used in both the surveys were more or less identical except some minor changes in the items included under a few assets, as mentioned later. Total assets for both the surveys include the value of (1) ownership and special rights in land, (2) buildings, (3) livestock, (4) agricultural

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1 Prepared in the All-India Debt and Investment Survey Cell of the Division of Field Surveys of the Economic Department. The main work relating to this paper was done by Shri G. A. Kelkar, Research officer and Shri S. Subramanian, Deputy Director.

2 Henceforth the word AIRDIS is used for All-India Rural Debt & Investment Survey, 1961 and the word AIDIS is used for All-India Debt & Investment Survey, 1971. Since the publication of the Monograph on 'Assets of Rural Households as on June 30, 1971', the data of AIDIS have been revised and the figures in this article may, therefore, differ from those of the Monograph.

implements and machinery, (5) non-farm and transport equipments, (6) durable household assets, (7) dues receivable or loans advanced in cash and kind viz., promissory notes, usufructuary mortgage of real estates, pledge of other movable property and bullion and ornaments and simple mortgage of real estates, sale proceeds receivable, unsecured loans, commodity loans, etc., (8) financial assets like National Plan Savings Certificates, Government Securities, shares and debentures of companies and co-operative institutions, deposits with banks and private moneylenders, etc. In the AIDIS 1971-72,the financial assets included, apart from those enumerated above, annuity deposits, deposits with non-banking companies, chit fund contributions, insurance premium and units of Unit Trust also. Crops standing in the fields, cash balances and stocks of commodities were excluded in both the surveys for purposes of enumeration. The values of land, buildings, livestock and other physical assets were evaluated using the average market value prevalent at the time of enumeration. Dues receivable on loans in kind were appropriately evaluated using average wholesale prices. The items of financial assets, barring shares, were evaluated at their face value and for shares paid-up value was taken into account.

However, the nature of enquiry itself introduced some limitations which need to be borne in mind.. The most important limitation arises from the marked rise in prices of all the non-financial assets, that took place over the decade. Any comparison, to be precise, therefore, should be in terms of asset values which exclude the impact of change in prices, as far as possible. This would call for readjustment of the values of assets in 1971 at the level of their prices prevailing in 1961 with the help of a deflator. As there are wide differences in the rates of change in prices of different assets, a common deflator for this purpose may not be appropriate. This would, therefore, require separate price deflators for atleast the main groups of assets. Since no such acceptable price deflators are available in the case of most of the items of assets, a comparison on the basis of average values cannot be attempted.

The second limitation arises from the changes in the boundaries of some States due to bifurcation and reorganisation that had taken place since 1961-62. Thus, for example, the composite State of Punjab in 1961-62, was bifurcated into two States, viz., Punjab and Haryana in 1966. Though, of course, the assets data for the two new States for 1971-72 have been combined to make these comparable with those of Punjab for 1961-62, still these may not strictly correspond with the area occupied by the old composite State as some parts of it were merged with Himachal Pradesh[3] at the time of reorganisation. Similarly in April 1970, a part of Assam was formed into a separate State called Meghalaya. To the extent possible, data for Assam and Meghalaya for 1971 are clubbed together to make them comparable with 1961 data for Assam. Besides, certain parts[4] of some States were excluded for the present Survey which had been covered in the earlier one.

Thirdly, the estimated number of rural households on the basis of AIDIS were lower by about 25 lakhs or by 3.2 per cent in relation to the 1971 Census whereas for AIRDIS, the estimated number of rural households was the same as those according to the 1961 Census as the number of households was taken from the Census data and no attempt at estimation of the same based on survey data was made then. Statewise, variations between the 1971 Census and AIDIS estimates of rural households were quite wide. Of the five States wherein the survey estimates were higher than Census data, the variation was as large as 13.7 per cent in Gujarat. In the case of Jammu & Kashmir, Punjab, Kerala, Assam and Rajasthan the survey estimates of rural households were lower by 11 to 15 per cent.

Another minor limitation relates to non-availability of assets data at the beginning of the AIRDIS Survey, 1961-62. Data on assets position of the rural households available as at present for the AIDIS relate to June 30, 1971 at the beginning of the reference year, and as such one would normally expect these to be compared with the data at the commencement of the reference period of the earlier survey viz., June 30, 1961. But the data for the 1961-62 survey pertaining to inventory of assets are available only as at the end of December 1961 and June 1962, middle and end-points of the reference year. We have, there-

3 On a very rough basis, about 8 per cent of the population of composite Punjab according to 1961 Census and 23 per cent of its area were merged with Himachal Pradesh.

4 For details see page 2 of the Monograph on 'Assets of Rural Households as on June 30, 1971,' published by the Bank.

fore, taken the December 1961 data for comparison purposes as it happens to be nearer to the beginning of the last survey.

In both the surveys, value of assets had been a classificatory item. Thus, some asset groups may appear to be common in both the surveys, but the common asset groups in real terms cannot be considered to be really comparable due to price rise since 1961-62. Hence, no attempt has been made to study the asset-groupwise data. However, an attempt is made in this study to assess the change in assets' position of the rural poor during the decade. For this purpose, pattern of assets of the rural households with total assets of less than Rs. 1,000 in 1961 is compared with that of rural households with total assets of less than Rs. 2,500 in the year 1971.[5] This is done in order to reduce the impact of general price rise during the period.

Secondly, since the class of non-cultivators is a heterogeneous group and in view of wide inter-group variations during the period, no significant purpose would be served in comparing the assets of non-cultivators as a whole over the period. Further, though in both the surveys occupation of the households was followed as a basis of grouping, in AIRDIS (1961-62 survey) non-cultivator households were categorised into (a) agricultural labourers, (b) industry, (c) trade and transport and (d) others, while in AIDIS (1971-72 survey) they were grouped under (a) agricultural labourers, (b) artisans and (c) other non-cultivators. Thus, comparable data are, therefore, available in respect of agricultural labourers only[6] and hence comparison in this study is restricted to this class of households among the non-cultivators.

The discussion which follows is divided into four sections. Section I deals with changes in the composition of rural households, between cultivators and non-cultivators. The spread of assets among the households and the change in the asset pattern both for cultivators and agricultural labourers are discussed at the national and the States level in Section II. In Section III changes in asset holdings of the rural 'poor' are analysed. Section IV gives the conclusions.

5 It is presumed that ownership of assets worth Rs. 2,500/- in 1971 would yield an income just adequate to provide the bare necessities of life.

6 Unlike in the case of cultivator and all rural households for which the data for 1961-62 survey are available at two points of time *viz.*, December 1961 and June 1962, in the case of agricultural labour households the data are available for June 1962 only and these have been used.

SECTION I

Changes in the composition of rural households

All-India

The AIDIS estimate of rural households at 770 lakhs shows a rise of 12.2 per cent over the AIRDIS 1961-62 data (which conformed to the 1961 census data). The proportion of cultivator households marginally declined over the decade by 1 percentage point to 72.4 per cent under AIDIS and correspondingly the proportion of non-cultivators increased (Table 1). Over half of the increase in the non-cultivators was among the category of agricultural labourers whose number increased by 14 per cent over the period.

The various land reform measures including the land ceiling legislation might be expected to increase the proportion of owner-cultivators and reduce that of non-cultivators owning land. The number of tenant cultivators is also expected to decline. The survey data confirm the expectation about non-cultivators but in regard to owner-cultivators a comparison becomes difficult due to different presentation of data on ownership of land in the two surveys. Under the AIRDIS, ownership of land was recorded under two heads, full ownership of land by the households and land held under special rights. In the present survey, these two categories were combined into one. Under the AIRDIS, some of the cultivator households might have reported ownership of land under both the heads though their number is not known. As it is, in the year 1961 nearly 73.9 per cent of cultivators reported owned land and 21.7 per cent had land under special rights, while in 1971 about 93.7 per cent of cultivators reported land ownership showing only a marginal variation as the data for land ownership for 1971 are inclusive of land held under special rights.

The analysis of distribution of cultivator households according to size of owned land on the basis of the data available from both the surveys indicate that the proportion of cultivator households who did not have any land came down to 1.9 per cent in 1971 from 26.1 per cent in 1961 (Table 2). This comparison is subject to the limitation that the number of owner cultivators for 1971 are inclusive of those who owned non-agricultural land also. It may also be added that 80.2 per cent of cultivators in Uttar Pradesh and 93.6 per cent of cultivators in Rajasthan held land under special rights in 1961. If the data for these two

States are excluded from those for all-India for the year 1961 then the percentage of cultivators who did not own any land in 1961 would be 11.9 per cent. The proportion of cultivators owning one acre of land also increased to 24.0 per cent in 1971 from 14.4 per cent in 1961. There was also an increase of 12 percentage points in the households who had owned land between 1 and 5 acres.

Among the factors that might have led to such an increase in percentage of small cultivators would be transfer of ownership rights to tenants, land ceiling legislation and redistribution of surplus land, partition of households on inheritance and efforts of non-cultivator land owners to get back land given on lease or mortgage in view of the enhanced profitability of agriculture due to adoption of new farm techniques.

State-wise

The State-wise data on composition of rural households reveal wide inter-State differences over the decade, ranging from a decline of 9 percentage points in the proportion of cultivators among rural households in Punjab to a rise of 9.2 percentage points in Kerala. Except in Punjab, where the number of cultivators declined over the decade by over 3 lakh households, in all other States their number increased. In Punjab, both the number of owner-cultivators and pure tenants decreased. The prosperity in agriculture might have encouraged successful cultivators to enlarge their holdings either through purchase or through getting back the land leased out or mortgaged to some others. Similarly, some cultivators might have sold their lands, induced by high land prices. No data, however, are available to quantify the factors leading to the decline in the number of cultivators in Punjab. Significantly enough, despite the decline in the number of agricultural labour households by 7.6 per cent, the percentage rise in non-cultivator households (15.3 per cent) was quite close to the rate of growth observed for this class of households in the country. In six (Assam, Bihar, Kerala, Jammu & Kashmir, Madhya Pradesh and Orissa) of the fifteen States for which comparable data on constituents of rural households are available from both the surveys, the proportion of cultivator households to total showed a significant increase and the ratio in 1971 varied from 77.2 per cent in Orissa to 93.9 per cent in Jammu & Kashmir. In Maharashtra and Rajasthan, the proportion increased marginally, while in other States there was actually a decline in the ratio of cultivator households. In Tamil Nadu, the ratio of cultivator households decreasd by as much as 7.6 points and stood at 55.4 per cent in 1971. This was due to the much smaller increase of cultivator households than in the case of non-cultivator households. It may be mentioned that while rural households in Tamil Nadu increased by 18.4 per cent, the cultivator households rose by only 4 per cent between 1961 and 1971. On the other hand, non-cultivator households increased by 43 per cent and this was reflected in the sharp rise of 71 per cent in agricultural labour households. This would indicate that not only the new rural households had no land, but even a part of the existing cultivator households was dispossessed of their land holdings. In Gujarat where the number of rural households registered the largest increase (33.5 per cent), the increase in both cultivator and non-cultivator households was also relatively large. Among the non-cultivators, the increase in agricultural labour households in this State especially was highest (84 per cent). This could be attributed to the pressure of population and the non-availability of additional land for cultivation. So also in West Bengal and Karnataka wherein the rural households increased by about 24 per cent each, the growth in the non-cultivator households was faster than that in the case of cultivator households due chiefly to the increase in the agricultural labourers whose number increased by 42.8 per cent and 33·8 per cent in West Bengal and Karnataka, respectively. In Uttar Pradesh, cultivator households formed 80 per cent of the rural households in 1961 and it declined slightly to 77.8 per cent in 1971. Among non-cultivator households, however, the growth in agricultural labourers in this State was relatively less and their proportion in the total rural households increased from 7.9 per cent in 1961 to 8.1 per cent in 1971. In Andhra Pradesh, the small increase of 7·0 per cent in the total rural households during the period was accounted for by similar increase in the agricultural labour households; there being only a marginal increase in the number of cultivator households. In Tamil Nadu and Andhra Pradesh agricultural labour households formed 26.6 per cent and 23.1 per cent, respectively, of the total rural households in 1971.

The shifts in the pattern of holding of different assets would largely depend upon the variation in the composition of rural households and among the culivators perhaps the variations in owned land could have an impact on the changes in different assets.

SECTION II

Growth in assets with rural households

As already stated, since the prices of different groups of assets increased by varying proportions and as suitable price deflators are not available for these assets we cannot get any idea, even broadly, about the improvement in the assets position of rural households. Further, as asset group-wise comparison would not be appropriate for the reason given above and as comparable data are not available according to any other classificatory item, it is also not possible to say how the various sections of cultivators (viz., small, medium and large) have fared over the period. However, it is possible to study the extent of spread of individual asset and its importance to the rural households on the basis of data on proportion of households reporting and the share of each asset in the total assets, available from these two surveys.

Over the period, the number of cultivator households who did not have any one of the enumerated assets rose to about eleven thousands from about five thousands in the year 1961 (Table 3). State-wise, the proportion of households not owning any of the enumerated assets increased fractionally in Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and West Bengal. In Kerala and Tamil Nadu, however, there was slight improvement in those who had any one of the assets. The share of cultivators in the assets of rural households increased by 2.1 per cent to 93.7 per cent in 1971 which was mostly due to an increase in the value of land. Of the increase in total assets of Rs. 7918 per household, over 72 per cent was due to land, the per acre value of which, on an average, increased from Rs. 873 in 1961 to Rs. 2006 in 1971. Next to land, it was buildings that contributed over 15 per cent of the rise. Livestock and implements and machinery together, the assets complementary to land, accounted for only 8.5 per cent of the increase; while the share of durable household assets was around 3 per cent, financial assets, (shares and deposits) contributed to about one per cent of the rise. But the dues receivable declined and formed *minus 0.3 per cent* of the total increase. Here again, it is not possible to judge, except in the case of financial assets, the extent of increase in value due to physical additions to the existing assets and due to rise in prices. The position in regard to individual assets is discussed below.

A. Land

According to land utilisation statistics, net area sown plus current fallows which would almost entirely cover area owned by rural households increased by nearly 4 per cent between the two survey periods as a result of reclamation of land for cultivation. Under the AIRDIS, the number of non-cultivators owning land (including about 4.6 lakhs who reported land under special rights) was roughly 36 lakhs. According to AIDIS, their number declined to below 23 lakhs. All these factors have led to increase in the land owned per cultivator to 5.18 acres in 1971 as against 4.87 acres in 1961.

The share of land in the total assets of cultivators went up from 63.4 per cent in 1961 to 68.6 per cent in 1971. Apart from the addition of acreage to owned land, this increase in its share might perhaps be the result of imputed value of land due to increased productivity, improvement in irrigation facilities, adoption of high yielding varieties, timely distribution of inputs like chemical fertilisers, pesticides, etc., and liberal extension of credit. The change in the cropping pattern might have also contributed towards a rise in land values.

As stated earlier, the data on the asset land for the AIRDIS 1961 were recorded under two heads, namely, owned land and land held under special rights, while in the present survey these two categories were combined into one. Since the number of households who recorded both these types of ownership is not known for 1971, the proportion of households reporting ownership of land in the year 1961 is not strictly comparable with that recorded in the present survey. However, it can broadly be said that there was an increase in the proportion of cultivator households during the decade who owned land almost in all the States barring Orissa. The increase in the proportion was above 5 percentage points in Kerala, Bihar, Punjab and West Bengal (Table 4). In Andhra Pradesh, Assam, Madhya Pradesh, Maharashtra and Tamil Nadu the increase in the proportion of households reporting land ranged between 2 to 5 percentage points and in Gujarat, Karnataka and Rajasthan the increase was less than two percentage points, over the period. The large increase in the number of cultivators owning land in Kerala might perhaps be due to anticipated legislation for conferring ownership rights on existing tenants. An increase in the net area cultivated over the period would also suggest that more of the landless cultivators benefited from reclamation of land. In Punjab the ratio of net area cultivated to total geographical area increased from 61.4 per cent in 1961 to 81.0 per cent in 1971. Besides, it is also likely that some of the absentee landlords resumed personal cultivation in view of the prospects of increase in the profitability from agricultural business due to adoption of modern techniques. In West Bengal, the state Government took active steps for distribution of surplus land to landless families. So also the increase in proportion of owner cultivators in Bihar is due primarily to amendments to land ceiling laws. Success of the 'Bhoodan Movement' in this State was also another factor. By the end of March 1967 Bihar accounted for about 28 per cent of the 11.90 lakhs acres distributed under 'Bhoodan Movement'[7]. The reclamation of land, profitability of agricultural business and land reform measures, would be the factors that have led to increase in the number of owner cultivators over the period. The data on percentage distribution of cultivator household according to size of land owned are presented in Table 2. Though these data are not strictly comparable since the data for 1971 include information in respect of non-agricultural land e.g., land for house sites also and those for 1961 exclude land held under special rights which was reported by a significant proportion of households in Rajasthan, Uttar Pradesh and Jammu & Kashmir, it may be stated that the percentage of cultivator households who did not have any land declined substantially in Kerala, Tamil Nadu, Karnataka, Punjab, Bihar and West Bengal. Similarly, there was a considerable increase in the percentage of those who owned less than an acre of land in Bihar, Kerala, Tamil Nadu, Orissa and Uttar Pradesh. This could be partly due to the change in the definition of cultivator households[8] in AIDIS.

In three States, viz., Rajasthan, Jammu & Kashmir and Madhya Pradesh the land-asset ratio was below 55 per cent in the year 1961. During the decade the share of land in the total assets increased from 44.7 per cent and 54·8 per cent in 1961 to 57.8 per cent and 66.2 per cent in 1971 in Rajasthan and Madhya Pradesh, respectively. In Jammu & Kashmir, the share increased marginally presumably due to scarcity of land available for cultivation. In this state, the percentage of net area cultivated to

7 Data supplied by the Government of India.

8 For AIRDIS 1961-62, a cultivator household was defined as one who reported some area under personal cultivation, except small garden plots. In AIDIS 1971-72 all families cultivating any piece of land of 0.005 acre and above were classified as cultivating families.

total geographical area increased only by 1.9 points to 16.0 per cent in the year 1971. Though variations in the case of other items of assets in Jammu & Kashmir were marginal, shares of all other assets in Rajasthan and Madhya Pradesh recorded declines. Shares of livestock, an asset complementary to land and those of buildings declined by about 3 to 4 percentage points in these States. In Rajasthan the share of durable households also decreased by about 3 percentage points to 7.4 per cent in 1971.

In the second group of States of Assam, Uttar Pradesh, Gujarat, Punjab and Orissa, land-asset ratio was between 55 and 65 per cent in the year 1961. In two of the States viz., Punjab and Uttar Pradesh, the share of land went up by 15.9 and 12.5 percentage points, respectively. In these two States, the value of land per acre increased from Rs. 997 and Rs. 2515 in 1961 to Rs. 6291 and Rs. 3277 in the year 1971, respectively. In the other three States (Assam, Gujarat and Orissa) the increase ranged between 3.7 and 6.0 percentage points. Increased irrigation facilities and successful introduction of modern technology in Punjab and Uttar Pradesh might have encouraged the cultivators in these States to buy more land. On the other hand, the traditional state of agriculture in Orissa explains the smaller increase in the share of land in total assets in that State. In Assam, only 30 per cent of the geographical area was available for cultivation. While the share of the asset livestock declined in all the States, the other agricultural asset viz., implements and machinery varied narrowly. The decline in the asset 'buildings' was significant ranging between 3.5 percentage points in Assam to 9.9 percentage points in Punjab. Durable household assets' share also declined in all the States except Assam wherein it improved fractionally. Marginal improvement in the share of financial assets was noticed in Assam while in Punjab it recorded a decline.

In West Bengal, Karnataka, Kerala and Maharashtra, the land-asset ratio was between 65 per cent and 70 per cent. In these States, except Maharashtra, the share of land declined during the decade. In Maharashtra, the increase was of 3 percentage points. In these States, excluding Maharashtra, there was significant increase in the share of buildings which ranged between 1.4 and 4·4 percentage points. The other assets which recorded increase were implements and financial assets. In Maharashtra, almost all other assets declined, the fall in the case of livestock being 2.2 percentage points.

In Andhra Pradesh, Tamil Nadu and Bihar, the land-asset ratio was 70 per cent or more in the year 1961 and only marginal variations were noticed in the shares of each of the items of assets. The decline in the share of land by about 1.2 percentage points in Tamil Nadu was more or less compensated by a rise in the share of implements and machinery while the increase in the land's share in Bihar was equalled by a decline in dues receivable.

The traditional attachment of rural people to land, even of agricultural labour households, makes them to hold even a small piece of land. However, out of sheer necessity, some of the agricultural labour households might have sold their tiny pieces over the period. As a result, the proportion of agricultural labour households who owned land declined from 12.6 per cent in 1961 to a mere 5.5 per cent. In 1971, proportion of households reporting ownership of land ranged between 14·2 per cent in Karnataka and 2·2 per cent in Punjab and Gujarat. The decline in the proportion was significant in Jammu & Kashmir wherein the percentage declined from 37.5 in 1961 to 10.3 in 1971. Karnataka, Andhra Pradesh, Assam and Bihar were other States recording a considerable fall in the proportion. Correspondingly the share of land in the total assets of agricultural labour households came down from 29.2 per cent in 1961 to 17.1 per cent in 1971. Still it continued to be over 25 per cent in Maharashtra, Rajasthan and Karnataka. In respect of Tamil Nadu, Bihar, and Kerala as against its share of 34.1 per cent, 27.7 per cent and 24.1 per cent in 1961 it declined to 10.4 per cent, 8.5 per cent and 7.0 per cent, respectively, in 1971.

B. Livestock

Though the number of households owning livestock increased by about 38.6 lakhs, the proportion of cultivator households reporting this asset declined marginally from 89.3 per cent in 1961 to 87.6 per cent in 1971 (Table 5). Apart from the effect of drought, floods and other natural calamities in some parts of the country resulting in loss of livestock or forced sales thereof, particularly by cultivators with meagre means, the gradual increase in the number of very small cultivators, due mostly to partition of families, who would be unable to maintain livestock, possibly might have led to the marginal decline in the proportion of households holding this asset. Lack of pasture lands could also be an additional factor which discouraged rearing of livestock. The proportion of cultivators owning draught cattle declined to 66.8

per cent in 1971 from 67.6 per cent in 1961 while that in respect of ownership of milch cattle increased, though marginally, to 58.0 per cent in 1971 from 57.8 per cent in 1961.

No data are available in regard to number of heads of livestock owned by a cultivator from any of the two surveys. However, on the basis of the data available from the census of livestock it can be said that the rate of growth in the number of various livestock, particularly heads of cattle and goats and sheep, was well below the rate of growth in cultivator households during the decade. It may, therefore, be presumed that there might not be any rise in the number of cattle held by cultivator households. Consequently, the share of this asset in the total assets dropped from 7.7 per cent in 1961 to 6.5 per cent in 1971.

Over the decade, the proportion of cultivator households reporting ownership of livestock declined in all the States except Punjab, Jammu & Kashmir and Tamil Nadu wherein it showed a rise. The decline in the proportion was perceptible in Orissa and West Bengal and was around 2.5 percentage points in Assam Bihar, Karnataka and Madhya Pradesh. Apart from the small size of holdings, the floods in Orissa and West Bengal, might have led to the destruction of cattle which could not be replaced. Similarly, the floods in Assam and Bihar and droughts in Gujarat and Karnataka might have reduced the number of livestock in these States. On the other hand, in Jammu and Kashmir, Punjab and Tamil Nadu the cultivators invested in livestock like sheep and milch cattle. It may also be noted that though the proportion of owner cultivators showed a considerable increase in Kerala, West Bengal and Bihar, there was a decline in the propotion of cultivators owning livestock, the decline being more marked in West Bengal. The share of livestock declined in almost all the States. In the case of five States wherein its share was 10 per cent or more in 1961 the decline was more than 3 percentage points in Rajasthan, Madhya Pradesh and Assam. In Jammu & Kashmir and Gujarat, the shares declined from 11.8 per cent and 10.1 per cent in 1961 to 11.1 per cent and 8.9 per cent, respectively, in 1971.

In view of the positive measures taken by the various State governments to provide subsidiary occupation like dairying, poultry and pig rearing, etc., to agricultural labourers, there was a fractional increase in the proportion of agricultural labour households reporting livestock in 1971. But for the drought and floods in some of the States during the last decade the increase in this proportion could have been more. The share of this asset in the total assets increased from 9.6 per cent in 1961 to 12.3 per cent in 1971 suggesting thereby that the agricultural labour households were opting for cheaper livestock like poultry,pig or sheep rather than milch cattle. Among the States, a sizeable increase over the period in the proportion of households reporting livestock was noticed in Bihar, Gujarat, Madhya Pradesh, Tamil Nadu, Punjab and Rajasthan. Andhra Pradesh, Assam, Bihar and Punjab registered a significant increase in the share of livestock in the total assets of agricultural labour households over the period. While in Assam the increase was from 8.8 per cent in 1961 to 13.8 per cent in 1971, in Punjab, it increased from 14.7 per cent in 1961 to 19.7 per cent in 1971. In Gujarat, Jammu & Kashmir, Kerala, Maharashtra, Rajasthan and West Bengal the share of livestock in the total assets declined during the decade.

C. Implements and Machinery

Data on implements and machinery are available separately for three different categories, viz., (a) farm business implements, (b) non-farm business implements and (c) transport equipment. Proportion of households who owned these types of implements declined during the period.The decline was quite sharp by about 13 percentage points in the case of non-farm business implements as could be seen from Table 6. This would indicate that a large number of cultivators had given up other vocations like weaving or handicrafts due to stiff competition from organised industrial sector. The decline in the proprotion of households who owned farm implements from 95.1 per cent in 1961 to 87.3 per cent in 1971, suggest that the increased number of small farmers did not have resources to own farm implements and also implies the sharing of implements by groups of small cultivators. With the increase in the cost of maintenance of bullocks on the one hand and the decline in the number of large farmers on the other, the proportion of cultivator households owning transport equipment which was 31 per cent in 1961 did not show any improvement by 1971 but actually declined to 30 per cent.

The share of this asset in the total value of all assets increased fractionally over the period. Most of the increase was under farm business implements, the share of which went up from 1.3 per cent in 1961 to 1.8 per cent in 1971. Against the background of a decline in the proportion of households by about 8 percentage points, the increase seems to be substantial and would indicate that the cultivators have opted for mechanisation and pumpsets, *in view of increased irrigational facilities*. Further, availability of credit facilities for purchase of these implements might have also helped the cultivators to own them.

State-wise, the proportion of cultivators who reported farm business implements declined in all the States except Gujarat, during the decade. The decline was more pronounced in Kerala, Bihar, Assam, Andhra Pradesh, Tamil Nadu and West Bengal. In most of these States the size of holding is very small and more over most of the area is under paddy. In such conditions sharing of the implements with other cultivators or hiring them would be more economical than owning them. In Kerala where the average size of holding is about 1.14 acres and where most of the area is under rice, the proportion of households who owned farm-business implements came down to 44.6 per cent in 1971 from 86.8 per cent in 1961. The increase in the proportion in Gujarat may perhaps be due to the fact that nearly half of the cultivated area is under cash crops which are more remunerative to farmers than food crops. In 1961, in as many as eight States the proportion of households reporting ownership of non-farm business equipment exceeded 20 per cent. Among these, in Jammu & Kashmir and Assam such proportion was well over 55 per cent while in Punjab it was about 45 per cent. As against this, in 1971, in no State the proportion of households reporting non-farm business equipments exceeded 12 per cent.

There was no marked variation in the proportion of households reporting transport equipments during the decade. Only in Uttar Pradesh and Punjab the proportion recorded an appreciable increase. In Uttar Pradesh it increased from 34.5 per cent in 1961 to 38.6 per cent in 1971. Similar figures for Punjab were 47.0 per cent and 56.5 per cent, respectively. The rise in these proportions may be attributed to construction of roads as also establishment of more market yards. On the other hand, the proportion came down to 37.1 per cent in 1971 from 45.2 per cent in 1961 in Gujarat mainly as a result of sale of bullocks during the drought period.

Implements and machinery accounted for 5 per cent or less of the total assets in the year 1961 and whatever improvement is noticed in its share in any of the States, is on account of addition to farm implements. Thus, in Gujarat, Punjab, Uttar Pradesh, Bihar and West Bengal the share of farm implements showed a significant increase. The decline of its share in some of the States is, perhaps, due to selling of non-farm business implements. Though at a lower level, only in Tamil Nadu, the share of implements and machinery improved from 2.9 per cent in 1961 to 4.3 per cent in 1971.

The implements of an agricultural labour household would normally comprise small implements like spade or a hoe to increase his employment prospects. But during the 10-year period, many of them were forced to sell these articles, particularly in States like Bihar, Kerala, West Bengal and Assam, where demand for labour is seasonal. Another reason for a decline in the proportion of agricultural labour households owning these implements is mechanisation of agriculture in some parts of the country. Thus, the proportion of agricultural labour households owning farm business implements declined from 66.8 per cent in 1961 to 38.1 per cent in 1971 (Table 7). As pointed out earlier, due to the gradual decline of handicrafts and cottage industries, large number of households might have disposed of non-farm business equipments during the decade. The proportion of households who reported such implements declined from 14.1 per cent in 1961 to a mere 4.0 per cent in 1971. On the contrary, a slight improvement of about 2 percentage points in the ten-year period was noticed in those having transport equipments. The small decline in the share of non-farm business equipment in the total assets was made good by that of transport equipment and hence the share of implements and machinery in the total assets of agricultural labour households remained at 1.8 per cent over the period.

In five States, namely, Kerala, Jammu & Kashmir, Maharashtra, Rajasthan and Andhra Pradesh, the decline in the proportion of agricultural labour households owning farm business implements was more than 40 percentage points during the period. Extensive tractorisation of agricultural operation in Maharashtra, Rajasthan and Andhra Pradesh would explain the decline in these States. On the other hand, the preponderence of very small cultivators who themselves would not have farm implements could be the reason for the decline in the proportion in Kerala and Jammu & Kashmir. The decline in the number of agricultural labour households in all these States except Andhra Pradesh is also an indication of lesser demand for them by the cultivators. In five other States, namely, Uttar Pradesh, Bihar, Karnataka

Madhya Pradesh and West Bengal, the decline in the proportion was between 25 and 30 percentage points. Apart from mechanisation in all these States, there was a considerable increase in the number of agricultural labour households, except in Madhya Pradesh, during the period. In four other States, namely, Assam, Tamil Nadu, Punjab and Orissa, the decline in the proportion was less than 20 points.

In 1961, the proportion of agricultural labour households reporting non-farm business equipments was highest at 45.8 per cent in Jammu & Kashmir followed by that in Punjab and Rajasthan at 38.5 per cent and 26.3 per cent, respectively. In Assam, Uttar Pradesh, Andhra Pradesh and West Bengal, the States traditionally known for handicrafts and cottage industries, it varied between 15 and 20 per cent in 1961. In five other States it was between 10 and 13 per cent while in Tamil Nadu, Madhya Pradesh and Gujarat, it was lower than 10 per cent. As against this, in none of the States except in Maharashtra, this proportion exceeded 10 per cent in 1971. The highest proportion at 15.2 per cent was recorded in Maharashtra while it was 2 per cent or less in Jammu & Kashmir, Kerala, Tamil Nadu and West Bengal.

In almost all the States there was an improvement, though meagre, in the proportion of agricultural labour households reporting transport equipments like hand-carts, bullock-carts etc. Only in Assam, Kerala and West Bengal, the proportion showed a decline. The increase in the proportion during the decade was significant in Jammu & Kashmir (nil to 9.7 per cent), Punjab (17.8 per cent to 32.7 per cent) and Uttar Pradesh (4.2 per cent to 10.6 per cent).

The share of implements and machinery in the total assets of agricultural labour households which was insignificant in all the States (varying between 3.7 per cent in Kerala and 1.2 per cent in Karnataka) in 1961 declined further in almost all the States except Tamil Nadu, Orissa and Gujarat. While the increase in Tamil Nadu (from 1.5 per cent to 4.0 per cent) was significant, in the other two States the increase was fractional. In Tamil Nadu, the share of both farm and non-farm implements and transport equipments registered an increase. Among the constituents of this asset, apart from Tamil Nadu, while share of the farm and non-farm implements recorded a fall in most of the States, in many States the share of the transport equipment recorded a fractional increase.

D. Buildings

For the AIDIS, separate data on buildings and vacant house sites were collected, whereas for AIRDIS both these items were combined together and it is not known how many of the households had only house sites in 1961. In the year 1971, there were about 50 lakhs of households who reported vacant house sites. The proportion of cultivator households who reported buildings and sites in 1961 was 98.9 per cent. In 1971, 98.4 per cent of cultivator households owned buildings. The increase in the share of cultivators in the value of this asset of rural households from 84.2 per cent to 85.9 per cent during the ten-year period might be due to additional structures like barns or cattle sheds which might have been put up by them.

The share of buildings and house sites in the total assets declined by about 2 percentage points to 16.8 per cent in 1971 (Table 8). In view of the differences in the age of the structure and type of construction, the valuation of buildings at different points of time is a difficult problem.

State-wise, there is virtually no change in the proportion of households reporting ownership of buildings over the period. Whatever little decline in the proportion noticed in most of the States might, perhaps, be due to segregation of two sets of data, namely, buildings and house sites in 1971 survey. The share of buildings in the total assets declined in almost all the States. The decline was as sharp as 9 percentage points in Punjab, followed by Uttar Pradesh (5.9 points) and Gujarat (3.6 points). In Kerala, on the other hand, its share improved by 4 percentage points.

In the year 1971, the number of houseless agricultural labour households stood at 13.16 lakhs (or 11.7 per cent) as against 10.06 lakhs (or 10.2 per cent) in the year 1961. However, since the data for the 1961 survey also include the data for those having house sites only, there is a possibility that the number of houseless households in the year 1961 could be larger. The share of this asset in the total assets, showed an increase of about 7 percentage points during the period and constituted a little over half of the total assets.

Among the States, the fall in the proportion of agricultural labour households reporting buildings was significant in Kerala

Karnataka, Orissa, Rajasthan and West Bengal. In all other States, except Assam, there were marginal variations in the proportion. In Assam, the proportion of households reporting buildings increased from 53.3 per cent in 1961 to 85.6 per cent in 1971. Such a large increase in the proportion might, perhaps, be the result of building of their own dwellings by the plantation workers with the assistance from provident fund deposits scheme as is reflected from the large decline in their asset of deposits. The share of this asset in the total assets of agricultural labour households evinced a mixed trend in the States. In four States viz., Orissa, Uttar Pradesh, Punjab and Rajasthan its share declined while in all other States there was an increase. The variation in the increase, except that in Assam, ranged between 6 percentage points in Maharashtra and 14 percentage points in Jammu & Kashmir. In Assam, the share moved up from 16.9 per cent in 1961 to 40.8 per cent in 1971.

E. Durable Household Assets

This item comprises a variety of articles like utensils, watches, furniture and gold ornaments. Due to the nature and variety of items and the age structure of assets covered under this head, the possibilities of under-valuation of reported items and non-reporting of some of the items owned by households have to be borne in mind.

The proportion of households reporting these assets declined from 98.5 per cent in 1961 to 96.2 per cent in the year 1971 (Table 9). In other words, the number of cultivator households who did not have any of the enumerated items of this asset increased from about 7.5 lakhs in 1961 to over 21 lakhs in the year 1971. An important factor that might have contributed to such a large increase in the number of households without this asset, probably, was the raising of the minimum limit for recording the household articles. In the 1961 survey, articles valued at less than Rs. 5 were excluded from enumeration. This limit was raised to Rs. 10 for the 1971 survey. The limit was raised to allow for the price change over the period so that in real terms the minimum limit remained the same and thus comparability was maintained.

The share of d[illegible] the total assets of the cultivator ho[illegible] nt in the year 1961 declined to 4.[illegible] stated above, due to variety of articles to be enumerated, the difficulty in assessing the current value thereof might have resulted in considerable under-reporting. It is also possible that the respondents did not disclose the full extent of their holdings of jewellery and gold ornaments.

State-wise, proportion of households reporting durable household assets declined in almost all the States. The decline was quite sharp of over 9 percentage points in Orissa and West Bengal followed by that in Kerala of 7 percentage points. In these States very small cultivators predominated. In Karnataka, the percentage declined from 98.2 in 1961 to 94.4 in 1971. Assam and Bihar were the other States wherein this percentage came down by about 2 points. The share of durable household assets in 1971 varied between 7.4 per cent in Rajasthan and 2.3 per cent in Punjab, as against the range of 10.5 per cent and 3.1 per cent recorded by Rajasthan and Maharashtra States in the year 1961.

The proportion of agricultural labour households reporting household articles decreased from 94.0 per cent in 1961 to 90.2 per cent in 1971. The fall in the percentage is mainly on account of raising of the limit for recording the articles for the survey from Rs. 5 in 1961 to Rs. 10 in 1971, as mentioned earlier. The share of this asset in the total assets, however, increased by about 3 percentage points to 13.4 per cent in 1971.

State-wise, the proportion of agricultural labour households reporting household articles recorded a decline in all the States, except Andhra Pradesh and Tamil Nadu wherein it indicated a slight increase. However, the share of this item in the total assets recorded an increase in all the States except in Jammu & Kashmir, Kerala, Punjab and Uttar Pradesh. The fall in the case of Punjab might be due more to investments in other productive assets like transport equipments and livestock. In the case of Kerala, financial investments showed an improvement.

F. Financial Assets

The coverage of financial assets was widened for AIDIS by including items like annuity deposits, deposits with non-banking companies, insurance premium, Chit fund and units of Unit Trust of India. These items together accounted for an average of about Rs. 20 per household in 1971. If this figure is excluded, then the average value of financial assets increased from Rs. 36 in 1961 to Rs. 98 per household in 1971 as could be seen from Table 10. As a result of the growth in the business of co-operative institutions, spread of commercial bank branches in rural areas and greater governmental efforts to attract small savings, the average value of shares in co-operative institutions, savings with post offices and deposits with commercial banks have recorded a substantial increase.

The proportion of cultivator households reporting financial investment, however, declined over the period from 26 per cent in 1961 to about 24 per cent in 1971 presumably due to emergence of small cultivators; the latter figure comprises of shareholders (18 per cent) and depositors (6 per cent) of banks, as two distinct groups unlike in the 1961 survey. However, it is likely that a very large proportion of depositors would be having shares as well. Hence, the proportion of households holding financial assets in 1971 was perhaps, less than what is indicated by the figures given in the table. The proportion of households reporting shares in co-operative institutions came down from 23.2 per cent in 1961 to 17.7 per cent in the year 1971. However, there seems to be considerable under-reporting against this item as the number of members of primary agricultural societies alone increased by about 114 lakhs or by 58 per cent during the period. On the other hand, the proportion of households reporting deposits with post offices and commercial banks showed some improvement over the period.

The share of financial assets in the total assets improved fractionally from 0.5 per cent in 1961 to 0.8 per cent in 1971. Consequently, the share of cultivators in the total value of financial assets held by all rual households also improved from 63.2 per cent to 68.6 per cent in 1971.

Even though the scope of the item 'deposits' in the 1971 survey was widened, there was a decline over the period in the proportion of households who reported financial assets, in Andhra Pradesh, Jammu & Kashmir, Madhya Pradesh, Rajasthan, Tamil Nadu and Uttar Pradesh (Table 11). The comparable data available in respect of shares of co-operatives and banks presented in Table 12 show that in Andhra Pradesh, Madhya Pradesh, Tamil Nadu and Uttar Pradesh the decline was mainly due to fall in the proportion of those holding shares of co-operatives. On the other hand, in Gujarat and Punjab wherein the co-operative movement and commercial banking has made considerable progress, the variation in the proportions is due mainly to rise in the percentage of those who held shares of co-operatives and banks.

Possession of financial assets by agricultural labour households is generally rare since their income is too small to allow for any savings. Still in the year 1961 there were about 7.3 per cent of them or about 7 lakh households who held shares and deposits. However, during the ten-year period this percentage declined to around 4 per cent (if those owning shares did not have deposits and vice versa) and at the most about four-and-a-half lakh households had financial investment. Consequently, the share of this asset in the total assets which was 1.8 per cent in 1961 came down to 0.9 per cent in the year 1971.

In the year 1961, the proportion of agricultural labour households reporting financial investment was highest at 49.8 per cent in Assam followed by 37.5 per cent in Jammu & Kashmir and 24.7 per cent in Punjab. In six other States, viz., Andhra Pradesh, Kerala, Tamil Nadu, Karnataka, Uttar Pradesh and West Bengal the proportion was between 5 and 10 per cent. In all other States, the proportion was quite negligible. During the ten-year period the proportion declined in all the States except in Kerala. The decline in most of the States, except Assam wherein the proportion was significant was perhaps, due to withdrawal of shares from industrial co-operatives or weaving societies. In Kerala, 13.5 per cent of households had deposits and 4.7 per cent had shares in 1971 as against 8.4 per cent of households having both these types of investments in 1961. Relatively large increase in this proportion in this State might perhpas be due to, apart from popularity of chit funds and small local banks, remittances received from the members of the households who are employed outside the State. In view of this large increase, the share of this asset in the total assets in Kerala moved up from 2.5 per cent in 1961 to 24.7 per cent in 1971. On the other hand, the proportion in Assam declined from 44.3 per cent in 1961 to 12.9 per cent in 1971 perhaps due to, as stated before, withdrawals from provident fund deposits for construction of houses.

G. Dues Receivable

Both the proportion of cultivator households reporting and the share of dues receivable in the total assets recorded a fall during the decade. The decline was more pronounced in the case of dues receivable in cash. The proportion of households reporting dues receivable in cash declined to 4 per cent in 1971 and its share in the total assets fell from 1.3 per cent in 1961 to 0.3 per cent in 1971 (Table 13). In absolute terms the number of cultivators who reported this asset declined from 49 lakhs in 1961 to 20 lakhs in 1971.

The marked decline in the proportion of cultivators reporting dues receivable both in cash and kind is primarily as a result of statutory restrictions on moneylending business. Also, with a view to improving the yield from land a cultivator would be inclined to reinvest his savings in improvement of agriculture, rather than lending it to others. Further, the period of canvassing the schedules for the two surveys was different. In the case of 1961 survey it was post-harvest time i. e., December 1961, while for 1971 it was pre-harvest i. e., June 1971. In the year 1961 the percentage of households reporting dues receivable in cash exceeded 10 per cent in as many as seven States. As against this, in none of the States it exceeded 7.5 per cent in 1971. In three of the States, namely, Kerala, Punjab and Tamil Nadu more than 15 per cent of the cultivator households reported cash loans receivable in 1961; for the year 1971 this percentage ranged between 4.1 per cent and 7.2 per cent. In all these States agricultural technology showed considerable development during the decade. In none of the States the percentage of households reporting dues receivable in kind exceeded 3.5 per cent in 1961 and even this percentage came down in 1971.

The foregoing discussion on trends in asset pattern could well be summed up by analysing the concentration ratios since the distributional pattern among the households is a reflection of the data already analysed.

Change in concentration of assets holdings[9]

The concentration of assets among cultivators and all rural households showed only a marginal change, but in opposite direction. The concentration ratio (CR) for cultivators, based on Lorenz Curve, decreased from 0.5976 in 1961 to 0.5847 in 1971 for the country as a whole, suggesting a relatively more equitable distribution of assets over the decade. On the other hand, among all rural households, there was slight

9 For a statistical interpretation of the variations in the concentration ratios please see "Inequalities in Asset Distribution of Rural Households" published in Staff Occasional Papers, Vol. 1, June 1976.

increase in inequality as evidenced by the rise in CR value from 0.6524 in 1961 to 0.6551 in 1971 (Table 14).

One of the aims of government policies is the reduction in inequalities of wealth and income in the society. Sustained efforts were, therefore, made to raise the income levels, which in turn would have improved the asset position of relatively poor cultivators. Some important measures towards this end were firstly, the land reforms aimed at "making the tiller of the soil" the owner thereof and thus inducing him to earn more from land. Secondly, efforts were made to bring within the reach of smaller cultivators the various physical inputs required for farm operations, to increase the institutional credit and to improve its availability to cultivators with small means and to provide and regulate the marketing facilities for agricultural produce. Besides these, efforts were made to establish industrial units in rural areas and to promote small and village industries through fiscal and other incentives which would have increased the employment and income prospects of rural households. On the other hand, land values increased markedly and those who owned it gained much more than those without it, thus widening the disparities between land owners and others. Though efforts were made to improve the position of small and marginal cultivators, the task was so enormous that they have yet to secure the full advantage of the scheme. Cultivators with medium and large holdings were relatively in a better position to obtain the benefits therefrom quickly. Further, existence of a large proportion of non-cultivator households with productive assets of negligible value and with all the uncertainties of rural employment is a major bottleneck in attaining visible reduction in the unequal distribution of assets among rural households.

State-wise, the inequality has relatively increased during the period in six States. Among these, the gap widened substantially in Punjab, Orissa, Gujarat, West Bengal and Rajasthan. In respect of Punjab, Gujarat and West Bengal the increase was more due to wider inequality among the non-cultivators. But in the absence of data on the composition of non-cultivators it is not possible to specify the factors that have led to inequality among this class of rural households. In two of these States, namely, Gujarat and West Bengal, the number of non-cultivator households increased by 49.3 per cent and 28.1 per cent, respectively, over the period. In Rajasthan, the benefit of new agricultural technology would seem to have accrued disproportionately to the bigger cultivators. In Orissa, the inequality seems to have widened, perhaps, due to the increase of uneconomic holdings; the number of cultivator households increased by 19.1 per cent during the decade thus bringing down the size of holding from 5.03 acres in 1961 to 3.39 acres in 1971. So also in Karnataka, the rural households increased by about 24 per cent; the rise in the number of non-cultivator households being 45 per cent, during the period.

In the other nine[10] States the concentration values in respect of rural households declined over the period. In all these States there was a comparatively more equitable distribution among the cultivator households. Of these, in Uttar Pradesh, Tamil Nadu, Andhra Pradesh, Bihar and Kerala the co-efficient of concentration declined considerably. These are the States wherein small cultivators predominated. These cultivators might have benefited through the efforts of the governments to bring within their reach various farm inputs, coupled with benefit derived from private irrigation facilities enabled through institutional credit and power supply. In Jammu and Kashmir, the co-efficient of concentration at 0.4659 was the lowest among the States in 1961 and this ratio declined still further to 0.4235 in 1971 indicating more equitable distribution of assets. In Madhya Pradesh and Maharashtra the variation in the concentration value was marginal.

SECTION III

Comparative Position of 'Poor' Households, 1961-1971

It is proposed to examine in this section how the rural 'Poor' have fared during this ten-year period. The total value of assets owned by a rural household is taken as the basis for defining the 'poor' household in the absence of any other criterion. Thus, those households having total assets of, say, less than Rs. 2,500 in the year 1971 have been taken to represent rural 'poor'[11]. But in view of about two-fold increase in the general prices during the decade, it may be appropriate to take households with less than Rs. 1,000 of assets in the year 1961 as representing poor households for comparison with 1971. In the

10 Jammu & Kashmir, Madhya Pradesh, Uttar Pradesh, Maharashtra, Karnataka, Tamil Nadu, Bihar, Andhra Pradesh and Kerala.

11 For further details see Section 4 of the Monograph on "Assets of Rural Households" recently published by the Bank.

following paragraphs, therefore, data on proportion of households reporting and the share of each of the assets in the total assets of rural households with assets of less than Rs. 1,000 in the year 1961 are compared with those of rural households with assets of less than Rs. 2,500 in the year 1971.

Growth in 'Poor' Households

During the decade the total number of poor rural households increased by 64 lakhs to 2.71 crores and this formed not less than 35 per cent of the total rural households in 1971 as against 30.1 per cent in 1961 (Table 15). Apart from the impact of inflationary rise in prices on their asset position during the decade, the other factors could be: (a) partition of joint families, (b) drought or flood conditions in some of the States, (c) Seasonality of agricultural operations in some States thereby keeping the labourers without any employment during the off-season and (d) Inadequate growth of small industrial units in rural areas which could provide employment opportunities. On the other hand, adoption of new agricultural strategy in a few of the States like Punjab, Uttar Pradesh and Bihar had restricted the growth in the number of rural 'poor' households in these States. The percentage of cultivator households among these 'poor' households declined slightly from 39.5 per cent in 1961 to 38.1 per cent in 1971, though in absolute terms their number increased by about 22 lakhs in the decade. Consequently, the percentage of non-cultivator households increased from 60.5 per cent to 61.9 per cent or by about 42.6 lakhs households. However, it is not possible to know the extent of increase of agricultural labour households in this group as asset group-wise data for this category of households are not available for 1961-62. The cultivator households in this group could also well be categorised as agricultural labourers as their major source of income is from farm and non-farm employment except for personal cultivation of a tiny piece of land. Similarly among the non-cultivator households, artisans or village craftsmen like weavers, blacksmiths, potters, carpenters, brick layers, etc. producing some traditional products for limited local market have to supplement their income from some kind of wage employment due to low productivity. Thus, almost the entire group in this category of 'poor' households, though for survey purposes were categorised as cultivators, agricultural labourers and artisans, would comprise labourers depending mostly on employment available locally. Very few among the non-cultivator households would be those living on remittances from their relatives or as low paid village servants.

State-wise, out of the seven States[12] in which the 'poor' house-holds formed 30 per cent or more of the total rural households in 1961, the increase in their number was highest by 13 percentage points in Orissa and Tamil Nadu. In two other States, viz., Andhra Pradesh and West Bengal the increase was 9.0 percentage points and 7.9 percentage points, respectively. While in Kerala the percentage declined by over 6 points, in Maharashtra and Bihar the increase was nominal. In five other States the percentage of 'poor' house-holds in the total rural households ranged between 20 and 30 in 1961. Of these, only in Karnataka it increased from 24.1 per cent in 1961 to 37.1 per cent in 1971. In Assam and Gujarat the increase was of 6.0 percentage points and 7.1 percentage points, respectively, while in Madhya Pradesh and Uttar Pradesh the increase was nominal at 1.2 points. In Punjab, Rajasthan and Jammu & Kashmir the percentage of 'poor' households was low (below 20 per cent) in 1961 and the increase during the period was also less than 5 percentage points.

Pattern of assets of 'poor' households

Over the period, there was nearly a three-fold increase in the number of 'poor' households who did not have any of the enumerated assets and their number stood at 2.98 lakhs in the year 1971 (Table 16). Such a large increase was mostly accounted for by States like Andhra Pradesh, Gujarat, Karnataka, Kerala, Orissa and West Bengal. Among the various reasons that could have led to such a large increase, mention may be made of (a) emergence of very small tenant cultivators during the period, (b) increase in the number of casual labourers and (c) drought and flood conditions in some parts of the country. On the other hand, in Maharashtra wherein, small industrial complexes were being developed in the various parts of the State, the number of 'poor' households who did not have any of the enumerated assets declined from 15,500 in 1961 to 10,640 in 1971. In Assam too, where tea plantations provide sizeable employment, the number of 'poor' households without any asset declined from 1,800 in 1961 to 700 in 1971.

The analysis of the pattern of assets of the 'poor' households shows the importance of fixed assets like land and buildings.

All-India

Land formed about 25 per cent of the total assets of this class. Both these assets together formed about two-thirds of the total assets of the 'poor'

[12] Orissa, Tamil Nadu, West Bengal, Andhra Pradesh, Bihar, Maharashtra and Kerala.

households in 1961 and this percentage moved up still further in 1971 (Table 17). In spite of the decline by about a percentage point of cultivator households in this group, the proportion of households who owned land showed a slight increase from 27.5 per cent in 1961, taking together those who had land under special rights and those who held owned land, to 30.5 per cent in 1971. In absolute terms their number increased by about 26 lakhs. As a result of rise in the percentage of households owning land, the share of this asset also went up from 18.2 per cent in 1961 to about 24.5 per cent in 1971. The proportion of households reporting other fixed asset, namely, buildings showed very little variation during the period, but the number of houseless households increased from 23.35 lakhs in 1961 to 41.43 lakhs in 1971. Many of these houseless households might be those who had turned agricultural labourers without any fixed habitation. The share of buildings in the total assets moved down by 4 percentage points during the period. A decline of one percentage point was noticed in the proportion of those who owned livestock and it moved down to 49.9 per cent in 1971. Though the number of 'poor' households who owned livestock increased by about 30 lakhs during the period, only in a very few States, as it is observed later, the various government schemes relating to dairying or poultry farming or piggery had covered these poor people. The slight decline of about 2 percentage points in their share in total assets suggests that most of the households who owned this asset had a comparatively higher proportion of low value animals in 1971. In respect of the other productive asset viz., implements and machinery, the proportion of households reporting both the farm and non-farm implements decreased during the period, the fall in farm implements being quite substantial of about 22 percentage points. In the case of transport equipments the proportion of households reporting it increased, though nominally, from 3.8 per cent in 1961 to 4.2 per cent in 1971. In absolute terms there was an increase of about 3.5 lakh households who owned these equipments. But considering the share of this asset in the total assets (0.9 per cent) these equipments might be indigenous handcarts or at the most bullock carts. When compared to the variation in the proportion of households reporting buildings, the fall from 93.8 per cent in 1961 to 90.1 per cent in 1971 in the proportion of households having durable household goods appears to be significant. The number of households without any article worth Rs. 5 in 1961 or worth Rs. 10 in 1971 more than doubled from 12.81 lakhs in 1961 to 26.81 lakhs in 1971. Consequently, the share of this asset in the total assets fell from 14.6 per cent in 1961 to

13.9 per cent in 1971. Although the importance of holding of monetary assets was quite insignificant, it is pertinent to note that the decline in the proportion of households who held financial assets was quite small. However, in the absence of break-up of the data for the year 1961 according to shares and deposits, it is not possible to draw any conclusion. More detailed analysis of the pattern of assets of these 'poor' households on statewise basis is given in the following paragraphs.

State-wise

For purposes of analysis of inter-state variations in the asset pattern, the States could be clubbed into four different groups on the basis of percentage of cultivator households in the 'poor' households in the year 1971 (please see Table 15). Thus, Kerala, Jammu & Kashmir, Assam and Rajasthan would form group I wherein the percentage of cultivator households was above 55 per cent. In group II are States of Orissa, Bihar and Madhya Pradesh wherein the percentage of cultivator households ranged between 49.4 per cent and 54.4 per cent in the year 1971. Five other States viz., West Bengal, Uttar Pradesh, Karnataka, Andhra Pradesh and Tamil Nadu would form group III with the percentage of cultivator households between 27.5 per cent and 37.7 per cent. In the last group, are States of Maharashtra (24.8 per cent of cultivator households), Gujarat (16.4 per cent) and Punjab (5.0 per cent).

Among the group I States, in Kerala, though there was sizeable increase in the proportion of households reporting land (from 34.6 per cent in 1961 to 65.9 per cent in 1971) in view of the less than a quarter of an acre of owned land per cultivator household the complementary assets of implements and machinery evinced a marked decline during the period when compared with other three States in this group (Table 18). The proportion of households reporting other productive assets like livestock and transport equipments also moved down contrary to the trend in Jammu & Kashmir, Assam and Rajasthan. On the other hand, proportion of households reporting buildings and house sites in Kerala and Assam showed an improvement. In Assam, though the percentage of cultivator households among the 'poor' increased by ten points during the period, the proportion of households reporting owned land increased moderately from 28.0 per cent in 1961 to 35.6 per cent in 1971, thus suggesting emergence of very small tenant cultivators. This is reflected in the proportion of those reporting farm implements. But the improvement in the proportion of households reporting other productive assets like livestock or transport equipments as also relatively lesser decline in the percentage of those reporting durable household goods would indicate that the 'poor' households of Assam were better off than their counter-parts from Kerala. The pattern of assets in Jammu & Kashmir was mostly similar to that in Rajasthan except that the proportion of households reporting owned land slightly declined in Jammu & Kashmir (if those owning land did not have land under special rights in 1961) and the proportion of households reporting durable household articles slightly increased as against a fall of about 5 percentage points in Rajasthan. The 'poor' households from Jammu & Kashmir could depend on tourists to the State for extra income in addition to the cultivation of small piece of land either of their own or leased in.

Since cultivator households were in majority in group I, naturally the share of land in the total assets of the 'poor' households showed a sizeable increase except in Jammu & Kashmir, where it slightly declined (Table 19). While the shares of all other assets in Kerala came down during the period, the shares of livestock and durable household assets in Assam and that of livestock in Rajasthan indicated a small increase. In Jammu & Kashmir where cultivation appears to be a secondary occupation of the 'poor' the shares of durable household goods and financial assets showed a rise during the period.

In group II States viz., Orissa, Bihar and Madhya Pradesh, the percentage of cultivator households in the total of 'poor' households formed 54.4 per cent, 51.3 per cent and 49.4 per cent, respectively, in 1971. In the case of Orissa and Bihar the increase in this percentage during the period was larger than that in Kerala by 24 and 19 percentage points, respectively. Even then the variation in the proportion of households reporting owned land in these two States was quite small when compared to that in Kerala. This proportion moved from 30.7 per cent in 1961 to 47.1 per cent in 1971 in the case of Orissa and in Bihar from 32.6 per cent to 39.5 per cent. So also, variations in the proportion of households reporting complementary and productive assets like implements and machinery and livestock for which the proportions of households reporting were relatively larger in 1961, were much less during the period as these households had mainly to rely on cultivation. However, the decline in the proportion of households reporting durable household assets from 91.9 per cent in 1961 to 80.3 per cent in 1971 in Orissa when compared to the variation from 98.4 per cent to 95.7 per cent in the case of Bihar reveals the extent of poverty in Orissa. In Orissa, nearly one-third of the 'poor' households had assets of less than Rs. 500 in 1971. In Madhya Pradesh, the proportion of households reporting owned land increased from 26.8 per cent to 38.3 per cent in 1971, the increase being more than that in many of the States from group I. Slight increase in the proportion of households reporting non-farm business and transport equipment indicated that some of these people pursued subsidiary occupations. This is reflected in the improvement in the proportion of those reporting household goods also.

Land and buildings together continued to be predominant assets of the 'poor' households in Orissa and Bihar. In both the States, these two assets accounted for more than three-fourths of the assets of the households. Shares of all other assets except that of livestock in Orissa moved down during the decade. In Madhya Pradesh, the share of buildings came down from 40.6 per cent in 1961 to 38.3 per cent in 1971. Correspondingly, though the share of livestock and durable household assets declined during the period their share in the total assets formed a sizeable portion when compared with those in Orissa and Bihar. The share of financial assets in Madhya Pradesh improved from 0.4 per cent in 1961 to 2.2 per cent in 1971.

Group III comprised West Bengal, Uttar Pradesh, Karnataka, Andhra Pradesh and Tamil Nadu. In these States, the percentage of cultivator households in the 'poor' households was between 27.5 in Tamil Nadu and 37.7 in West Bengal in 1971. In all these States this percentage had declined over 1961, the decline being quite substantial of 6 percentage points in Uttar Pradesh and Tamil Nadu. Despite the fall in the percentage of cultivator households in these States the proportion of households owning land showed an increase in West Bengal, Karnataka and Andhra Pradesh, perhaps, as a result of partition of families. The fall in the proportion of households reporting ownership of dwelling was perceptible in West Bengal and Andhra Pradesh mostly due to large increase in the number of casual labour households in this group. In none of these States, except Tamil Nadu and Karnataka the proportion of households reporting livestock showed any improvement during the period and the fall therein was considerable in West Bengal. In Tamil Nadu, the percentage of 'poor' households reporting livestock moved up from 36.5 per cent in 1961 to 41.5 per cent in 1971. As regards implements and machinery, while the fall in the proportion of households reporting farm implements was relatively larger than in the States in the earlier groups, in Tamil Nadu and Uttar Pradesh the decline in the households reporting non-farm business implements was relatively low. In Uttar Pradesh and Karnataka the percentage of those having transport equipments increased from 4.6 per cent and 1.9 per cent in 1961 to 12.7 per cent and 5.0 per cent in 1971 and this increase was considerable when compared to the increase in other States. In West Bengal, however, such proportion slightly moved down. The trend in proportion of households reporting durable household goods was, however, the opposite as in three of the States viz., Jammu & Kashmir, Andhra Pradesh and Tamil Nadu, this proportion moved up during the period. Only in West Bengal the proportion fell by about 16 percentage points while that in the case of Uttar Pradesh the decline was nominal.

The share of fixed assets, land and buildings formed about 70 per cent of the total assets in West Bengal in 1961 and their share moved up further to 74.1 per cent in 1971. Among the other States, while in Uttar Pradesh the percentage of livestock in the total assets of these people moved up from 11.7 per cent in 1961 to 14.9 per cent in 1971, despite the decline in the proportion of households reporting this asset, in the southern States of Karnataka, Andhra Pradesh and Tamil Nadu the shares of durable household goods and financial assets indicated a small increase.

In the last group of States of Maharashtra, Gujarat and Punjab, the non-cultivating households formed more than three-fourths of the total 'poor' households. In Punjab, the percentage of non-cultivators was around 95 in 1971 as against 87.1 in 1961. The tendency to retain land by the 'poor' is discernible in Maharashtra from the proportion of households reporting this asset which showed an improvement. In the case of the other fixed asset viz., buildings, only in Gujarat there seemed to have been a fall during the period. The percentage of households reporting livestock showed an improvement in Punjab and Gujarat while it declined marginally in Maharashtra. In the first two States, dairying was an important subsidiary occupation. The upward variation in other productive assets like non-farm business implements and transport equipments suggested that these poor households did try to supplement their income. In Punjab, the percentage of households owning transport equipment improved from 15.3 per cent in 1961 to 25.8 per cent in 1971.

In Gujarat and Punjab half of the assets of 'poor' households continued to be in the form of dwellings and in Maharashtra its share moved up from 44.0 per cent in 1961 to 46.9 per cent in 1971. The share of livestock and also that of transport equipments in Punjab improved over the period as against a decline in both these assets in Maharashtra and Gujarat. In Gujarat, the decline in the share of livestock becomes conspicuous in the light of increase of three percentage points in the proportion of households reporting this asset. However, there was an improvement in the shares of durable household goods and also financial investment in Maharashtra and Gujarat.

On the basis of available data on the value of assets of the 'poor' households at these two points of time, it is not possible to guage the degree of deterioration or otherwise in their position during the ten-year period. But the fact that there was nearly a three-fold increase over the period in the number of households without any of the enumerated assets and also that about 27 lakhs of them did not have any household article worth rupees ten in 1971 as against 12 lakhs without any household article worth more than rupees five in the year 1961 reveals the extent of poverty among these households. Another point worth mentioning in this respect is that about 41 lakhs of households did not have a shelter of their own in 1971 as against 23 lakhs in 1961.

SECTION IV

Conclusions

Changes in the asset holdings of the rural households over the 10-year period could not be correctly measured as the adjustment in the values of assets in 1971 was rendered difficult for want of suitable price indices for different items of assets. Also the pattern of assets would generally be influenced by the pattern of income and expenditure during the 10-year period. However, these data have not been collected for the intervening period between 1961-62 and 1971-72. Further, cash held by the rural households is not known as these data also were not collected in both surveys. Subject to these limitations the following conclusions may be drawn.

(1) Partly due to land reforms introduced in several States and partly on account of "Bhoodan Movement," there was an increase in land owning cultivators in most of the States, notably in Kerala, Bihar, Punjab, Tamil Nadu and West Bengal. Apart from the general rise in price level, the value of asset, 'land,' got enhanced to the extent of increased application of inputs like irrigation, fertilisers, pesticides, high yielding varieties of seeds, etc., which contributed towards increased productivity. Both these factors were mainly responsible for the increase in land values and nearly two-thirds of increase in the value of total assets was accounted for by land in Punjab, Uttar Pradesh, Madhya Pradesh, Bihar, Maharashtra, Rajasthan and Andhra Pradesh.

(2) The growth in non-cultivator households by 16.3 per cent between 1961 and 1971 was much faster than that of 10.6 per cent in the case of cultivator households. Increase in the number of agricultural labourers by 14 per cent was somewhat less than the growth rate of non-cultivator households. In Gujarat, Karnataka, Tamil Nadu and West Bengal the increase in agricultural labour households ranged between 43 per cent and 84 per cent. This would indicate either the loss of ownership of land for very small and marginal farmers who were compelled to sell their land or the new rural households turned into agricultural labourers in the absence of other avenues of employment.

(3) Despite the increase in the proportion of households reporting the asset 'land', the proportion of households reporting complementary productive assets like livestock and implements and machinery declined over the period particularly so in States like West Bengal, Bihar and Kerala wherein small sized holdings predominated. However, the small increase in the share of farm business implements in the total assets would suggest that bigger cultivators had invested more in mechanised implements like tractors or pumpsets.

(4) The number of cultivator households who did not have any of the household articles on the basis of minimum value (Rs. 5 in 1961 and Rs. 10 in 1971) increased from 7.5 lakhs in 1961 to well over 21 lakhs in 1971. Perhaps, these are the households with very small acreage under cultivation and following the traditional mode of cultivation like those in Orissa or Madhya Pradesh. During the ten-year period, the number of cultivator households who can be classified as 'poor' increased by about 22 lakhs to 103 lakhs.

(5) As a result of the growth of co-operative institutions, opening of commercial bank branches in rural areas and greater governmental efforts to attract small savings, investments of cultivators in financial assets showed a substantial increase. Consequently, the share of cultivators in the total value of these assets held by all rural households improved from 63.2 per cent in 1961 to 68.6 per cent in 1971.

(6) It was observed that the growth in the non-cultivator households was faster than that of cultivator households during the period and this increase was more in the category of agricultural labourers, particularly in the States of Gujarat, Andhra Pradesh, Karnataka, West Bengal and Tamil Nadu. However, in the absence of comparative data on average value of assets it is not possible to say whether this increase in their number has resulted in deterioration of their economic condition. But, the foregoing discussion brings out the following facts. (a) The number of houseless agricultural labour households increased from 10.5 lakhs in 1961 to 13.2 lakhs in 1971. As the data for the year 1961 include those having house sites also the increase in the number of houseless households would not be that much larger. (b) The number of agricultural labour households without any household article (worth Rs. 5 in 1961 and Rs. 10 in 1971) nearly doubled from 5.9 lakhs in 1961 to 11.0 lakhs in 1971. The in crease in their number was quite large in States like West Bengal Assam, Orissa, Kerala and Uttar Pradesh. (c) During the decade, a sharp decline in the proportion of those owning farm and non-farm implements was noticed. On the other hand, some improvement was observed in the percentage of those having transport equipment, particularly in the States of Maharashtra and Punjab. (d) As a result of positive measures taken by State Governments to encourage them to take up to rearing of livestock, in many States improvement in the percentage of those having this asset was noticed. But judging from the small share of this asset in the total assets of these people, it could be said that they opted for low priced animals like sheep rather than milch cattle.

(7) The number of poor rural households[13] increased by 64 lakhs during the decade to 2.71 crores in 1971. Nearly 27 lakhs of them did not have any household article worth Rs. 10 in 1971, as against 12 lakhs without any article worth Rs. 5 in 1961.

[13] With assets of less than Rs. 1,000/- in 1961 and Rs. 2,500/- in the year 1971.

(8) The number of houseless 'poor' households increased from 23 lakhs in 1961 to 41 lakhs in 1971. The position of these 'poor' people was more acute in States like Orissa, Assam, Karnataka, Andhra Pradesh and Kerala as these people could not find any employment during off season due to lack of development of industrial complexes or slower growth of new agricultural technology.

(9) The gap between the asset level of cultivators and non-cultivators which was already substantial in 1961, widened further in 1971. Thus, out of six States wherein the inequality among the rural households relatively increased during the period, it was more due to wider inequality among non-cultivators in Punjab, Gujarat and West Bengal. On the other hand, in five other States viz., Uttar Pradesh, Tamil Nadu, Bihar, Andhra Pradesh and Kerala, the decline in the co-efficient of concentration was, perhaps, due to benefits accrued to small cultivators from the availability of farm inputs coupled with benefits derived from private irrigation facilities secured through institutional credit and electric power supply.

(10) To recapitulate, while a comparatively more equitable distribution of assets was noticed in the case of cultivator households in many States, the inequality among all rural households widened further. This may be because that while ceiling on ownership of land and transfer of ownership to tenants reduced the possibilities of concentration of assets among the small proportion of cultivator households, existence of a larger proportion of non-cultivator households particularly among the category of agricultural labourers with productive assets of negligible value and with uncertain prospects of rural employment, was a major bottleneck in attaining visible reduction in the unequal distribution of assets among rural households.

The solution seems to be an integrated village development plan for bridging the gap between the two sectors viz., the cultivators and non-cultivators of the rural economy. Simultaneously with attempts to improve the productivity of land, diversification of economic activity in the villages by providing sufficient employment opportunities to agricultural labourers, should be encouraged. Small agro-based industries, workshops for maintenance of implements and machinery, house building activity, village road construction, etc., are other schemes which could provide adequate employment to rural people during the off season.

TABLE 1—COMPOSITION OF RURAL HOUSEHOLDS, 1961-1971

States	No. of Rural Households 1961 in (000's)	No. of Rural Households 1971 in (000's)	No. of Rural Households % increase or decrease(—) in 1971 over 1961	Cultivator households as % of rural households in 1961	Cultivator households as % of rural households in 1971	% increase or decrease(—) in cultivator households in 1971 over 1961	Non-cultivator households as % of rural households in 1961	Non-cultivator households as % of rural households in 1971	% increase or decrease(—) in non-cultivator households in 1971 over 1961	Agricultural labourers as % of non-cultivators in 1961	Agricultural labourers as % of non-cultivators in 1971	% increase or decrease(—) in agricultural labourers in 1971 over 1961	Agricultural labourers as % of rural households in 1961	Agricultural labourers as % of rural households in 1971
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Kerala	2503	2604	4.0	80.5	89.7	16.0	19.5	10.3	—45.2	46.4	37.3	—55.9	9.1	3.8
2. Assam*	2043	1937	—5.2	75.4	81.6	—2.6	24.6	18.4	—29.0	40.8	35.0	—39.0	10.0	5.9
3. Orissa	3347	3672	9.7	71.1	77.2	19.1	28.9	22.8	—13.3	67.2	55.6	—31.4	19.4	12.1
4. Madhya Pradesh ..	5628	5915	5.1	78.6	82.0	9.6	21.4	18.0	—11.4	70.1	57.3	—27.6	15.0	10.3
5. Jammu & Kashmir	532	558	4.9	91.2	93.9	8.0	8.8	6.1	—27.7	6.4	11.8	33.3	0.6	0.7
6. Bihar	7639	8630	13.0	78.2	80.4	19.9	21.8	19.6	1.3	58.8	68.2	17.5	12.8	13.4
7. Maharashtra ..	5520	5994	8.6	68.2	68.6	9.3	31.8	31.4	7.1	69.7	63.1	—3.0	22.2	19.8
8. Rajasthan ..	3134	3131	—0.1	86.7	86.8	Neg.	13.3	13.2	—1.0	39.1	24.9	—36.8	5.2	3.3
9. West Bengal ..	4923	6081	23.5	67.0	65.8	21.3	33.0	34.2	28.1	45.6	50.8	42.8	15.1	17.4
10. Uttar Pradesh ..	12099	13709	13.3	80.0	77.8	10.1	20.0	22.2	25.9	39.5	36.5	16.4	7.9	8.1
11. Andhra Pradesh ..	6254	6690	7.0	65.4	61.6	0.8	34.6	38.4	18.7	66.3	60.2	8.0	22.9	23.1
12. Gujarat	2826	3774	33.5	67.8	64.0	26.1	32.2	36.0	49.3	41.2	50.7	84.0	13.3	18.3
13. Karnataka ..	3374	4174	23.7	73.3	68.7	16.0	26.7	31.3	44.8	66.8	78.0	33.8	17.8	19.3
14. Tamil Nadu ..	5431	6433	18.4	63.0	55.4	4.0	37.0	44.6	43.0	50.0	59.8	70.9	18.5	26.6
15. Punjab**	2760	2609	—5.5	58.9	49.9	—19.9	41.1	50.1	15.3	38.2	42.5	—7.6	15.7	15.3
All-India	**68639**	**77035**	**12.2**	**73.4**	**72.4**	**10.8**	**26.6**	**27.6**	**16.3**	**53.9**	**53.9**	**14.1**	**14.4**	**14.6**

* Inclusive of Meghalaya.
** Inclusive of Haryana.

TABLE 2—PERCENTAGE DISTRIBUTION OF CULTIVATOR HOUSEHOLDS ACCORDING TO SIZE OF LAND OWNED

(Per cent)

States	Nil		Less than 1 acre		1 to 5 acres		5 to 10 acres		10 to 25 acres		25 to 50 acres		50 acres and above		Total	
	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971
1. Andhra Pradesh ..	10.8	0.6	17.3	21.0	39.9	47.5	15.8	16.7	12.2	10.9	2.9	2.7	0.1	0.6	100.0	100.0
2. Assam* ..	17.4	10.8	11.4	16.1	50.4	57.5	14.4	12.5	5.8	3.1	0.6	Neg.	Neg.	—	100.0	100.0
3. Bihar ...	12.9	0.6	26.3	38.8	40.8	44.6	11.7	10.8	6.7	4.7	1.2	0.4	0.4	0.1	100.0	100.0
4. Gujarat ..	4.4	1.2	5.3	7.2	34.3	42.6	21.3	21.7	23.6	20.5	9.0	6.1	2.0	0.8	100.0	100.0
5. Jammu & Kashmir ..	8.6	0.4	15.4	18.5	54.6	67.3	16.2	11.1	5.0	2.7	0.2	—	Neg	—	100.0	100.0
6. Kerala ..	16.0	4.0	46.8	65.5	30.0	25.4	5.1	3.6	1.6	1.2	0.5	0.1	0.1	0.1	100.0	100.0
7. Madhya Pradesh ..	10.3	2.6	5.0	12.0	30.1	35.5	22.4	24.7	24.1	19.6	5.9	4.7	2.2	0.9	100.0	100.0
8. Tamil Nadu ..	14.0	2.5	16.4	28.5	48.3	51.2	13.7	12.7	6.4	4.5	1.1	0.6	0.1	Neg.	100.0	100.0
9. Maharashtra	9.4	1.7	5.2	8.3	30.3	36.8	20.8	23.7	23.5	21.6	8.0	6.6	2.8	1.3	100.0	100.0
10. Karnataka ..	12.0	2.5	3.9	9.3	35.6	43.3	22.5	23.0	18.8	17.0	5.2	3.8	2.0	1.1	100.0	100.0
11. Orissa ..	3.1	2.8	14.4	23.0	50.6	54.3	18.2	13.5	11.5	5.7	1.7	0.6	0.5	0.1	100.0	100.0
12. Punjab@ ..	16.3	1.3	6.3	12.3	27.9	32.3	20.7	26.7	21.0	22.3	5.7	4.5	2.1	0.6	100.0	100.0
13. Rajasthan ..	99.7	1.2	—	7.7	0.2	32.5	0.1	24.0	Neg.	23.5	—	7.6	—	3.5	100.0	100.0
14. Uttar Pradesh	61.3	0.7	13.3	26.8	17.5	51.4	5.0	14.4	2.3	6.1	0.6	0.6	Neg.	Neg.	100.0	100.0
15. West Bengal ..	16.2	2.5	25.2	36.8	42.0	46.5	11.0	10.7	5.2	3.5	0.4	Neg.	—	—	100.0	100.0
All-India ..	**26.1**	**1.9**	**14.4**	**24.0**	**32.6**	**44.8**	**13.2**	**16.2**	**10.3**	**10.3**	**2.6**	**2.3**	**0.8**	**0.5**	**100.0**	**100.0**

* Including Meghalaya. @ Including Haryana.

TABLE 3—CULTIVATORS : PATTERN OF ASSET HOLDING, 1961 AND 1971 — ALL INDIA

(Per cent)

Assets	1961 Proportion of house-holds reporting	1961 Estimated No. of reporting households (000')	1971 Proportion of house-holds reporting	1971 Estimated No. of reporting households (000')	Percentage share in the total value of all assets 1961	Percentage share in the total value of all assets 1971	Percentage share in the value of assets held by all rural households 1961	Percentage share in the value of assets held by all rural households 1971	Contribution of individual asset to rise in the total assets
	1	2	3	4	5	6	7	8	9
Land	73.85 21.66*	37182 10905*	93.71	52262	63.3	68.6	95.1	97.0	72.3
Buildings & House sites ..	98.86	49774	98.42 9.06@	54839 5053@	18.8	16.5 0.4	84.2	85.9	15.4
Livestock	89.25	44936	87.63	48793	7.7	6.5	94.9	93.9	5.7
Farm implements ..	95.08	47871	87.31	48693					
Non-farm implements ..	19.18	9657	6.49	3619	2.7	2.7	89.8	92.8	2.8
Transport equipments ..	31.41	15814	29.99	16725					
Durable household assets ..	98.50	49593	96.17	53550	5.6	4.2	84.4	84.1	3.1
Financial Assets :	25.76	12970	—	—	0.5	0.8	63.2	68.6	1.0
Shares	..	..	17.69	9849	..	0.2	..	92.7	..
Deposits	..	..	6.28	3541	..	0.6	..	64.3	..
Dues receivable :	..	..	..	..	1.4	0.3	82.1	75.1	— 0.3
Cash	9.79	4929	3.60	1985	1.3	0.3	81.7	76.4	— 0.3
Kind	1.28	644	0.93	519	0.1	—	92.6	89.7	—
Total Assets	**99.99**	**50343 (50348)**	**99.98**	**55759 (55770)**	**100.0**	**100.0**	**91.6**	**93.6**	**100.0**

Note : (1) Figures in brackets indicate total number of cultivator households.
(2) Data for 1961 & 1971 relate to end-December & end-June, respectively.

.. = Not available. — = Nil/Negligible.
* Figures for land under special rights.
@ Figures for vacant house sites.

TABLE 4—LAND : PROPORTION OF HOUSEHOLDS REPORTING AND ITS SHARE IN THE TOTAL ASSETS

(Per cent)

States	Cultivator Households						Agricultural Labour Households						Average Value of Land per Acre (In Rs.)		Percentage Increase in 1971 over 1961 (Col 14 over Col 13)
	Proportion of Households reporting			Percentage share in the total assets			Proportion of Households reporting			Percentage share in the total assets					
	1961		1971	1961		1971	1961		1971	1961		1971	1961	1971	
	Land owned	Land under special rights		Land owned	Land under special rights		Land owned	Land under special rights		Land owned	Land under special rights				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Bihar	87.1	0.2	93.2	73.6	0.1	75.5	13.9	0.2	4.5	27.3	0.4	8.5	1392	4290	208.2
2. Tamil Nadu	85.9	0.1	89.7	70.9	Neg.	69.7	10.7	—	2.8	34.1	—	10.3	1499	2509	67.4
3. Andhra Pradesh ..	89.1	3.8	95.3	69.6	0.4	70.7	20.5	1.1	7.0	38.9	0.8	24.9	935	1599	71.0
4. Maharashtra	90.7	1.7	96.8	69.8	0.1	73.3	11.6	—	4.6	35.5	—	27.6	460	1287	179.8
5. Kerala	83.9	2.2	95.7	68.0	0.9	63.9	8.0	1.2	3.4	23.7	0.4	7.1	2448	6555	167.8
6. Karnataka	87.9	5.0	93.6	66.5	1.7	67.3	34.5	1.6	14.2	59.2	1.6	42.3	673	1236	83.9
7. West Bengal	83.9	0.1	91.2	66.9	Neg.	64.4	9.4	—	2.8	21.2	—	4.9	1219	2753	125.8
8. Orissa	97.0	0.2	93.1	62.9	Neg.	68.0	10.8	—	9.7	19.2	—	19.5	552	1515	174.5
9. Punjab	83.5	1.2	90.3	60.2	Neg.	76.1	6.4	0.6	2.2	11.5	0.1	10.1	997	6291@	531.0
10. Gujarat	95.6	1.4	98.2	57.7	0.1	61.5	3.9	—	2.2	7.1	—	4.1	483	1324	174.1
11. Uttar Pradesh	38.6	80.2	94.0	25.6	30.2	68.3	2.5	6.4	7.7	2.6	8.6	15.8	2515	3277	30.3
12. Assam*	82.6	1.3	87.9	54.9	0.5	61.4	17.6	—	6.4	21.3	—	15.5	573	1830	219.4
13. Madhya Pradesh ..	89.7	0.1	94.6	54.8	Neg.	66.2	11.4	—	5.8	22.0	—	16.2	276	1035	275.0
14. Jammu & Kashmir ..	91.3	25.5	98.3	46.4	8.1	56.1	37.5	4.2	10.3	12.0	0.5	18.0	1095	3128	185.7
15. Rajasthan	0.3	93.6	94.5	0.2	44.5	57.8	—	17.7	7.2	—	21.2	26.4	610	685	12.3
All India	**73.9**	**21.7**	**93.7**	**55.7**	**7.7**	**68.6**	**12.6**	**1.2**	**5.5**	**27.2**	**2.0**	**17.1**	**873**	**2006**	**129.8**

Note : States have been arranged in the descending order of the share of land in the total assets of the cultivator households in the year 1961.

@ Figure relates to erstwhile Punjab State only; otherwise data for Punjab include data for Haryana also.

* Including Meghalaya.

TABLE 5—LIVESTOCK : PROPORTION OF HOUSEHOLDS REPORTING AND ITS SHARE IN THE TOTAL ASSETS

(Per cent)

States	Cultivator Households				Agricultural Labour Households			
	Proportion of Households Reporting		Percentage Share in the Total Assets		Proportion of Households Reporting		Percentage Share in the Total Assets	
	1961	1971	1961	1971	1961	1971	1961	1971
1. Bihar	87.2	84.8	4.5	4.2	44.2	52.2	6.9	13.0
2. Tamil Nadu	80.4	81.3	4.6	4.4	27.6	34.8	6.7	7.1
3. Andhra Pradesh	84.0	83.1	6.3	6.7	37.1	36.7	7.0	11.0
4. Maharashtra	86.0	85.3	8.2	6.0	49.4	46.6	12.2	10.7
5. Kerala	72.3	71.7	1.5	1.2	48.7	44.2	6.6	4.2
6. Karnataka	90.6	88.3	6.5	6.9	44.9	42.2	4.6	8.0
7. West Bengal	89.3	85.5	5.9	5.1	54.4	38.4	8.3	7.7
8. Orissa	93.8	87.5	7.5	5.8	46.6	39.1	5.2	6.0
9. Punjab*	97.4	98.2	7.9	5.2	74.7	83.1	14.7	19.7
10. Gujarat	92.2	90.4	10.1	8.9	41.6	50.6	17.6	12.5
11. Uttar Pradesh	92.7	92.5	7.7	6.4	53.1	53.6	11.5	13.9
12. Assam@	95.4	93.0	11.8	8.2	60.6	62.4	8.8	13.8
13. Madhya Pradesh	92.1	89.3	14.1	10.2	42.0	47.8	12.8	16.2
14. Jammu & Kashmir	95.6	96.3	11.8	11.1	70.8	69.8	21.3	11.9
15. Rajasthan	95.2	94.3	16.5	13.3	57.9	63.9	19.2	15.5
All India	**89.3**	**87.6**	**7.7**	**6.5**	**45.7**	**45.7**	**9.6**	**12.3**

Including Haryana. @ Including Meghalaya.

TABLE 6 — IMPLEMENTS AND MACHINERY : PROPORTION OF HOUSEHOLDS REPORTING AND ITS SHARE IN THE TOTAL ASSETS — CULTIVATOR HOUSEHOLDS

(Per cent)

States	Proportion of Households Reporting						Percentage Share in the total assets@						Implements and Machinery as Percentage of Total Assets	
	Farm business		Non-farm business		Transport equipment		Farm business		Non-farm business		Transport equipment			
	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Bihar	96.9	82.6	16.7	7.3	18.1	15.4	0.5	0.7	0.2	0.3	0.4	0.3	1.1	1.2
2. Tamil Nadu	92.6	85.4	9.4	4.8	21.0	22.4	1.9	2.9	0.2	0.2	0.8	1.1	2.9	4.3
3. Andhra Pradesh	90.8	80.5	22.9	6.1	32.8	31.2	0.9	1.7	0.3	0.1	0.8	1.1	2.1	2.9
4. Maharashtra	95.8	91.9	8.9	7.1	41.5	35.9	1.7	2.1	0.4	0.3	1.5	0.9	3.6	3.3
5. Kerala	86.8	44.7	23.7	9.7	5.3	4.7	0.4	0.5	0.5	0.5	0.4	0.7	1.2	1.7
6. Karnataka	95.4	91.0	11.7	4.4	31.6	29.3	1.3	1.6	0.2	0.1	0.9	0.9	2.4	2.8
7. West Bengal	89.0	81.5	23.7	6.6	30.0	28.2	0.5	0.9	0.3	0.2	0.8	0.8	1.7	1.9
8. Orissa	95.2	90.4	16.4	6.4	30.6	23.3	0.6	0.6	0.3	0.1	1.5	0.7	2.4	1.4
9. Punjab*	97.3	96.2	44.7	4.2	47.0	56.5	1.9	3.1	0.2	0.1	1.0	0.7	3.0	3.9
10. Gujarat	85.7	90.5	4.2	2.8	45.2	37.2	2.9	4.4	0.1	0.1	2.0	1.1	5.0	5.6
11. Uttar Pradesh	98.4	94.8	20.2	6.6	34.5	38.6	1.4	1.8	0.2	0.1	1.1	0.7	2.7	2.7
12. Assam†	98.9	88.5	56.6	11.4	22.3	25.0	0.9	0.5	0.6	0.2	1.1	1.1	2.5	1.8
13. Madhya Pradesh	98.2	93.0	6.2	5.4	45.0	44.6	1.6	1.2	0.1	0.1	2.0	1.0	3.8	2.3
14. Jammu & Kashmir	98.1	97.6	60.9	10.7	4.2	2.9	0.7	0.6	0.4	0.2	0.2	0.2	1.2	1.0
15. Rajasthan	98.1	93.6	23.7	6.3	41.6	33.6	2.4	2.0	0.2	0.1	1.8	1.1	4.4	3.1
All India	**95.1**	**87.3**	**19.2**	**6.5**	**31.4**	**30.0**	**1.3**	**1.8**	**0.2**	**0.2**	**1.1**	**0.8**	**2.7**	**2.7**

@ The total of share of each of the constituent items may not add up to the share of this asset in the total assets given in the column 14 as the data for 1971 are provisional.

* Including Haryana.

† Including Meghalaya.

TABLE 7 — IMPLEMENTS AND MACHINERY : PROPORTION OF HOUSEHOLDS REPORTING AND ITS SHARE IN THE TOTAL ASSETS–AGRICULTURAL LABOUR HOUSEHOLDS

(Per cent)

States	Proportion of Households Reporting						Percentage Share in the Total Assets@						Implements and Machinery as Percentage of Total Assets	
	Farm business		Non-farm business		Transport equipment		Farm business		Non-farm business		Transport equipment			
	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971	1961	1971
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Bihar	80.5	47.9	13.1	2.6	0.6	1.5	0.8	0.8	0.8	0.1	0.1	0.3	1.7	1.2
2. Tamil Nadu ..	64.8	45.4	7.7	1.5	1.4	2.9	0.7	1.2	0.4	0.6	0.4	0.9	1.5	4.0
3. Andhra Pradesh ..	70.6	29.1	15.9	2.7	1.9	2.2	0.5	0.4	0.7	0.2	0.3	0.4	1.5	1.5
4. Maharashtra ..	80.2	33.8	13.0	15.2	2.0	2.5	1.5	0.7	1.7	0.6	0.3	0.4	3.3	1.5
5. Kerala	71.3	17.0	10.3	1.5	2.3	0.2	2.5	0.4	0.8	0.1	0.4	—	3.7	0.5
6. Karnataka	68.6	35.2	10.7	2.7	1.3	1.8	0.6	0.6	0.4	0.1	0.2	0.2	1.2	0.9
7. West Bengal ..	45.8	19.0	14.6	0.9	3.0	1.1	0.6	0.1	0.6	—	0.8	—	2.0	1.2
8. Orissa	53.6	49.9	11.1	3.0	2.2	2.8	0.6	0.9	0.5	0.1	0.3	0.6	1.4	1.6
9. Punjab*	50.0	44.6	38.5	4.1	17.8	32.7	0.6	0.7	0.8	0.1	0.9	1.1	2.3	1.9
10. Gujarat	14.8	42.1	4.4	1.9	2.8	6.0	0.3	0.4	0.3	0.1	0.7	0.6	1.3	1.4
11. Uttar Pradesh ..	79.3	45.0	19.9	4.6	4.2	10.6	0.8	0.7	0.9	0.2	0.5	0.9	2.2	1.7
12. Assam†	44.2	24.0	20.4	5.6	10.3	3.2	0.6	0.7	0.5	0.4	1.4	0.7	2.5	1.6
13. Madhya Pradesh	74.7	42.3	7.2	3.2	2.9	4.0	1.2	0.6	0.9	0.1	0.6	0.6	2.7	1.2
14. Jammu & Kashmir	62.5	15.4	45.8	2.0	—	9.7	0.9	0.1	0.5	0.1	—	0.5	1.4	0.6
15. Rajasthan	73.7	32.9	26.3	7.5	6.7	7.1	0.8	0.5	0.8	0.2	0.3	0.5	1.9	1.3
All India	**66.8**	**38.1**	**14.1**	**4.0**	**3.1**	**4.9**	**0.7**	**0.7**	**0.7**	**0.2**	**0.4**	**0.6**	**1.8**	**1.8**

@ The total of share of each of the constituent items may not add up to the share of this asset in the total assets given in the column 14 as the data for 1971 are provisional.

* Including Haryana.

† Including Meghalaya.

TABLE 8—BUILDINGS : PROPORTION OF HOUSEHOLDS REPORTING AND ITS SHARE IN THE TOTAL ASSETS

(Per cent)

States	Cultivator Households						Agricultural Labour Households					
	Proportion of Households Reporting			Share in the Total Assets			Proportion of Households Reporting			Share in the Total Assets		
	1961	1971		1961	1971		1961	1971		1961	1971	
	Buildings and house sites	Land for house-sites	Buildings	Buildings and house sites	Land for house-sites	Buildings	Buildings and house sites	Land for house-sites	Buildings	Buildings and house sites	Land for house-sites	Buildings
1. Bihar	99.7	10.4	99.6	15.1	0.6	14.5	96.8	3.6	95.1	54.4	1.7	63.8
2. Tamil Nadu ..	97.7	8.1	97.0	14.8	0.3	14.1	85.2	2.1	83.6	45.2	0.5	53.4
3. Andhra Pradesh ..	99.0	5.9	98.9	14.8	0.2	14.2	93.2	2.0	89.0	40.8	0.5	45.9
4. Maharashtra ..	98.1	7.2	98.3	14.1	0.2	13.4	85.0	2.6	84.2	40.5	0.6	48.9
5. Kerala	96.7	1.6	97.4	20.8	0.03	25.2	63.6	0.4	40.6	39.3	0.2	46.1
6. Karnataka	96.7	9.7	96.7	16.4	0.3	17.5	80.2	3.6	71.6	28.3	0.7	35.6
7. West Bengal ..	99.5	11.5	97.7	20.3	0.8	21.7	90.8	6.8	81.9	53.4	6.7	67.3
8. Orissa	100.0	19.0	98.4	21.7	1.7	17.7	100.0	14.2	89.5	66.0	5.0	56.2
9. Punjab*	99.0	36.9	98.6	20.7	0.8	10.8	95.1	18.5	96.2	54.6	2.5	50.8
10. Gujarat	97.9	5.6	99.1	20.5	0.2	16.7	89.8	2.5	86.8	57.9	0.4	64.3
11. Uttar Pradesh ..	99.8	8.2	99.2	23.6	0.3	17.4	99.5	2.9	95.5	56.7	0.7	53.7
12. Assam@	95.4	10.6	94.7	24.1	0.8	20.6	53.3	1.6	85.6	16.9	2.1	38.7
13. Madhya Pradesh ..	99.3	2.2	98.2	19.0	0.1	15.3	87.5	0.7	82.0	46.3	0.1	48.5
14. Jammu & Kashmir	99.6	4.9	99.6	26.6	0.1	25.8	95.8	0.5	92.8	40.2	0.1	53.6
15. Rajasthan ..	99.6	10.8	99.2	20.2	0.3	17.1	96.2	3.4	81.7	43.1	0.8	35.4
All-India	**98.9**	**9.1**	**98.4**	**18.8**	**0.4**	**16.4**	**89.8**	**4.2**	**88.3**	**48.2**	**1.3**	**52.1**

* Including Haryana. @ Including Meghalaya.

TABLE 9—DURABLE HOUSEHOLD ASSETS : PROPORTION OF HOUSEHOLDS REPORTING AND ITS SHARE IN THE TOTAL ASSETS

(Per cent)

States	Cultivator Households				Agricultural Labour Households			
	Proportion of Households Reporting		Percentage Share in the Total Assets		Proportion of Households Reporting		Percentage Share in the Total Assets	
	1961	1971	1961	1971	1961	1971	1961	1971
1. Bihar	99.6	97.5	3.2	2.8	99.0	97.0	8.0	11.7
2. Tamil Nadu	96.7	96.2	4.5	5.4	84.5	89.3	10.3	18.4
3. Andhra Pradesh	93.5	94.3	4.3	4.1	85.9	89.3	8.8	14.3
4. Maharashtra	99.9	97.9	3.1	2.6	98.6	95.1	7.6	10.5
5. Kerala	96.5	89.4	5.3	5.0	81.6	71.1	20.9	16.7
6. Karnataka	98.2	94.4	3.9	3.9	89.6	85.5	4.4	9.5
7. West Bengal	99.7	90.6	4.1	4.1	97.1	74.1	8.9	9.7
8. Orissa	98.8	89.5	5.1	4.5	93.4	79.9	8.2	10.7
9. Punjab*	100.0	99.5	5.1	2.3	99.7	99.8	15.1	13.2
10. Gujarat	99.8	99.4	5.2	5.1	97.7	92.2	14.2	16.2
11. Uttar Pradesh	99.9	98.6	8.9	4.2	100.0	96.0	18.0	12.7
12. Assam@	97.0	94.8	4.2	5.0	95.2	85.6	6.2	13.7
13. Madhya Pradesh	97.3	97.7	7.0	5.4	98.0	97.0	16.1	16.9
14. Jammu & Kashmir	99.4	99.2	5.6	4.9	95.8	94.6	24.1	15.5
15. Rajasthan	99.9	99.0	10.5	7.4	100.0	90.4	13.8	19.5
All-India	**98.5** (755)	**96.2** (2119)	**5.6**	**4.1**	**94.0** (592)	**90.2** (1102)	**10.5**	**13.4**

* Including Haryana.   @ Including Meghalaya.   Figures within brackets are the number of households (in thousands) who did not have this asset.

TABLE 10—PROPORTION OF HOUSEHOLDS REPORTING AND AVERAGE VALUE OF FINANCIAL ASSETS OF CULTIVATORS, 1961-71

Types of Financial Assets	Proportion of households reporting (per cent)		Average value per household (Rs.)	
	1961	1971	1961	1971
1. National Plan Savings Certificates ..	1.7	0.5	2.5	2.2
2. Treasury Savings Deposit Certificates and Prize Bonds	1.4	0.04	0.6	0.1
3. Government Securities	—	0.1	0.3	0.6
4. Cash Certificates of commercial banks	—	0.03	—	2.2
5. Shares in co-operative societies and co-operative banks	23.2	17.6	10.7	21.8
6. Debentures of land mortgage banks	0.1	—	0.1	—
7. Shares and debentures of companies	0.1	0.1	1.0	0.7
8. Deposits in Post Office Savings banks	0.9	2.0	7.1	12.5
9. Deposits in co-operative societies and co-operative banks	1.4	0.5	1.7	2.4
10. Deposits in commercial banks ..	0.2	0.6	5.4	18.8
11. Deposits with private moneylenders or individuals	—	0.6	0.7	4.5
12. Others	1.1	0.4	6.2	4.0
13. Annuity Deposits		0.03		0.1
14. Deposits with non-banking companies		0.03		1.2
15. Provident Fund		1.7		23.8
16. Insurance Premium		1.2		16.7
17. Unit Trust		0.01		0.1
18. Bank (Shares)		0.1		0.7
TOTAL	**25.8**	**17.7@ 6.4†**	**36.2**	**118.4**

@Relates to Shareholders. †Relates to Depositors.

TABLE 11—FINANCIAL ASSETS : PROPORTION OF HOUSEHOLDS REPORTING AND ITS SHARE IN THE TOTAL ASSETS

(Per cent)

States	Cultivator Households						Agricultural Labour Households					
	Proportion of Households Reporting			Percentage Share in the Total Assets			Proportion of Households Reporting			Percentage Share in the Total Assets		
	1961	1971		1961	1971		1961	1971		1961	1971	
	Total financial assets	Shares	Deposits	Total financial assets	Shares	Deposits	Total financial assets	Shares	Deposits	Total financial assets	Shares	Deposits
1. Bihar	10.0	9.5	3.2	0.2	Neg.	0.8	1.2	0.3	0.4	0.8	Neg.	0.1
2. Tamil Nadu ..	33.9	18.0	6.2	0.5	0.2	0.7	8.2	1.5	1.4	0.2	0.1	1.2
3. Andhra Pradesh	19.9	8.2	2.3	0.3	0.1	0.4	6.5	2.3	0.3	0.3	Neg.	0.2
4. Maharashtra ..	47.5	41.7	13.4	0.9	0.6	0.3	4.7	2.5	1.1	0.5	0.1	0.3
5. Kerala	26.9	24.9	16.0	0.9	0.2	2.3	8.4	4.7	13.5	2.5	0.1	24.6
6. Karnataka	31.4	25.4	6.5	0.7	0.2	0.7	9.6	4.0	1.1	0.2	0.1	0.5
7. West Bengal ..	11.5	7.7	8.7	0.6	0.1	1.7	6.7	0.3	0.3	5.0	Neg.	2.7
8. Orissa	9.6	11.3	3.8	0.2	0.1	0.5	0.7	1.5	2.0	Neg.	Neg.	0.5
9. Punjab*	40.3	41.5	13.0	0.6	0.1	0.4	24.7	19.6	3.2	1.0	0.3	0.7
10. Gujarat	40.8	39.5	6.8	1.1	0.6	0.5	4.2	4.2	0.2	1.0	0.1	0.2
11. Uttar Pradesh ..	33.2	14.9	4.3	0.5	0.1	0.4	9.9	1.0	0.4	0.2	Neg.	0.2
12. Assam@	17.7	3.4	15.5	1.2	Neg	1.7	49.8	0.8	14.4	44.3	Neg.	12.9
13. Madhya Pradesh ..	20.0	12.7	2.8	0.6	0.1	0.2	1.1	1.0	0.4	Neg.	Neg.	0.4
14. Jammu & Kashmir	37.4	31.0	4.7	0.2	0.1	0.5	37.5	2.3	3.9	0.3	Neg.	0.7
15. Rajasthan	22.7	15.8	4.4	0.4	0.1	0.4	4.3	3.5	1.1	Neg.	Neg.	0.1
All-India	25.8	17.7	6.3	0.5	0.2	0.6	7.3	2.7	1.1	1.8	0.1	0.8

* Including Haryana. @ Including Meghalaya.

TABLE 12—PROPORTION OF CULTIVATOR HOUSEHOLDS REPORTING SHARES IN CO-OPERATIVES AND OTHER BANKS

(Per cent)

States	1961	1971	
		Co-operatives	Other Banks
1. Andhra Pradesh	18.4	8.1	0.2
2. Assam*	10.4	3.4	Neg.
3. Bihar	9.0	9.5	0.2
4. Gujarat	36.5	39.5	0.3
5. Jammu & Kashmir	36.7	31.0	—
6. Kerala	22.9	24.8	0.2
7. Madhya Pradesh	19.7	12.7	Neg.
8. Tamil Nadu	26.6	17.8	0.3
9. Maharashtra	42.7	41.7	0.1
10. Karnataka	30.5	25.4	0.3
11. Orissa	8.9	11.3	Neg.
12. Punjab@	35.7	41.4	0.2
13. Rajasthan	20.3	15.8	—
14. Uttar Pradesh	31.7	14.9	0.1
15. West Bengal	8.3	7.5	0.1
All India	**23.2**	**17.6**	**0.1**

* Including Meghalaya.
@ Including Haryana.

TABLE 13—DUES RECEIVABLE : PROPORTION OF HOUSEHOLDS REPORTING AND ITS SHARE IN THE TOTAL ASSETS

(Per cent)

States	Cultivator Households								Agricultural Labour Households					
	Proportion of households reporting.				Percentage share in the total assets				Proportion of households reporting			Percentage share in the total assets		
	Cash		Kind		Cash		Kind		1961	1971		1961	1971	
	1961	1971	1961	1971	1961	1971	1961	1971	Cash & Kind	Cash	Kind	Cash & Kind	Cash	Kind
1. Bihar	14.5	4.0	1.1	1.3	1.9	0.3	—	—	1.4	0.3	0.1	0.5	0.1	0.1
2. Tamil Nadu	17.6	7.2	1.0	0.2	1.8	1.0	—	—	3.7	3.1	—	2.0	2.4	—
3. Andhra Pradesh	11.6	4.9	1.0	0.8	2.2	0.7	0.1	—	4.3	2.0	0.5	1.9	0.9	0.1
4. Maharashtra	2.7	1.9	0.6	0.4	0.2	0.1	—	—	1.7	0.5	0.4	0.5	0.2	0.1
5. Kerala	17.3	4.1	1.0	0.1	1.3	0.5	0.1	—	5.0	1.0	—	2.5	0.2	—
6. Karnataka	11.6	3.8	1.7	1.1	1.8	0.3	0.1	—	2.6	1.5	0.3	0.5	0.5	0.1
7. West Bengal	3.9	1.8	0.9	1.0	0.4	0.1	—	—	2.0	0.1	—	1.2	0.1	—
8. Orissa	1.0	2.4	0.6	2.5	0.1	0.2	0.1	0.1	0.4	0.3	0.4	—	0.4	—
9. Punjab*	21.9	6.2	1.6	1.4	2.5	0.3	—	—	4.5	3.1	0.2	0.8	0.2	Neg.
10. Gujarat	3.0	2.2	0.1	0.3	0.3	0.2	—	—	1.2	0.8	—	0.9	0.9	—
11. Uttar Pradesh	8.8	2.9	1.3	0.7	0.7	0.2	0.1	—	0.9	0.2	0.2	0.2	0.1	0.1
12. Assam@	8.3	3.3	1.2	2.1	0.7	0.3	—	0.1	0.8	2.4	3.2	Neg.	0.4	1.1
13. Madhya Pradesh	5.7	2.4	2.4	1.1	0.6	0.2	0.1	—	0.5	0.6	0.6	Neg.	0.1	0.1
14. Jammu & Kashmir	1.0	2.5	0.2	0.6	0.1	0.2	—	—	—	0.3	0.6	—	Neg.	—
15. Rajasthan	13.7	4.7	3.1	1.0	3.1	1.0	0.2	—	5.3	1.3	1.4	0.7	1.2	0.1
All India	**9.8**	**3.6**	**1.3**	**0.9**	**1.3**	**0.3**	**0.1**	**—**	**2.3**	**1.3**	**0.3**	**0.9**	**0.6**	**0.1**

* Incuding Haryana. @ Including Meghalaya.

TABLE 14—CO-EFFICIENT OF CONCENTRATION OF ASSETS AMONG CULTIVATORS AND ALL RURAL HOUSEHOLDS

States	Cultivators		All Households	
	1961	1971	1961	1971
1. Jammu & Kashmir ..	0.4659	0.4235	0.4810	0.4390
2. Assam	0.4957	0.5042	0.5514	0.5560
3. Rajasthan	0.4975	0.5293	0.5320	0.5588
4. Orissa	0.5042	0.5392	0.5768	0.5976
5. Haryana	..	0.4849	..	0.6291
Punjab	0.5274	0.4818	0.6332	0.6831
6. Gujarat	0.5295	0.5268	0.6178	0.6342
7. Madhya Pradesh	0.5349	0.5339	0.5966	0.5890
8. Uttar Pradesh	0.5601	0.5356	0.6040	0.5922
9. Maharashtra	0.5635	0.5480	0.6576	0.6488
10. West Bengal	0.5806	0.5611	0.6558	0.6600
11. Karnataka	0.6234	0.5715	0.6675	0.6547
12. Tamil Nadu	0.6364	0.5880	0.7188	0.7113
13. Bihar	0.6547	0.6216	0.6938	0.6715
14. Andhra Pradesh	0.6676	0.6090	0.7284	0.7030
15. Kerala	0.6769	0.6352	0.7272	0.6608
All India	**0.5976**	**0.5847**	**0.6524**	**0.6551**

The States are arranged in the ascending order of co-efficient of concentration values for cultivator households in 1961.

TABLE 15—COMPOSITION OF 'POOR' RURAL HOUSEHOLDS

States	No. of 'poor' rural households (In lakhs)		'Poor' households as percentage of total no. of rural households		Percentage increase or decrease (—) in the no. of households in 1971 over 1961	Percentage of cultivator households in the group of 'poor' households		Percentage increase or decrease (—) in the total no. of rural households in 1971 over 1961	Percentage increase or decrease (—) in the total no. of non-cultivator households in 1971 over 1961	Percentage increase or decrease (—) in the no. of agricultural labour households in 1971 over 1961	Percentage of cultivator households in the total no. of rural households in 1961
	1961	1971	1961	1971		1961	1971				
	1	2	3	4	5	6	7	8	9	10	11
1. Karnataka	8.1	15.5	24.1	37.1	90.5	35.3	32.1	23.7	44.8	33.9	73.3
2. Gujarat	6.9	11.9	24.5	31.6	72.3	19.1	16.4	33.5	49.3	84.0	67.8
3. Orissa	10.1	15.9	30.1	43.2	57.3	30.7	54.4	9.7	—13.4	—31.4	71.1
4. Tamil Nadu	22.4	34.8	41.2	54.1	55.6	33.6	27.5	18.4	43.0	70.9	63.0
5. West Bengal	19.3	28.5	39.1	47.0	48.3	39.6	37.7	23.5	28.1	42.8	67.0
6. Andhra Pradesh	24.5	32.2	39.1	48.1	31.2	35.5	31.3	7.0	18.7	8.0	65.4
7. Rajasthan	4.5	5.7	14.5	18.3	26.2	55.1	56.0	—0.1	—1.0	—36.8	86.7
8. Uttar Pradesh	26.1	32.8	21.6	24.0	25.7	43.2	37.0	13.3	25.9	16.4	80.0
9. Bihar	26.0	30.5	34.0	35.4	17.3	53.1	51.3	13.0	1.3	17.5	78.2
10. Assam@	6.1	7.0	29.9	35.9	13.9	48.9	56.9	—5.2	—29.0	—39.0	75.4
11. Maharashtra	19.4	21.3	35.1	35.5	9.9	27.2	24.8	8.6	7.1	—3.0	68.2
12. Madhya Pradesh	16.2	17.6	28.7	29.7	8.7	40.0	49.4	5.1	—11.4	—27.6	78.6
13. Punjab*	5.4	5.8	19.7	22.1	6.3	12.9	5.0	—5.5	15.3	—7.6	58.9
14. Jammu & Kashmir ..	0.4	0.4	7.0	6.6	—	54.1	59.5	4.9	—27.7	33.3	91.2
15. Kerala	10.2	9.0	40.9	34.7	—11.9	57.6	74.5	4.0	—45.2	—55.9	80.5
All India	**206.6**	**270.8**	**30.1**	**35.2**	**31.1**	**39.5**	**38.1**	**12.2**	**16.3**	**14.1**	**73.4**

Note : States have been arranged in the descending order of percentage increase in the no. of 'poor' rural households in 1971 over 1961. @ Including Meghalaya. * Including Haryana.

TABLE 16—PROPORTION OF 'POOR' HOUSEHOLDS REPORTING ASSETS IN 1961 AND 1971

(Per cent)

States	1961		1971	
	Proportion of households reporting assets (per cent)	No. of households without any asset (in thousands)	Proportion of households reporting assets (per cent)	No. of households without any asset (in thousands)
1. Andhra Pradesh	99.6	9.78	98.2	57.94
2. Assam@	99.7	1.83	99.9	0.70
3. Bihar	100.0	—	99.7	9.14
4. Gujarat	99.6	2.77	95.6	52.45
5. Jammu & Kashmir ..	100·0	—	100.0	—
6. Karnataka	97.3	21.95	97.9	32.53
7. Kerala	98.6	14.32	96.9	27.96
8. Madhya Pradesh	99.9	1.62	99.7	5.27
9. Maharashtra	99.2	15.50	99.5	10.64
10. Orissa	100.0	—	98.9	17.45
11. Punjab*	99.8	1.09	99.7	1.73
12. Rajasthan	100.0	—	99.3	4.01
13. Tamil Nadu	99.0	22.43	99.2	27.86
14. Uttar Pradesh	99.9	2.61	99.6	13.14
15. West Bengal	99.6	7.70	98.2	51.37
All India	**99.5**	**103.30**	**98.9**	**297.89**

@ Including Meghalaya. * Including Haryana.

TABLE 17—CHANGES IN THE ASSETS OF 'POOR' RURAL HOUSEHOLDS IN 1971 OVER 1961

Assets	Proportion of Households reporting (per cent)		No. of Households reporting ('000)		Share of each asset in the total assets (per cent)	
	1961	1971	1961	1971	1961	1971
1. (a) Land ..	21.8	30.5	45,04	82,60	15.1	24.5
(b) Land under special rights ..	5.7	—	11,78	—	3.1	—
2. (a) Buildings ..	88.7	84.7	1,83,25	2,28,83	46.8	43.0
(b) Vacant land for house sites ..	—	4.0	—	10,83	—	1.0
3. Livestock	50.9	49.9	1,05,16	1,35,13	14.1	12.4
4. Farm implements	66.1	44.1	1,36,56	1,46,51	1.6	1.0
5. Non-farm implements	17.9	14.1	36,98	38,18	1.5	0.9
6. Transport equipments	3.8	4.2	7,85	11,37	0.8	0.9
7. Durable household assets	93.8	90.1	1,93,79	2,43,19	14.6	13.9
8. Dues Receivable						
(a) Cash	2.7	1.3	5,58	3,79	0.7	0.3
(b) Kind	0.4	0.4	83	1,08	0.1	0.1
9. Financial assets ..	7.9	—	16,32	—	1.6	—
(a) Shares ..	—	2.9	—	8,94	—	0.1
(b) Deposits ..	—	3.4	—	10,29	—	1.9
Total Assets ..	**99.5**	**98.9**	**2,05.57 (2,06,60)**	**2,67,83 (2,70,81)**	**100.0**	**100.0**

Note : Figures within brackets are total number (in thousands) of 'poor' households.

TABLE 18—PROPORTION OF 'POOR'* RURAL HOUSEHOLDS REPORTING VARIOUS ASSETS IN 1961 and 1971 —(*Contd.*)

(Per cent)

States	1961		Land 1971	Buildings and house sites 1961	1971		Livestock		Farm implements		Non-Farm implements	
	Land	Land under special rights			Buildings	Vacant land for house sites	1961	1971	1961	1971	1961	1971
	1	2	3	4	5	6	7	8	9	10	11	12
1. Kerala	34.6	1.2	65.9	77.8	79.5	0.3	50.6	49.1	68.1	23.3	19.7	7.5
2. Jammu & Kashmir	47.4	13.2	55.6	92.1	91.9	1.3	60.5	59.5	60.5	56.8	39.5	16.2
3. Assam@	28.0	0.5	35.6	75.9	79.0	4.5	63.5	67.4	70.5	47.9	25.9	9.8
4. Rajasthan	—	45.3	49.4	92.5	86.0	3.4	60.0	63.9	74.7	55.0	29.7	14.3
5. Orissa	30.7	0.2	47.1	99.9	90.3	13.5	50.8	55.7	57.9	60.8	14.4	7.6
6. Bihar	32.6	0.1	39.5	96.2	96.0	4.2	56.3	56.0	80.3	50.9	15.9	7.2
7. Madhya Pradesh	26.8	—	38.3	85.4	84.5	0.6	53.3	53.5	74.6	56.3	8.9	10.0
8. West Bengal	20.8	0.1	29.0	92.3	83.2	5.2	57.9	48.3	51.0	35.6	19.3	5.3
9. Uttar Pradesh	5.2	32.1	27.3	98.1	89.8	2.4	56.2	55.8	76.9	49.4	22.9	17.5
10. Karnataka	22.9	1.9	27.4	71.6	70.2	4.1	51.1	55.2	63.2	43.6	16.7	9.6
11. Andhra Pradesh	28.0	3.0	29.7	92.0	88.6	2.7	43.4	42.3	66.2	35.8	22.3	9.7
12. Tamil Nadu	20.7	—	19.7	84.6	82.0	7.1	36.5	41.5	60.1	45.2	14.9	9.4
13. Maharashtra	18.0	0.8	21.2	80.6	79.7	3.2	48.6	47.5	71.3	39.8	13.5	19.5
14. Gujarat	15.2	0.4	15.1	80.8	70.9	1.7	38.4	41.6	17.8	34.4	10.8	12.0
15. Punjab**	6.3	0.9	1.4	82.5	83.2	15.4	56.2	58.9	39.4	29.8	28.9	9.4
All-India	**21.8**	**5.7**	**30.5**	**88.7**	**84.7**	**4.0**	**50.9**	**49.9**	**66.1**	**44.1**	**17.9**	**14.1**

* 1961=Assets upto Rs. 1000/-
1971=Assets upto Rs. 2500/-

@ Including Meghalaya.
** Including Haryana.

TABLE 18—PROPORTION OF 'POOR'* RURAL HOUSEHOLDS REPORTING VARIOUS ASSETS IN 1961 and 1971—(*Concld.*)

(Per cent)

States	Transport equipments		Durable household assets		Dues Receivable				Financial assets			Total	
					1961		1971		1961	1971		**1961**	**1971**
	1961	1971	1961	1971	Cash	Kind	Cash	Kind		Shares	Deposits		
	13	14	15	16	17	18	19	20	21	22	23	24	25
1. Kerala	1.7	1.3	87.6	73.0	8.9	0.4	2.0	0.1	10.5	7.8	7.8	**98.6**	**96.9**
2. Jammu & Kashmir ..	—	2.7	94.7	97.3	—	—	2.7	0.7	18.4	10.8	2.7	**100.0**	**100.0**
3. Assam@	4.8	6.9	93.1	91.8	1.6	0.2	3.5	0.9	24.4	1.4	18.7	**99.7**	**99.9**
4. Rajasthan	6.2	8.7	100.0	95.3	2.9	2.0	2.2	0.6	7.9	7.3	5.1	**100.0**	**99.3**
5. Orissa	1.8	5.7	91.9	80.3	—	—	0.8	1.1	1.5	3.8	2.2	**100.0**	**98.9**
6. Bihar	1.4	2.3	98.4	95.7	2.3	0.2	0.6	0.3	2.7	1.0	0.5	**100.0**	**99.7**
7. Madhya Pradesh ..	6.4	8.1	95.7	96.3	1.1	0.5	0.9	0.6	2.9	1.4	3.6	**99.9**	**99.7**
8. West Bengal	4.4	3.7	96.8	80.2	0.9	0.4	0.5	0.2	4.7	1.1	3.0	**99.6**	**98.2**
9. Uttar Pradesh ..	4.6	12.7	99.9	96.8	1.6	0.3	1.3	0.1	9.8	2.2	2.6	**99.9**	**99.6**
10. Karnataka	1.9	5.0	88.0	87.9	2.3	0.4	0.6	0.3	10.8	3.9	3.9	**97.3**	**97.9**
11. Andhra Pradesh ..	3.3	4.3	83.3	88.0	3.8	0.6	1.7	0.4	6.1	2.2	1.2	**99.6**	**98.2**
12. Tamil Nadu	3.2	5.4	87.7	90.6	6.0	0.9	3.2	0.2	11.7	3.7	3.9	**99.0**	**99.2**
13. Maharashtra ..	4.0	5.9	98.1	94.6	1.6	0.4	0.3	0.4	8.9	3.3	3.8	**99.2**	**99.5**
14. Gujarat	2.3	6.7	97.0	90.4	1.0	—	0.6	0.2	5.6	3.1	2.2	**99.6**	**95.6**
15. Punjab**	15.3	25.8	99.6	98.3	2.8	—	2.3	—	24.3	13.2	6.1	**99.8**	**99.7**
All-India	**3.8**	**4.2**	**93.8**	**90.1**	**2.7**	**0.4**	**1.3**	**0.4**	**7.9**	**2.9**	**3.4**	**99.5**	**98.9**

* 1961 = Assets upto Rs. 1000/-
1971 = Assets upto Rs. 2500/-

@ Including Meghalaya.
** Including Haryana.

TABLE 19 — SHARE OF EACH ASSET IN THE TOTAL ASSETS OF 'POOR'* HOUSEHOLDS —(*Contd.*)

(Per cent)

States	1961 Land	1961 Land under special rights	Land 1971	Buildings and sites 1961	1971 Buildings	1971 Vacant land for house sites	Livestock 1961	Livestock 1971	Farm Implements 1961	Farm Implements 1971	Non-Farm Implements 1961	Non-Farm Implements 1971
	1	2	3	4	5	6	7	8	9	10	11	12
1. Kerala	31.5	0.7	43.8	36.6	35.1	Neg.	5.6	2.9	1.7	0.3	2.2	0.9
2. Jammu & Kashmir	20.8	5.1	23.2	41.6	45.6	0.3	16.3	11.3	1.9	1.0	2.3	1.0
3. Assam@	17.9	0.2	26.4	33.4	30.0	1.1	16.5	17.6	2.0	1.0	1.6	0.8
4. Rajasthan	—	16.5	26.5	38.5	30.7	0.4	17.5	18.4	2.2	1.6	1.6	1.1
5. Orissa	18.4	Neg.	37.7	51.5	37.8	3.4	8.5	9.7	1.2	1.1	0.9	0.3
6. Bihar	23.2	Neg.	29.0	50.1	48.2	1.2	12.5	11.3	1.2	0.8	1.1	0.3
7. Madhya Pradesh	15.4	—	23.8	40.6	38.3	0.1	21.3	16.1	2.2	1.3	0.8	1.0
8. West Bengal	14.9	Neg.	25.5	55.1	48.6	1.4	13.7	10.8	1.4	1.1	1.1	0.8
9. Uttar Pradesh	2.2	14.7	17.9	48.0	46.9	0.6	11.7	14.9	1.4	1.1	1.4	1.2
10. Karnataka	18.3	1.0	27.9	42.8	36.8	0.8	17.0	13.8	2.4	1.3	1.7	0.8
11. Andhra Pradesh	20.4	1.5	28.0	46.4	40.9	0.5	12.0	11.7	1.4	0.7	1.9	0.9
12. Tamil Nadu	20.3	—	24.2	44.2	39.2	0.8	12.6	9.6	1.5	0.9	1.8	1.2
13. Maharashtra	15.4	0.3	18.3	44.0	46.9	0.6	20.0	12.5	2.1	1.2	2.2	1.6
14. Gujarat	8.7	0.1	11.2	49.1	49.4	0.4	16.0	10.0	1.0	1.0	2.1	1.6
15. Punjab**	2.5	0.3	0.8	53.6	52.0	3.1	15.9	19.0	1.0	0.8	1.5	0.7
All India	**15.1**	**3.1**	**24.5**	**46.8**	**43.0**	**1.0**	**14.1**	**12.4**	**1.6**	**1.0**	**1.5**	**0.9**

* 1961 = Assets upto Rs. 1,000.
1971 = Assets upto Rs. 2,500.
@ Including Mehgalaya.
** Including Haryana.

TABLE 19 — SHARE OF EACH ASSET IN THE TOTAL ASSETS OF POOR* HOUSEHOLDS —(*Concld.*)

(Per cent)

States	Transport equipments		Durable household assets		Dues receivable				Financial assets			Total	
					1961		1971		1961	1971		1961	1971
	1961	1971	1961	1971	Cash	Kind	Cash	Kind		Shares	Deposits		
	13	14	15	16	17	18	19	20	21	22	23	24	25
1. Kerala	0.3	0.1	17.5	12.5	3.0	Neg.	0.5	Neg.	0.9	0.3	3.6	100.0	100.0
2. Jammu & Kashmir ..	0.2	0.5	11.6	15.0	—	—	0.2	Neg.	0.2	0.1	1.8	100.0	100.0
3. Assam@	1.0	1.0	9.4	11.2	0.4	Neg.	0.4	0.2	17.6	0.1	10.3	100.0	100.0
4. Rajasthan	0.8	0.8	21.7	17.5	0.6	0.2	0.5	Neg.	0.4	0.2	2.3	100.0	100.0
5. Orissa	0.3	0.8	9.2	8.3	—	—	0.1	0.2	Neg.	0.1	0.5	100.0	100.0
6. Bihar	0.4	0.4	9.3	8.3	0.7	Neg.	0.1	Neg.	1.5	Neg.	0.4	100.0	100.0
7. Madhya Pradesh ..	1.2	1.0	17.8	15.9	0.2	0.1	0.2	0.1	0.4	Neg.	2.2	100.0	100.0
8. West Bengal	1.0	0.8	9.5	7.9	0.2	0.1	0.1	0.1	3.0	Neg.	2.9	100.0	100.0
9. Uttar Pradesh ..	0.6	1.2	19.1	14.5	0.4	Neg.	0.2	Neg.	0.5	0.1	1.4	100.0	100.0
10. Karnataka	0.4	1.0	14.7	15.9	0.7	0.1	0.1	0.1	0.9	0.2	1.2	100.0	100.0
11. Andhra Pradesh ..	0.6	0.7	14.2	15.2	1.3	0.1	0.6	0.1	0.2	0.1	0.6	100.0	100.0
12. Tamil Nadu	1.1	1.1	15.3	19.0	2.2	0.2	1.3	0.1	0.8	0.2	2.4	100.0	100.0
13. Maharashtra ..	1.1	0.8	13.3	15.2	0.4	Neg.	0.2	0.1	1.2	0.3	2.3	100.0	100.0
14. Gujarat	0.5	1.0	21.3	21.9	0.3	—	0.2	Neg.	0.9	0.1	3.1	100.0	100.0
15. Punjab**	1.7	2.0	20.2	19.3	0.6	—	0.3	—	2.7	0.4	1.6	100.0	100.0
All India	0.8	0.9	14.6	13.9	0.7	0.1	0.3	0.1	1.6	0.1	1.9	100.0	100.0

* 1961 = Assets upto Rs. 1000.
1971 = Assets upto Rs. 2500.
@ Including Meghalaya.
** Including Haryana.

DEMAND FOR MONEY IN INDIA—A SURVEY OF LITERATURE

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Introduction

1. Interest among professional economists in India in the demand for money has been of a comparatively recent origin. This is reflected in the fact that there are hardly a score and five published contributions on the subject from Indian economists. No foreign economist had made an attempt to study the demand for money exclusively with reference to the Indian economy. Besides, there are no officially sponsored published studies, barring an article by Divatia and Venkatachalam [6] on the subject, either in the Government of India/Planning Commission or within the Reserve Bank of India.

2. In this survey, the various writings which have so far appeared on the demand for money in India have been reviewed mainly with a view to knowing the extent to which research on the subject has so far proceeded and also to finding out the gaps in the existing literature and the potential areas for further inquiries.* The survey attempted here does not cover articles/books that deal with demand for money in less developed economies, even if India were to be one of the points of focus, as, more often than not, they are generalizations based on adjustments in different types of data for purposes of providing a comparative picture.

3. For convenience, this survey is divided into 3 sections. The first section provides a brief introduction to the major theoretical developments in regard to demand for money, and refers thereafter to the analytical ideas that have appeared in the Indian literature on the subject. In the second section, the empirical writings on the demand for money (and for its components) in India are reviewed. The final section is in the nature of stock-taking of the work done so far on the subject and of indicating the directions and areas which need to be further probed into.

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* S. K. Basu in his Presidential Address to the 46th Annual Conference of the Indian Economic Association refers in broad terms to studies on the demand for money in India. This however has by now become inadequate. See Indian Economic Journal XI, No. 3, January - March 1964.

I

The Theoretical Backdrop and Analytical Ideas

4. The earliest and the most influential analytical approach to the demand for money, was probably that of the quantity theory of money, the essence of which was captured in the form of an equation of exhange by Irving Fisher. The simple identity enunciated by Fisher was : $MV \equiv PT$, where M would represent the quantity of money, V the number of times money turns over, P the price level and T the volume of transactions. Under conditions of full employment, the determination of price level would depend only on the quantity of money, since the ratio of the volume of transactions to the level of output is fixed and since the transactions velocity does not alter materially in the short run. In equilibrium, as the supply of money would be equal to the demand for it, Fisher's equation may be recast, thereby accommodating the approach of the Cambridge school to the quantity theory of money.

$$\text{Since} \quad Ms = Md \ldots\ldots\ldots\ldots\ldots (1)$$
$$Md = K.\ PR \ldots\ldots\ldots\ldots (2)$$

where R is, in the language of Pigou, "the total resources"* (i.e., total national output) and K the proportion of these resources that the community would keep in the form of titles to legal tender. P is the price of money in terms of things (unlike, in Fisher's equation of exchange, where P is the price of things in terms of money). Combining the equations (1) and (2) we would get

$$Ms\frac{1}{K} = Ms.\ V = PR \ldots\ldots\ldots (3)$$

where

$$V = \frac{1}{K} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (4)$$

V represents not the **transactions** velocity of money as in Fisher but its income velocity. As such it is not the number of times a unit of money physically turns over, but rather its rate of circulation relative to the rate of production of output.

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*A. C. Pigou, "The Value of Money," in **Reading in Monetary Economics**, George Allen & Unwin, London 1952.

5. Whether one accepts Fisher's approach or the Cambridge approach, the main proposition is that the community's demand for money is mainly influenced by the volume of trade that goes on in an economy at any time, and therefore is a constant proportion of the level of transactions, which, in turn, has a constant relationship to the level of national income. This brings to the fore the function of medium of exchange that money performs. Since the demand for money depends on the level of income, the classical model envisages that the crucial factor of disturbance would be the size of money supply. As such, the demand for money would be totally insensitive to the rate of interest.

6. It is, however, pertinent to point out that while Fisher wanted to know as to **what** determined the amount of money **needed** to carry out a given volume of transactions, the Cambridge economists merely asked as to **what** determined the amount of money that an individual **wished** to hold, given the desire to undertake transactions.* In other words, the Cambridge economists recognized the individual's choice-making behaviour towards money holdings, but preferred to simplify the problem by assuming that, **ceteris paribus**, the demand for nominal money would be proportional to the nominal individual income, and hence for the whole of the economy as well.

7. Keynes did not altogether reject the classical—in particular—the Cambridge point of view. He viewed money not only as a means of paying for transactions on a day-to-day basis and for meeting any contingencies but also as a store of value, helping individuals to make speculative gains. According to him, cash held for transactions and precautionary purposes (L_1) is essentially determined by the level of income£ while the preference for liquidity for speculative purposes (L_2) is influenced by the rate of interest (r). The rate of interest employed by Keynes was the long-term bond rate. The total demand for money thus would be $Md = L_1 + L_2$ and since $L_1 = f(y)$ and $L_2 = f(r)$, $Md = f(y,r)$ where y is the level of income and r the rate of interest. Given the level of income, it would be relatively easier to know the transactions demand for money, also referred

*David E. W. Laidler, **The Demand for Money, Theories and Evidence,** Allied Publishers, Bombay 1972 pp. 48-50.

£ It is important to note that Keynes had recognized that the convenience in holding cash for transactions and precautionary purposes could be traded off against the return from holding other assets. This indicates that L_1 too is a function of rate of interest, but as Keynes did not stress this point in his analysis, it was largely ignored.

to as the demand for active balances, whereas the speculative demand, or the demand for idle balances would be low when the rate of interest is expected to fall (since this would imply larger demand for bond holdings in view of the capital gains involved) and high when the rate of interest is expected to go up (since bond holdings would entail capital losses). The rate of interest considered by Keynes was the current one. But as there is no way of knowing as to when the rate of interest is expected to change, Keynes argued that at any moment, there will be a level of interest rate which may be called 'normal' in relation to which the current level of interest rate would be posited. Keynes postulated that at a certain low level of interest rate, every one in the economy will expect the rate of interest to rise fast and adequately enough for them to either prefer cash to bonds or be indifferent between bonds and money. This low level signifies the 'liquidity trap', whereat the demand for money in the aggregate would be perfectly interest elastic. In other words, any increase in the quantity of money at the point of liquidity trap would simply be absorbed without any effect on the rates of interest.

8. Given this background, the Keynesian argument may be generalized. If the current level of interest rate is low/high, people will expect it to rise/decline and will therefore show preference to hold cash/bonds. In a short period of time, the total demand for money would be a function of income and of rate of interest.*

9. The Keynesian approach contributed to considerable thinking on the subject. Instead of the long term rate of interest employed by Keynes, short term rates of interest were regarded as opportunity costs of holding cash in pure form. The work of Kalecki in this regard was well-known and was followed by Hyman Minsky and several others.@ The transactions demand for money was viewed in terms of inventory holdings and the costs involved in them by William J. Baumol.£ Tobin analysed the speculative demand for money and evolved what has come to be now known as the portfolio balance approach, as per which the diversified portfolios of assets of individuals are viewed in terms of the ex-

*Since individuals can exercise their choice between cash and bonds, depending on their expectations about interest rates, in the long-period, real wealth too would be an important variable influencing the aggregate demand for money.

@See M. Kalecki, **Theory of Economic Dynamics**, George Allen & Unwin Ltd. London 1954, Chapter 6. Also Hyman P. Minsky, "Central Banking and Money Market Changes," **Quarterly Journal of Economics**, May 1957.

£W. J. Baumol, "The Transactions Demand for Cash—An Inventory Theoretic Approach," **Quarterly Journal of Economics**, November 1952.

pected rates of return and the anticipated risks in asset holdings.† Milton Friedman,** assuming that people hold money, regards the demand for money as a function of wealth, which includes a conglomeration of assets, the expected rates of return on assets (adjusted for the capital gains/losses entailed in holding them), the price as well as its rate of change, and a ratio of human to non-human wealth. Friedman's effort was to resurrect the quantity theory of money in a new garb. The higher the yields on different financial assets, the smaller the demand for money. Similarly, the higher the rate of change of prices, the smaller the demand for money. On the other hand, the higher the level of prices, proportionately higher would be the demand for money. Similarly, the higher the ratio of human to non-human wealth or higher the level of wealth, the higher the demand for money. While the nature of influence of the important determinants of demand for money is expected to be of the kind described here only under the **ceteris paribus** assumption, it is clear that Friedman did not want to specify how **important** the relationships would be. From his own empirical investigations@@ he found that the relationship between money supply (which includes time deposits) and 'permanent' income over each business cycle during the period 1869-1957 in the U.S. was not close enough to give reliable predictions of annual variation in the velocity of circulation.

10. One cannot say more on these modern post-Keynesian developments without reference to empirical evidence. What is important to note is that while the Keynesian and portfolio balance approaches strongly indicate that the demand for money, as reflected in the income velocity of money, is not stable, the classical and Friedman approaches believe in its stability, at any rate, in the short run.

11. The question to be asked is whether the demand for money in economies which are less developed and less industrialised is likely to be stable and influenced by the same set of factors, as in developed economies. On the analytical plane, the demand for money in India was viewed as a function of marketed agricultural surpluses by Saravane [15] on the ground that in a pre-

† J. Tobin, "Liquidity Preference As Behaviour Towards Risk," **Review of Economic Studies**, February 1958.

M. Friedman, "The Quantity Theory of Money, A Restatement" in his edited, **Studies in the Quantity Theory of Money, Chicago, Illinois 1956.

@@Milton Friedman, "The Demand for Money—Some Theoretical and Empirical Results," **Journal of Political Economy**, June 1959.

dominantly agrarian economy, a decline in marketed output, under conditions of constant total agricultural output and total money supply, "can be expected to lead to a rise in the general price level and total income, and thereby can be expected to raise the measured income velocity of money."* In fact, it may be argued that when there occur shifts in marketed output, money supply need not remain unchanged. For, when agricultural commodity hoards are financed for making speculative gains—by withdrawal of idle money, banks would face cash drain, which, under fractional reserve banking, would bring about a multiple contraction of banks' earning assets and deposits, unless counteracted by monetary authorities through, for instance, reduction of excess cash reserve requirements. Cash drain from the banks can lead not only to an alteration in the composition of money supply but also to a reduction in the total money stock.

12. Saravane, however, was aware that the state of inflation emerging from a fall in marketed output is sustained by a rise in the income velocity of money and may peter out when the rate of interest rises sharply owing to reduction in money supply. Such an eventuality may not occur in the short run. However, Saravane's analysis would hold good under highly restricted assumptions such as the absence of changes in money supply, interest rates, commodity prices and prices of gold; it will be of very limited relevance to an economy which is rapidly diversifying and which has a noticeable large skill formation.

13. The post-Keynesian thinking that money is one of the main assets that are held by economic units has given rise to the idea that commodities too can be held as assets, for purposes of making gains in future. Kamta Prasad [14] added commodity stocks to those of financial securities in his demand for money function, which is essentially of a Keynesian variety. His procedure yielded very significant empirical results, (considered in the next section) which may be defended on the ground that in the less developed economies where agricultural commodities are rampant and security markets underdeveloped, speculative hoarding of agricultural commodities by traders (who combine with them indigenous banking functions in certain cases) is generally seen. The inverse relationship between the rate of interest and the financial assets, as postulated in the standard Keynesian treatment, can be thus generalized to include commodity-stocks in the cluster of financial assets as alternatives to money.

* Saravane [15], p. 39.

II

Empirical Writings

The Macro Approach

14. The empirical writings, which are reviewed in this section, may be classified into (*a*) those which adopted a general or macro approach to the demand for money or its components, and (*b*) those which adopted a sectoral approach to the theme. We shall first deal with the macro approach. Biswas [4], Balbir Singh [2], Gujarati [7] and Suraj Gupta [10] obtained results which validated the classical approach of treating the demand for money as a function of income. Using the Indian data for the period 1935-55 Biswas [4] found, by means of regression analysis that changes in non-farm income rather than national income, explained the aggregate demand for money. He also indicated other influencing factors such as share prices, growth of population, wealth and monetisation. An interesting conclusion emerging from Biswas' study was that the short term rate of interest had little influence on the amount of money needed, either by itself or together with non-farm income and share price index. His equations for currency demand (based on the data for the years 1935 to 1951) however, were found to be unreliable. The demand for bank money, in Biswas' study, was influenced, to a considerable extent, by the long term rate of interest and partially by corporate income and share prices.

15. Gujarati [7] employed the data for the more recent period, 1948-64 and tested the following functional relation :

$$M_t = A^{\lambda} \cdot R_t^{\lambda b} \cdot Y_t^{\lambda c} \cdot M_{t-1}^{(1-\lambda)}.$$

where M_t is aggregate real balance at time 't', λ the coefficient of elasticity of adjustment, R the yield rate of the Government of India Rupee Securities having maturity of 20 years or more, Y the real national income. Transforming the equation into logarithmic form, Gujarati found out that while the short run income elasticity was 0.69, given log M_{-1}, the short run interest elasticity was only 0.10 and statistically insignificant. λ at 0.4716 (1-0.5284), suggests that 47 per cent of the discrepancy between the actual and desired cash balances was eliminated in a year. The long run demand function for money also showed that it is income elastic and is not responsive to interest rate changes.

16. It is pertinent to ask as to why Gujarati's results differed from those of Biswas. The period covered by Biswas, namely 1935-55 was essentially one which saw little diversification of the economy and commercialization of agriculture. Whereas, Gujarati dealt with a period in which considerable monetisation took place and planned industralisation undertaken. Besides, the national income data are relatively authentic only since 1948-49. For the earlier years, therefore, the estimated figures are subject to many errors of methodological and statistical nature. Consequently, Biswas's results seem to have been somewhat vitiated.

17. Employing relatively recent data for the period 1950-51 to 1974-75, Suraj Gupta [10] tested two regression equations— one for real money demand and the other for nominal money demand — and arrived at results similar to those of Gujarati. However, Gupta used short-term rates of interest as against Gujarati's use of long-term interest rate. Gupta's results were :

$$\log \frac{M}{P} = -1.048 + 1.001 \log X - 0.130 \log P - 0.032 \log r_{12}$$
$$(-0.528) \quad (4.880) \quad (-1.803) \quad (-0.368)$$

$$\bar{R}^2 = 0.924 \qquad D.\,W. = 1.323$$

$$\log M = -2.280 + 1.035 \log Y - 0.010 \log r_{12} - 0.167 \log r_b$$
$$(-1.715) \quad (11.036) \quad (-0.165) \quad (-0.977)$$

$$\bar{R}^2 = 0.991 \qquad D.W. = 1.477$$

(Bracketed figures are t — ratios)

In these equations, X stands for real income, Y for nominal income, P for wholesale price index number, r_{12} for 12-month time deposit rate of commercial banks and r_b the bazar bill rate for Madras. The equations showed that while money demanded was a proportional function of income, the rates of interest on non-money assets were not statistically significant in explaining the observed changes in the real/nominal money balances held by the public.

18. Suraj Gupta's conclusion that short term rates of interest were not inversely related in a significant way to the income velocity of money was further testified by Vasudevan [21] who, by means of a simple graphic exposition, showed that during the period 1951-52 to 1973-74, neither the income velocity of money was stable* nor was it inversely associated, even when three-year moving averages are worked out, with the 'hundi' rate, the bazaar bill rate at Bombay, and the Bombay call money rate.

19. It is possible to show that neither a long term rate of interest nor a short rate would make a difference to analysis on the basis of the study of Balbir Singh [2]. Balbir Singh tested the aggregate demand function for money with reference to the data for the period 1949-50-1965-66. Among the explanatory arguments, the factors included were : measured national income, the rate on Government securities, the treasury bill rate, the bazaar bill rate, and tangible national wealth. Balbir Singh's equations revealed that total income and monetised income were significantly important in explaining money demand. They also showed that inclusion of a long term rate did not improve the R^2: it, on the other hand, gave insignificant coefficients. Similarly, the coefficients of short term interest rates were statistically insignificant. The introduction of wealth made the income regression coefficients either negative or insignificant, thereby implying that income and wealth **together** cannot be taken as arguments of the demand function.

20. In contrast to the conclusion that the demand for money is income elastic is the view that it is interest elastic — an approach

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*In this connection, refer to estimates of income velocity made by several writers. Bhabatosh Datta calculated income velocity for the period 1951-52 to 1960-61 and estimated the variation in it as lying in the range of 4.57 and 5.84. See his **Essays in Plan Economics**, World Press, Calcutta 1963, p. 177, p. 179. R. J. Bhatia used the reciprocal of real income velocity with 1952-53 as the base year. Though he did not give absolute figures for different years (1951-52 to 1958-59) he gave relative rates of change in the reciprocals of real income velocity and showed that they stayed within the range of +. 163 to —.125. See R. J. Bhatia, "The Role of Monetary Policy in Price Stability — The Indian Case 1951-59" **Review of Economics & Statistics**, vol. XLIII, No. 4, November 1961. Sastry [16] estimated the reciprocals of nominal income velocity of money for the years 1935-36 to 1960-61 (excluding 1947-48) and found that they varied between 0.1648 and 0.3802. In Khusro [12] too, the income velocity of active balances varied from 3.53 to 10.61 between 1938 and 1952. Kamta Prasad [14] found that the income velocity of circulation of money varied from 3.142 in 1950-51 to 4.148 in 1965-66. What is more, the rates of change in income velocity varied widely from year to year : the coefficient of variation of such changes was 218 per cent between 1951-52 and 1965-66.

which is largely, if not strictly, Keynesian.* Shah [18] and Sastry [16] were the main advocates of this viewpoint. Shah [18] devised three concepts of demand for money, viz., the transactions velocity (the ratio of number of cheques cleared to the amount of net demand liabilities of banks per annum), the income velocity of money (the ratio of national income to currency plus demand deposits) and the income velocity of 'broad' money or aggregate monetary resources (the ratio of national income to currency and total demand and time liabilities). He took the year-end monetary data for the period 1948-49 to 1958-59. By means of simple regressions he found out that while **real** income **per capita** was **not** an important determinant of monetary velocity, the transactions and income velocities were sensitive to interest. The interest rate chosen by Shah was the 3 per cent 1966-68 loan yield. His short rate was the difference between the long rate and the 3-month deposit rate.

21. *Shah's contribution was weak on at least two counts.* As pointed out by Amitabh Sen [17] mere cheque-velocity was an extremely poor approximation to transactions velocity in an economy which is dominated by currency in its money supply. Besides, Shah used year-end ratios, which will lead to under-estimation of results, in view of the spending spree to which the Government normally resorts to at the end of the fiscal years.

22. A more elegant effort was made by Sastry [16] to show that the ratio of money supply to national income was inversely related to the rate of interest during the period 1935-36 to 1960-61. By regression method, he found that the interest-elasticity of demand for money held good in respect of the treasury bill rate (r_0), the yield on undated rupee paper (r_1) and the yield on Government securities (r_2). However, Sastry's approach could be defended only under the assumption that the income elasticity of demand for money was unity. Besides, the period chosen by him was such that it is bound to give unusual results. In the first place, the national income data for years earlier to 1948-49 are, as already pointed out, likely to be unreliable. Moreover, the period covered years of war and economic stagnation on the one hand and years of initial industrialisation efforts on the other.

*Keynes' overemphasis on the speculative demand for money tended to give the impression that the aggregate demand function of money is determined wholly by the interest rate. But this view is only partially correct and is not strictly Keynesian, since the transactions demand for money which is dependent upon income is likely to be sizeable particularly in low income economies.

23. In fact, a more direct, appealing and a strictly Keynesian approach to the demand for speculative balances was adopted by Khusro [12] and Kamta Prasad [14] who sought to find out as to how far idle balances are inversely related to the rate of interest. Khusro's [12] article was, in a sense, seminal and the earliest contribution to the subject. Following Keynes, Khusro took into account only the long rate, the yield on Government of India's 3½ per cent perpetual bonds that were converted into 3 per cent conversion loan in 1945-46 without maturity date but callable at any time after 1986. The period he took into account was 1937-52. His objective required him to first estimate the level of idle balances. He derived them from 'active' balances M_1. The highest value of income velocity in a year was taken as an indication of money demand for active circulation, and on the basis of the highest value, active balances for each year were computed. Deducting the active balances from money supply and then adding to the resultant, time deposits (which by definition were regarded as idle) gave series of idle balances for each year. The series then were subjected to a simple regression test, the equation for which was of the following kind:

$$r = a - bM_2 \ldots (1)$$

He obtained a correlation coefficient which was found to be highly significant.

24. However, as 'idle' balances were derived in a crude fashion, Khusro had set upon himself the task of computing them through multiple regression—a procedure which, considering the year of publication of the article, was indeed ingenious. He assumed that the stock of idle balances would depend on the stock of wealth, and a ratio between them would be inversely related to the rate of interest. The wealth variable was measured by the quantum of assets (A), which was made equivalent to national debt and share capital of enterprises. Since bonds and shares are substitutable, share capital along with other debt assets has a common frontier with money. His equation (1) thus took a modification :

$$r = a - b.M_2/A \qquad (2)$$

As M_2 is $M - M_1$

$$r = a - b\,\frac{M - M_1}{A} \qquad (2b)$$

Since M_1 is a constant fraction K_1 of national income, Y

$$r = a - b. \frac{M - K_1 Y}{A} \qquad (2c)$$

Eq.(2c) may be expanded thus :

$$r = a - b. \frac{M}{A} + b. \quad K_1 \frac{Y}{A} \qquad (2d)$$

When empirically tested, the eq. (2d) yielded the following results:

$$r = 3.54 - 0.917 \frac{M}{A} + 0.104 \frac{Y}{A}$$

and $R^2 = 0.648$. By dividing the regression coefficient $(b.K_1)$ by (b), K_1 was obtained, which was 0.113. The reciprocal of K_1 (being the income velocity of active money V_1) turned out to be 8.84. Dividing the national income of each year by V_1, the series of M_1 were obtained. Through M_1, M_2 series were obtained by $(1-M_1)$, and correlated to the long-term rate of interest. The result was

$$r = 3.480 - 0.00003 \; M_2 \qquad r = -0 \cdot 601$$

Dividing M_2 by A, and relating it to the long-term rate yielded a higher r, of -0.648 and the regression equation estimates as below :

$$r = 3.542 - 0.918 \frac{M_2}{A}$$

Khusro found that the elasticity of the interest rate with respect to the liquidity ratio M_2/A was -0.052. This implied that a large proportion of the movement in the rate of interest was on account of a change in the ratio of idle balances to total liquid assets of the private sector.

25. What was found to be extremely significant by Khusro for the period 1937-52 was found to be insignificant by Kamta Prasad [14] for the period 1950-51 — 1965-66, though, in Prasad's study, the interest rate was the average rate on Government secu-

rities and time deposits, and securities or assets refer to Government securities, private debentures, equities and time deposits with all commercial and State co-operative banks. His estimates were :

$$r=5.3675 - 7.5090 \frac{M}{A} + 1.2862 \frac{Y}{A}$$

$$\text{(S.E.)} \qquad (-4.1) \qquad (-1.4)$$

The regression coefficient of Y/A was not significant. Besides, there was a high correlation between M/A, and Y/A, the coefficient of correlation being 0.901. As an alternative, therefore, Kamta Prasad used the simple regression of the equation like $r=a-bM_2$, where M_2 is 'idle money' as derived from active balances on the basis of the *minimum* value of the income velocity during the period under consideration. The correlation coefficient was —0.746, and was significant at 5 per cent. However, the results were not satisfactory enough to explain the major portion of the variations in interest rates. This was, as Kamta Prasad himself was aware, due partly to estimates of idle money and partly due to the fact that both idle and active balances tend to be interdependent and overlapping.

26. To obtain better results, Kamta Prasad employed the technique of adding an additional argument to the speculative demand for money function. His equation was :

$$r=a-b \frac{M_2}{A} - q \frac{CP}{A}$$

where CP/A is the ratio of the value of stocks of commodities to total assets. His results were :

$$r=5.4000 - 2.3516 \frac{M_2}{A} - 1.4659 \frac{CP}{A}$$

$$\text{(SE)} \quad (13.6) \quad (-1.5) \qquad (-3.6)$$

The correlation coefficient was 0.97 and was significant at 1 per cent level. The regression coefficients had the expected signs. Although there was an element of multi-collinearity between M_2/A and CP/A, the improvement in the value of correlation was an important gain of the exercise.

27. Clearly, Kamta Prasad's study has helped to show that Khusro's successful testing of the Keynesian hypothesis was essentially facilitated by the data of the period, 1937-52, for a large portion of which, dependable national income series are not available. It also shows that though commodities are hoarded in developing economies for making speculative gains, addition of stocks of commodities as proportion of assets to the explanatory arguments does not make the speculative demand function for money stable, as can be seen from the estimates of standard errors of the regression coefficients. Since 'active' and 'idle' money balances are not mutually exclusive, it appears that it would be more useful to have an aggregate demand for money function of the Keynesian type, with both income and interest rates as important arguments, rather than demand functions for active and idle balances separately.

28. An effort in this direction was made by K. L. Gupta [9] and Venkatachalam and Anjaneyulu [22] though K. L. Gupta mainly directed his analysis to disproving Gujarati's conclusion that the aggregate demand for money function is *not* interest elastic. K. L. Gupta [9], employing the data for the period 1949-50—1965-66, tested a multiple regression equation which sought to explain nominal aggregate money demand through real national income, non-human wealth, lagged money stock, and yield on 90-day treasury bills. The coefficients of the short dated treasury bill rate and real national income turned out to be significant. On the other hand, the coefficient of wealth was not significant, thus indicating, as pointed out earlier while discussing Balbir Singh's contribution, that real income and wealth *together* cannot be taken as arguments of the demand function.

29. However, in the demand for currency function of K.L. Gupta, the explanatory variables which were statistically significant were the real income, wealth and treasury bill rate. The coefficient of lagged currency, on the other hand, was not significant, thereby showing that the actual and desired balances for currency get adjusted immediately. The yield on long-term government securities also proved to be a statistically insignificant argument. The demand for demand deposits was sought to be explained by K. L. Gupta in terms of real income, the yield on commercial bank time deposits, the three-month treasury bill rate, the yield on private securities, wealth and lagged quantum of demand deposits. All the explanatory variables proved to be statistically significant. Gupta's results showed that time deposits were

close substitutes for demand deposits and wealth influenced the demand for demand deposits.

30. G. S. Gupta [8] too, like K. L. Gupta, disaggregated the demand for money function in respect of the data for 1948-49 through 1967-68 as a part of his monetary policy model for India. His demand for currency equation had, as arguments, nominal national income, an average time deposit rate, and a time trend. All the regression coefficients were found to be statistically significant. The demand for demand deposits too was explained significantly in terms of non-agricultural income at current prices and an average loan rate. The coefficients in regard to the interest rate were negative in both the equations and therefore substantiate the belief that time deposits and other non-bank liabilities in the private sector are substitutes for money and suggest that the demand for money is interest-elastic in the Indian context. Gupta also showed that time deposits too are interest-sensitive.

31. A more sophisticated approach to the demand for currency and demand deposits was attempted by Thampy Mammen [20] in his study of the monetary sector of India. Employing 11 equations in his structural model and covering the years from 1948-49 to 1963-64, Mammen estimated the structural parameters by means of two-stage least squares method. Since income may not be strictly exogenous to the monetary sector, income was estimated first from the real sector and grafted on to the monetary sector as if it is exogenous. Both on the basis of the ordinary least squares method and two-stage least squares method, the coefficients of income, and 3-month time deposit rate were rightly signed and were significant enough to explain the demand for currency and the demand for demand deposits. In respect of currency demand, the time trend (a proxy for monetisation) was also found to be an important explanatory argument.

32. Venkatachalam and Anjaneyulu [22] found out through regressions on the data for the period 1950-51 - 1969-70, that the main determinants of income velocity were *per capita* nominal income, the call money rate and the rate of monetisation as given by the trend value. All the regression coefficients had the expected signs and were highly significant; however, the results did not take into account changes in the price level which need to be considered, since *nominal* income, not the *real* income was one of the major arguments.

33. While all the contributions so far reviewed were cast in the Classical and Keynesian moulds, there was a sole attempt by Thampy Mammen [19] to test Milton Friedman's theory of the demand for money with Indian data for the years 1914-15 to 1963-64. The specified demand function was :

$$M_t = K\,(Y_t^*)^{\delta}\, P^*_t\, U_t \qquad .. \qquad (1)$$

where Y_t^* is 'permanent' real income, P_t^* is 'permanent' price level, U_t random error term, M_t the nominal money stock, K and δ are parameters while t refers to the time period. Y_t^* and P_t^* were specified in Koyck-type distributed lag form :

$$Y^*_t = \lambda \sum_{i=o}^{\infty} (1=\lambda)^i\, Y_{t-i} \qquad .. \qquad (2)$$

$$P^*_t = \mu \sum_{i=o}^{\infty} (1-\mu)^i\, P_{t-i} \qquad .. \qquad (3)$$

where (1- λ) and (1 -μ) are coefficients of decay for income and price respectively, and together making up unity. Substituting (2) and (3) in (1), the demand function for money was simplified thus :

$$\begin{aligned} ln\, M_t = {} & ln\, K\, \lambda\, \mu + (1-\lambda+1-\mu)\cdot ln\, M_{t-1} - (1-\lambda)\,(1-\mu) \\ & ln\, M_{t-2} + \delta\lambda\, Yt - \delta\lambda(1-\mu)\, Y_{t-1} \\ & + \mu\, P_t - \mu(1\text{-}\lambda)\, P_{t-1} + W_t \qquad .. \qquad (4) \end{aligned}$$

where

$$W_t = U_t - (1-\lambda+1-\mu)\, U_{t-1} + (1-\lambda)\,(1-\mu)\, U_{t-2}$$

Thampy Mammen estimated the parameters for demand for currency thus :

Period	K	δ	λ	μ
1914-15 to 1963-64	—0.8405 (0.5326)	1.8538 (0.3520)	0.1763 (0.0628)	0.8494 (0.0971)

(figures in brackets being standard errors)

The coefficient of decay $(1-\lambda)$ relating to the formation of income expectation was 0·82 (1—0.1763), which was larger than its standard error. This would signify that income expectations are based on past experience. On the other hand, $(1-\mu)$, the coefficient of decay regarding price expectation was only 0.15 (1-0.8494): it shows that past experience does not influence price expectations.

34. These results, however, were obtained on the assumption that the exponent of P_t^* is unity. In case this assumption is released, and parameters estimated, the coefficients of decay for income ($1-\lambda$) and for price ($1-\mu$) would, as shown by Mammen, work out to 0.73 and 0.20 respectively. When compared with the coefficients of decay derived earlier, these show that the weight for income was higher than that for price during the period under consideration. The implication of the result is that monetary policy can be largely based upon current income — a conclusion which runs contrary to Friedman's view that monetary policy should be based upon estimated permanent income.

35. The important point that seems to emerge from an examination of the empirical writings so far surveyed of those which adopted a general or macro approach is that the influence of income on the demand for money is more certain than that of the interest rate, whether it is short-term or long-run. However, the contributions of K. L. Gupta [9], Thampy Mammen [20] and Venkatachalam and Anjaneyulu [22] suggest that as the economy gets to be more and more developed and diversified, the demand for money is likely to be influenced by more than one factor.

Sectoral Approach

36. Of the writings which adopted a 'sectoral' approach, the effort of Saravane [15] stood out easily as the most comprehensive and laudable. Saravane tried to estimate the demand for money by the household sector and business sector separately for the years 1950-51 to 1962-63. Besides, he attempted to explain the behavioural relationships in the sectoral demands. Apart from Saravane's work, Divatia and Venkatachalam [6] dealing with the household demand, Avadhani [1] and Balbir Singh [3] dealing with the business demand for money were the main contributions to the sectoral approach. We shall first review the writings on the household demand for money.

37. Both Saravane [15] and Divatia and Venkatachalam [6] arrive at net disposable income of the household sector by deducting all direct taxes and retained earnings from the private income figures. Divatia and Venkatachalam go further and deduct therefrom the value of self-consumption of foodgrains to obtain the personal disposable income in the monetised sector. Estimates of currency and deposits with commercial banks of the household sector were made in both the writings in much the same way. Currency held by the household sector was obtained by deducting the currency holdings of the corporate sector, the local authorities and Government companies from the total stock of currency held with the public. Household deposits with commercial banks were compiled out of the Reserve Bank data of ownership of deposits.

38. While Divatia and Venkatachalam adopted regression analysis to study the determinants of household demand for money, Saravane approached the subject from an analytical angle. Over the period 1951-52 through 1962-63, Saravane found that the household income velocity of money had gone up, due to rise in income velocities of currency as well as money balances. However, as currency holdings dominated the total money holdings of the sector, changes in the income velocity of money largely reflected changes in the income velocity of currency holdings as well.

39. Saravane observed that changes in the household demand for money were influenced to a considerable extent by shifts that occured from money balances to near-money assets which were defined as time and saving deposits. Such shifts were attributed to the fact that near-money assets earn attractive returns unlike pure cash, besides being generally liquid. During the period under study, Saravane found that the assets supplied by the non-banking financial intermediaries, such as life insurance and provident fund assets, the claims against Government and shares and securities of the corporate sector had proved to be poor substitutes for money. On the other hand, 'loans and advances' in the form of 'deposits of the sector with the non-financial corporations' by virtue of their high yield rates had affected the household income velocity of money, at least in the short run. On the whole, the household sector had increased its liquidity position in the sense that the increase in its quantum of debts was more than matched by the increase in its amount of assets. Besides, the structure of its debts poised towards illi-

quidity was more than offset by the structure of its assets poised towards liquidity. In the face of the increased (and increasing) liquidity, there was a latent power of the household sector's income velocity of money to rise, in the event of which, prices would rise.

40. An interesting point made by Saravane related to the effect of income distribution on the household demand for money. The rural household saving income ratio was more or less constant while the urban household saving-income ratio increased by about 2.5 times between 1950-51 and 1962-63. In general, it was found that there existed an inverse relationship between the average values of the income velocity of money and the saving-income ratios. This implied that the urban income velocity of money had tended to decline, or be depressed, particularly in view of the urban householders' propensity to save in financial assets. Even among the urban households, it appeared, from the survey data of urban income and saving for 1960 (conducted by the National Council for Applied Economic Research) that the top 14 per cent of urban households with monthly income of Rs. 3000/- or more was responsible for the entire urban savings. This suggested that the behaviour of this proportion of urban households would be largely responsible for the changes in the income velocity of money.

41. Divatia and Venkatachalam [6] employed data for 16 years from 1952-53 to 1967-68. Their aggregate household demand for money was

$$M_{1dh} = a + b.\, r_1 + c.Ydh$$

where r_1 is the yield on variable dividend industrial securities, a proxy for long-term rate*, Y_{dh} the money supply of households (currency of households **plus** demand deposits of households). The results obtained were :

$$M_1 dh = 238.1507 - 64.6315\ r_1 + 0.2344\ Ydh$$

$$\text{SE} \qquad (76.7482) \qquad (0.0123)$$

$$\bar{R}^2 = 0.9229 \qquad D.W = 1.6835$$

*Divatia and Venkatachalam did not report the regression result when a short-term interest rate (3 month deposit rate) was used as an explanatory argument, since they did not get the expected sign.

$$\log M_{1dh} = 2.1433 - 0.1719 \log r_1 + 1.0996 \log Y_{dh}$$

$$\text{SE} \quad (0.1399) \quad (0.0536)$$

$$\bar{R}^2 = 0.9322 \qquad D.W = 1.6594$$

Clearly, the fits were satisfactory. The income variable had the predominant effect and the income elasticity of demand for money was about 1.10 as per the double-log equation. The interest elasticity was negatively signed but was not highly significant. The negative co-efficient of the long term rate, however, was a pointer to the prevalence of substitution between money and long-term financial assets, however small this effect might be.

42. Divatia and Venkatachalam also tested the household demand for 'broad' money, the equations for which were fitted with income variable and alternative interest rates, r_1 and r_2 (rate offered by commercial banks on 12 monthly deposits). Where both r_1 and r_2 together appear, the fits were the best. It seemed that the presence of r_2 had ensured that r_1 was statistically significant. This meant that r_1, without r_2 did not yield a useful fit.

43. The authors also tested the household demands for currency, demand deposits and time deposits. The households behaviour in respect of the demand for currency was uncertain in that the observed substitution effect between currency and other assets, though undoubtedly weak, indicated that it contained 'idle' balances as well. The ambivalence in the result was probably on account of the aggregation of 'rural' and 'urban' households, a point which was taken care of in Saravane's analysis. The total income elasticity of demand for currency was about 0.9.

44. The households demand for demand deposits was both price-elastic and interest-elastic. The income elasticity in this regard was about 1.5. Time deposits were found to be highly interest elastic, and income-elastic. The latter was 1.6, and the former—0.3. The equation results showed that there was a significant substitution between time deposits and other financial assets, especially the corporate securities.

45. As regards the business demand for money, both Saravane [15] and Avadhani [1] relied on the Reserve Bank of India's data of company finances, while Balbir Singh [3] used data pertaining

to 800 firms for the year 1969 compiled from the Stock Exchange Official Directory. Saravane's study dealt with large and medium-sized non-government and non-financial public limited companies for the period 1950-51 through 1963-64. Avadhani took into account all the public and private limited companies covered by the RBI study for the period 1950-51 to 1963-64.

46. Saravane measured the business demand for money in terms of the ratio of money holdings to sales plus other income. The money holdings imply ready means of purchasing power, i.e. cash in hand and current deposits with banks. Business demand for money can also be measured in terms of the ratio of 'quick assets' (money balances, fixed deposits and government and semi-government securities) to sales plus other income. These two ratios along with the current ratio provide the best qualitative as well as quantitative indices of the firm's liquidity position.

47. Saravane measured the business velocity of money in an ingenious manner by taking the **reciprocals** of money balances to sales ratio and of quick assets to sales ratio. The former reciprocal is, correctly speaking, the business velocity of money and the latter the business velocity of quick assets.

48. Saravane found that the velocity of quick assets as well as the velocity of money balances tended to move upwards over the period 1950-51 to 1963-64. The velocity of money balances, however, rose much faster than the velocity of quick assets between 1955-56 and 1963-64 : this, according to Saravane, was on account of short-run shifts between money balances and fixed deposits, and perhaps also due to the rise in trade credit. On the other hand, the current ratio exhibited a declining trend over the 14 year period 1950-51 to 1963-64.

49. The liquidity behaviour of the corporate sector was influenced by the trends in the accumulation of non-current assets, dividend policy, profit rates and the cost and availability of finance. The dividend payout (cash dividend/net profits) was negatively correlated with the net profit margin (net profit-after tax and depreciation-divided by total sales). The net profit margin declined sharply during 1952-53, and rose equally sharply from 1953-54 to 1955-56. They were squeezed thereafter till 1959-60 when they rose temporarily, only to decline in the remaining years of the period studied. The debt- equity ratios were

subject to an upward trend, thus indicating that the business demand for money balances also tended to rise. This is in conformity with the observation that the velocity ratios rose while the liquidity ratios showed a declining trend.

50. Avadhani [1] also found that the business sector's transactions velocity of money rose upward between 1955-56 to 1965-66. By simple regression analysis, he tried to arrive at the conclusion that income (i.e., sales and other income), current expenses, and net assets explain variations in money balances of firms, particularly better in respect of private limited companies. In both the cases of public and private limited companies, the regression coefficients of the income variable were noticeably high and highly significant. When income rises by 1 per cent, the demand for money would go up by 2.2 times in the case of public limited companies and by 1.2 times in respect of private limited companies.

51. Although income was the main factor, total net assets as well as current expenses were also important (though secondary) factors influencing the business demand for money. The respective regression coefficients of current expenses and net assets were significant and the R^2s high.

52. Avadhani also attempted to examine the influence of interest rate—the call money rate at Bombay used as a proxy short term rate—on the ratios of money balances to income, to current expenses and to net assets. His simple regression results showed that the demand for money of private limited companies, responded well to the rate of interest. The regression coefficients of interest rate with respect to the dependent variables in the six equations pertaining to public and private limited companies were negatively signed and highly significant.

53. Balbir Singh [3] attempted to test 4 linear relationships : two of them regressing money balances on sales and wealth and on sales and quick assets, one regressing quick assets on sales and wealth and the last regressing inventories on sales. His results showed that the fit relating money balances as a function of quick assets and sales is better than the one which related money balances as a function of sales and wealth (= total assets) : the R^2 of the former being 0·87 as compared with 0.47 in respect of the latter. The sales elasticity in both the equations, however was less than one, thus pointing out that transactions balance of

firms may not vary in proportion to sales, and that firms economize on cash balances to a considerable extent.

54. The magnitude of securities that firms hold appeared to be low, in view of the fact that the result of the double log-linear equation in which quick assets are a function of sales, and total assets was similar to that which made cash balances, a function of sales and quick assets. The sales elasticity of quick assets was also less than unity : this shows that there is a substitution of quick assets by physical assets or trade credit. Balbir Singh also showed that inventories to a large extent depended on sales. However, the sales elasticity of inventories at 0.84 indicated a possible marginal substitution of quick assets by inventories. Nonetheless, since details about the composition of inventories were not available, it is difficult to know which type of inventories was linearly dependent on sales.

55. The elasticity coefficient of money balances with respect to total assets was less than unity, thus disproving Tobin's hypothesis that the asset demand for monetary assets is more than unit elastic.

56. The sectoral studies, barring that of Balbir Singh, seem to give an interesting clue that while income variable is a dominant determinant of the sectoral demand for money, the rate of interest too is an important influence. This result appears to broadly confirm the conclusions arrived at by K. L. Gupta [9] and Venkatachalam and Anjaneyulu [22] in their examination of the aggregate demand for money for the economy as a whole. Balbir Singh's contribution throws an invaluable light on the fact that the real goods were the most likely alternatives to cash holdings, thus strengthening Kamta Prasad's procedure of adding stocks of commodities to assets on a **priori** grounds, as realistic and valid.

III

Concluding Remarks

57. Some of the salient strands of the discussion in the preceding sections may be brought together in this section to focus on areas in which future research in regard to demand for money may be fruitfully undertaken.

58. It becomes strikingly clear to any perceptive reader that though a large number of studies employed the regression technique, the empirical verifications of the hypotheses would gain considerably in value, if results are simulated not merely with the help of ordinary least squares method but also with the help of well formulated simultaneous equation systems. The results so obtained would be internally consistent and would form an integral part of the overall monetary model. Besides, it would be useful from the viewpoint of policy making to measure, with a reasonable degree of precision, lags in adjustment between the desired and actual levels of monetary demand at the aggregate as well as at the sectoral levels.

59. A major result that emerges from our survey is that the influence of real income on the demand for money, whether at the aggregative or at the sectoral levels, was predominant—a conclusion that conforms with the well-known text-book proposition that in underdeveloped economies, the money demand would respond more to changes in income than to those in interest rates. However, this result may not hold good in the case of India for all time to come. There is enough evidence to show that, in the household sector, shifts do take place from pure cash holding to quasi-money assets when interest rates are relatively high. In respect of the corporate sector, the studies revealed that firms economize a great deal on cash balances, mainly because the opportunity costs are attractive enough for the corporate sector to hold liquid assets in alternative forms.

60. Not much attention however has been paid to the rationale behind the transactions demand for money in India. Nor were the economies of scale that are supposedly involved in cash holdings for meeting regular needs, examined. The attempts made in these directions by Suraj Gupta [11] and T. K. Biswas [5] were couched in analytical terms. The former showed that money is held voluntarily for transactions motive not only because there has to be an interval of time between two consecutive receipts but also because money is often a terminal asset with no storage cost that can be carried over to the next period. T. K. Biswas, dealing with the effect of conversion lag on the transactions demand for cash, indicated that the sensitivity of the cash holdings with respect to changes in the rates of interest and the volume of total expenditure of the firm depends on the size of the firm. The larger the size of the firm, the lower will be the values of the total expenditure elasticity and interest elasticity of the average

cash holdings. But Biswas' conclusion needs to be established with reference to actual facts.

61. Interestingly enough, both income and interest rates proved to be good arguments in the aggregate demand function when they were tested with data of relatively recent years and when they were supported by an additional explanatory variable, such as wealth or trend value as shown by the studies of K. L. Gupta and Venkatachalam and Anjaneyulu. This would imply that the rate of interest would be significant in the presence of wealth or monetisation. This result is somewhat curious in the light of the post-Keynesian developments on the demand for money, brief references to which have already been made in Section I, and needs to be explained by further research of both analytical and empirical nature. It would be useful if the precise influence of wealth on cash holdings is ascertained, with wealth defined in the conventional sense as well as in the Friedman's notion of 'permanent' income.

62. The literature has shown that income velocity of money was not constant. It may be asked as to whether the series of income velocity can be made 'stable' by broadening the concept of money supply by including time deposits to currency with the public and demand deposits. When this is done, the expected downtrend in the value of the income velocity would occur, as shown by Krishna Iyer [13] who, on the basis of trend value, made projections of income velocity of monetary resources. Notwithstanding Iyer's efforts, Divatia and Venkatachalam had shown that the use of aggregate monetary resources had contributed to a greater degree of stability than the use of money supply, in the household sector demand for money. Whether similar efforts for the economy as a whole with different interest rates-long-term as well as short-term-would give the same results for a sufficiently long time-period are yet to be seen.

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EPW — Economic & Political Weekly, Bombay:
IEJ — Indian Economic Journal, Bombay.
IER — Indian Economic Review, Delhi.
JDS — Journal of Development Studies, Sussex, England.

FINANCIAL ASSETS OF RURAL HOUSEHOLDS@

(As at the end of June 1971)

INTRODUCTION

The term 'financial assets' refers to certain items of assets which are held by households as claims on financial institutions and others such as Government, joint stock companies and private individuals, mostly in the form of deposits and shares. The deposits include: (1) deposits with commercial banks, (2) deposits in post offices, (3) holdings of Government securities, (4) National Savings Certificates, (5) Treasury Savings Deposit certificates, (6) cash certificates of commercial banks, (7) deposits with co-operative institutions, (8) deposits with non-banking companies, (9) deposits with individuals, (10) insurance premia and (11) provident fund contributions. The investments in shares comprise: (1) shares of co-operative institutions, (2) bank shares, (3) company shares and (4) units of the Unit Trust of India. Other claims of households which do not strictly conform to the definition of financial assets enumerated above but which are repayable in cash have been classified under the head 'cash dues' and discussed separately.

Investments in these assets depend on many factors which include the investible surplus available with rural households, willingness to invest in these assets, rather than physical assets, and the awareness about and easy accessibility to the various types of financial investment avenues. Sometimes, such investments might be compulsory, as in the case of co-operative institutions, the share capital contribution and membership of which is compulsory to avail of credit facilities. Regarding provident fund contributions, generally this form of asset is not common among the rural sector except in the case of mine and plantation labour in whose case contribution to this fund is compulsory. As such, this asset is predominant in Bihar, Assam, West Bengal and Kerala.

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The massive investments in agriculture in the Five Year Plans and the improvement in farming methods made since 1951 have raised the productivity of land and the incomes of rural population. In order to mobilise a part of the additional income accruing to the rural sector, a number of measures have been taken, such as incentives given by the Government for investment in small savings, opening of branches of banks in the rural areas both co-operative and commercial, and efforts made by the LIC to popularise life insurance. An analysis of the investments of rural households is useful to assess the impact of these measures.

This study is based on data collected for the All-India Debt and Investment Survey, 1971-72 and it consists of four sections. After highlighting the main findings in Section I, Sections II and III analyse the State-wise and asset-groupwise position, respectively. Section IV draws a comparative picture of investments in financial assets by rural households in 1961 and 1971.

I. Highlights of the Survey Findings

As can be seen from the following table, the total financial assets of rural households as on June 30, 1971, amounted to Rs. 930 crores, but formed only a negligible portion of their total assets. The investment of Rs. 930 crores comprises of Rs. 790 crores by way of deposits and Rs. 140 crores by way of shares. Cash dues receivable by rural households amounted to Rs. 358 crores or 0.4 per cent of the total assets.

Deposits held by the rural households aggregated Rs. 790 crores forming 85 per cent of the total financial assets, but only 0.9 per cent of the total assets as on June 30, 1971 reported by 6.8 per cent of the rural households, giving an average of Rs. 103 per household. The all-India average of Rs. 103 was exceeded in Punjab, Kerala and the Union Territory of Delhi. Among the items of deposits, provident fund contributions totalled Rs. 275 crores or 34.8 per cent of the total deposits, while insurance premia and commercial bank deposits at Rs. 152 crores and Rs. 136 crores, respectively, were next in importance compared to a nominal amount of Rs. 20 crores of deposits with co-operative banks, which would confirm the impression that borrowers generally did not keep their savings with the co-operative banks. Deposits with post offices amounted to Rs. 95 crores.

Investments in shares by all rural households at Rs. 140 crores formed 15 per cent of the total financial assets, the highest proportion of 40 per cent of the households reporting this asset being from Punjab and households in Punjab, Maharashtra and Gujarat reporting nearly three to four times of the all-India average (Rs. 18). About 94 per cent of the investments in shares was in the form of co-operative bank shares and these were held mainly in Maharashtra and Gujarat, where the borrowing from co-operative credit societies was predominant.

Units sold by the Unit Trust of India were not popular with rural households and the total investment in this item was only Rs. 35 lakhs. This would indicate that the Unit Trust had perhaps not yet extended its organisational efforts to tap the savings in the rural sector.

Dues receivable in cash amounted to Rs. 358 crores or 0.4 per cent of the total assets. These comprised mainly of transactions like promissory notes, pledge of bullion and ornaments, sale proceeds of land, buildings, goods etc. The most important item in this group was promissory note transactions which formed 30 per cent of the total cash dues. The three major States where these transactions predominated were Andhra Pradesh, Rajasthan and Tamil Nadu.

Financial assets of cultivator households formed Rs. 638 crores (69 per cent) out of a total of Rs. 930 crores with all rural households. Of this, deposits amounted to Rs. 508 crores and shares Rs. 130 crores. The amount of deposits at Rs. 81.7 crores was the highest in Bihar. Deposits constituted over 90 per cent of financial assets of cultivators in Assam, Bihar, Kerala and West Bengal. Share investments were substantial in Maharashtra and Gujarat which together accounted for nearly 50 per cent of the total.

Cash dues receivable by the cultivator households amounted to Rs. 273 crores; the amount receivable was sizeable in Rajasthan (Rs. 38 crores) and Tamil Nadu (Rs. 37 crores).

Among non-cultivators, agricultural labour households held Rs. 12 crores of financial assets, artisans (Rs. 10 crores) and 'other' non-cultivators (Rs. 270 crores). These three categories of households possessed deposits of Rs. 10 crores, Rs. 9 crores and Rs. 262 crores, respectively. Investments in shares by these three types of households accounted for Rs. 1.3 crores, Rs. 1 crore and Rs. 8 crores, respectively.

Asset-groupwise, the poor households owning assets upto Rs. 2,500 held Rs. 53 crores of total financial assets. Of the three groups(Rs. 0-500, Rs. 500-1,000 and Rs. 1,000-2,500) falling under this category, the third group held the bulk of the assets (Rs. 44 crores). Of the total financial assets, Rs. 50 crores were held in the form of deposits. Share investments were negligible at Rs. 3 crores and cash dues reported by these three lower asset groups aggregated only Rs. 9 crores.

Among the rest of the eight higher asset groups, five groups (Rs. 5,000-10,000, Rs. 20,000-30,000, Rs. 30,000-50,000, Rs. 50,000-1,00,000 and Rs. 1 lakh and over) were the most important, accounting for over 10 per cent each of total financial assets. As regards deposits, the five asset groups accounted for Rs. 573 crores or 72 per cent. Share investments were significant in four asset groups between Rs. 20,000 and over Rs. 1 lakh amounting to Rs. 100 crores.

The **cultivator households** belonging to the three lowest asset groups had financial assets amounting to Rs. 11.4 crores, the third group of Rs. 1,000-2,500 accounting for as much as Rs. 10.3 crores. Deposits, shares and cash dues receivable were progressively more in the higher asset groups. While comparatively larger amounts were invested in deposits and cash dues by the four highest asset groups, sizeable investments in shares were noticed in three asset groups of Rs. 20,000-30,000, Rs. 30,000-50,000 and Rs. 50,000-1,00,000.

As regards non-cultivators **agricultural labour households** with assets upto Rs. 2,500 reported deposits of Rs. 4 crores against Rs. 10 crores by all agricultural labour households in the country. Share investments by these households amounted to Rs. 1.3 crores of which Punjab accounted for Rs. 57 lakhs.

Artisan households held Rs. 9 crores of deposits, the bulk of which (Rs. 6 crores) was accounted for by the asset group Rs. 10,000 and above. Share investments by these households hardly amounted to Rs. 1 crore, the major item being shares of co-operatives.

The heterogeneous group of 'other' non-cultivators held deposits of Rs. 263 crores, with asset group of Rs. 10,000 and above accounting for Rs. 133 crores. Share holdings by this group amounted to Rs. 8 crores, of which households in the asset group Rs. 10,000 and over, accounted for Rs. 4 crores and the lowest three asset groups together reporting only about Rs. 75 lakhs.

Financial assets of all rural households recorded an increase of Rs. 642 crores to Rs. 930 crores between 1961-1971. Of this, the overall increase in deposits was Rs. 571 crores. The States where a substantial increase in deposits was observed were West Bengal (Rs. 98 crores), Bihar (Rs. 78 crores) and Uttar Pradesh (Rs. 73 crores). Investments in shares recorded a rise of Rs. 72 crores, almost the entire increase being in co-operative shares. The proportion of shares to financial assets declined from 23.7 per cent in 1961 to 15 per cent in 1971.

Table 1—Financial Assets of Rural Households

(As on June 30, 1971)

	Proportion of households reporting		Total Financial Assets (Rs. crores)	Average per household (Rs.)		Financial assets as % of total assets of the respective category
	Shares	Deposits		Shares	Deposits	
Cultivators	17.7	6.3	638	23	91	0.8
Non-cultivators ..	4.8	8.1	292	5	133	5.3
1. Agricultural labourers	2.7	1.1	12	1	9	0.9
2. Artisans	7.4	5.1	10	5	47	2.2
3. Others	7.2	18.3	270	10	322	7.1
All Households ..	14.1	6.8	930	18	103	1.1

Deposits held by cultivator households increased by Rs. 387 crores to Rs. 508 crores in 1971. The proportion of deposits to their total financial assets rose from 67 per cent in 1961 to 80 per cent in 1971. Bihar, Kerala and West Bengal recorded the maximum increase. Share investments by cultivators rose by Rs. 69 crores to Rs. 130 crores in 1971 but this increase was less than one-fifth of that in deposits. Co-operative shares showed an increase of Rs. 68 crores.

Non-cultivator households increased their deposit holdings during the decade from Rs. 100 crores to Rs.282 crores whereas their investments in shares rose only by Rs. 4 crores to Rs. 10 crores between 1961 and 1971.

An important trend noticed in cash dues was that the cash dues of cultivators declined more sharply than that of non-cultivators. As a result, the proportion of cash dues to total assets of cultivators declined from 1.3 per cent to 0.3 per cent during the decade.

Section II : Statewise Position

I. All Rural Households

A. Deposits

Deposits held by rural households with individuals and institutions which constituted the largest single item of investment amounted to Rs. 790 crores representing only 0.9 per cent of the total assets of rural households (Statement I). Only 6.8 per cent of rural households reported investments in deposits. The average amount held by a household amounted to Rs. 103. Punjab, Kerala and the Union Territory of Delhi are the other areas where the all-India average and percentage of reporting households are exceeded (Statement II and III). However, Bihar (Rs. 93 crores), West Bengal (Rs. 125 crores) and Uttar Pradesh (Rs. 105 crores) had reported sizeable deposits forming about 40 per cent of the all-India total. The proportion of deposits to total financial assets was 98.9 per cent in Assam, followed by West Bengal with 97.6 per cent. The ratio exceeded 90 per cent in the Union Territories of Tripura and Delhi and in the States of Uttar Pradesh, Bihar, Jammu & Kashmir and Kerala. On the other hand, the proportion in Maharashtra was comparatively lower at 52.8 per cent.

Provident fund contributions totalled Rs. 275 crores or 34.8 per cent of the total deposits in the country as a whole, while insurance premia at Rs. 152 crores formed only 19.2 per cent. Provident fund contributions were the highest in West Bengal at Rs. 62 crores forming 22.5 per cent of the total provident fund contributions in all States. Among other States, Assam, Bihar, Kerala, Maharashtra, Tamil Nadu and Uttar Pradesh together accounted for Rs. 148 crores or 53.8 per cent of the total. Insurance premia totalled Rs. 152 crores in the country as a whole with Karnataka accounting for Rs. 26 crores or 17.1 per cent. Uttar Pradesh and Kerala stood next and they together accounted for Rs. 31 crores or 20.4 per cent. Three other States, namely, Gujarat, Rajasthan and Tamil Nadu had reported premia of Rs. 11 to 12 crores each.

Among deposits, commercial bank deposits were Rs. 136 crores compared to Rs. 95 crores of postal deposits and Rs. 30 crores of deposits with individuals. Annuity deposits amounted to Rs. 3 crores (Table 2). Proportionately, commercial bank deposits formed 17.2 per cent of the total deposits, while deposits with post office constituted 12.0 per cent of the total. Deposits with commercial banks were higher in Kerala at Rs. 23 crores, followed by Bihar with Rs. 19 crores. The higher deposits in Kerala may be due to the popularity of chit fund business being conducted on a large scale by banks in this state. Uttar Pradesh and West Bengal together accounted for over one-half of the postal deposits. Deposits with co-operative banks amounted to Rs. 19.5 crores and this confirms the impression that borrowers used co-operatives more as a source of raising funds for them and not as depositories of their savings.

Table 2—Proportion of households reporting, Average Value per Household and Aggregate Value of Deposits — All Households

(As on June 30, 1971)

Deposit (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
National Plan Savings Certificates	0.5	14.1	2
Treasury Savings Deposit Certificates ..	Neg.	0.4	Neg.
Government securities	0.2	4.5	1
Cash certificates of commercial banks ..	Neg.	13.3	2
Deposits in post offices	2.0	94.8	12
Annuity deposits	0.1	2.9	Neg.
Deposits in co-operative societies and banks	0.5	19.5	3
Deposits in commercial banks	0.7	135.8	18
Deposits in non-banking companies ..	Neg.	6.6	1
Deposits with individuals	0.5	29.9	4
Other deposits	0.4	41.9	4
Provident fund	2.6	274.8	36
Insurance premia	1.5	151.7	20
Total	**6.8**	**790.2**	**103**

B. Shares

Total investments in shares by all rural households amounted to Rs. 140 crores which formed 15.0 per cent of the total financial assets. The average investment in shares per household was Rs. 18 while the proportion of households reporting shares was 14.1 per cent for the country as a whole (Table 3). The proportion of reporting households was very high in Punjab with 39.9 per cent. The average investment in shares was about four times the all-India average in Maharashtra, followed by Gujarat, as these are the two States in which co-operative institutions have made much headway.

Table 3—Proportion of households reporting, Average Value per household and Aggregate Value of Shares — All Households

(As on June 30, 1971)

Shares (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
1. Co-operatives	14.1	131.0	17
2. Banks	0.1	3.8	Neg.
3. Companies	0.1	4.7	1
4. Units of the Unit Trust	Neg.	0.4	Neg.
Total	14.1	139.9	18

In Assam, where deposits were substantial, investment in shares was a mere 1.1 per cent of the total investments in financial assets. Investments in shares ranged between 1.1 per cent in Assam and 47.2 per cent in Maharashtra. Gujarat followed with 37.6 per cent. The proportion of shares to total assets was also at the maximum in Maharashtra at 0.6 per cent followed by Gujarat with 0.5 per cent. In some of the States the proportion was just 0.1 per cent. The aggregate value of investments in shares in Maharashtra and Gujarat was Rs. 45.4 crores and Rs. 25.9 crores, respectively.

Practically the whole of the investments in shares was in respect of co-operative institutions and these accounted for 93.6

per cent of the total investments in shares. Investments in other shares were nominal and among these bank shares seemed to be popular in Gujarat. Shares of co-operative institutions accounted for over 90 per cent of the share investments and Maharashtra had the maximum investment, followed by Gujarat. Units sold by the Unit Trust of India amounted to Rs. 35 lakhs only. Since it is a rather sophisticated form of investment, probably the rural population is not yet conversant with it.

C. Cash Dues

Total dues receivable in cash by the rural households in India amounted to Rs. 358 crores (Table 4) or 0.4 per cent of the total assets of rural households. Thus cash dues were substantially higher than bank deposits (totalling about Rs. 156 crores). Dues receivable in kind at Rs. 22 crores was quite negligible in terms of total assets.

Table 4—Proportion of households reporting, Average Value per household and Aggregate Value of Cash Dues — All Households

(As on June 30, 1971)

Cash dues	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
Promissory notes	0.9	107.8	14
Usufructuary mortgage of real estate	0·6	63.9	8
Pledge of other movable property ..	0.1	7.1	1
Pledge of bullion and ornaments ..	0.1	15.2	2
Sale/mortgage of real estate ..	0.1	12.1	2
Sales proceeds receivable	0.5	34.5	4
Unsecured loans	0.9	62.3	8
Others	0.5	54.9	7
Total amount receivable	3.3	357.9	46

Dues receivable in cash mainly comprised of transactions like promissory notes, pledge of bullion and ornaments, sales proceeds of land, buildings, goods, etc. Promissory note transactions accounted for 30.1 per cent of the total dues receivable in cash, while sales proceeds and pledge of bullion and ornaments accounted for 9.6 per cent and 4.2 per cent, respectively. Despite the increase in the number of financial institutions and the scope of their operations, it would appear that rural households still resorted to loans against pledge of ornaments and goods and promissory note transactions.

Among the States, dues receivable in cash were comparatively high in Rajasthan with Rs. 72.3 crores, followed by Tamil Nadu with Rs. 46.8 crores. Andhra Pradesh accounted for Rs. 43.2 crores. The pattern of investment was more or less similar in these States, with promissory note transactions (indicating that there was no security for lending) generally accounting for sizeable amounts receivable.

In Tamil Nadu and Andhra Pradesh, promissory note transactions amounted to Rs. 31 crores and Rs. 32 crores, respectively. However, in Rajasthan miscellaneous transactions accounted for Rs. 29 crores which was higher than Rs. 15 crores receivable through promissory note transactions. Dues receivable through pledge of bullion and ornaments amounted to Rs. 6 crores in Kerala and Rs. 5 crores in Rajasthan. Sales proceeds receivable were higher in Rajasthan at Rs. 5 crores against the all-India total of Rs. 34 crores.

The details in respect of cultivator and non-cultivator households are discussed below :

II. Cultivators

A. Deposits

Financial assets of the cultivator households totalled Rs. 638 crores which formed 69 per cent of the total financial assets of all rural households (Statement IV).

Deposits of cultivator households amounted to Rs. 508 crores (Table 5) representing 64 per cent of the deposits of all rural households and about 80 per cent of their financial assets. The average

Table 5—Proportion of households reporting, Average Value per household and Aggregate Value of Deposits — Cultivators (As on June 30, 1971)

Deposits (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
National Plan Savings Certificates ..	0.5	12.0	2
Treasury Savings Deposit Certificates	Neg.	0.4	Neg.
Government securities	0.1	3.5	1
Cash certificates of commercial banks	Neg.	12.5	2
Deposits in post offices	2.0	69.9	13
Annuity deposits	Neg.	0.3	Neg.
Deposits in co-operative societies and banks	0.5	13.3	2
Deposits in commercial banks ..	0.6	104.7	19
Deposits in non-banking companies	Neg.	6.6	1
Deposits with Individuals	0.6	24.9	4
Other deposits	0.4	34.7	4
Provident fund	1.7	132.5	24
Insurance premia	1.2	92.9	17
Total	**6.3**	**508.2**	**91**

deposit per household was Rs. 91 and the proportion of households reporting deposits was 6.3 per cent for the country as a whole, which was exceeded in about a dozen States. Total deposits in Bihar at Rs. 81.7 crores were the highest followed by West Bengal with Rs. 68.9 crores. Financial assets were almost entirely held in the form of deposits in Meghalaya and the Union Territory of Manipur. Among the States, Assam had the highest proportion of 98.9 per cent followed by West Bengal with 96.9 per cent; Bihar and Kerala were the other States where the proportion exceeded 90 per cent of financial assets.

Commercial bank deposits amounted to Rs. 105 crores and about one-fifth of this amount was held in Kerala.

Post office deposits were nearly double that of commercial bank deposits in Uttar Pradesh and West Bengal. Provident fund contributions totalled Rs. 133 crores. Among the industrial States, West Bengal had Rs. 27 crores whereas Maharashtra had only about Rs. 4 crores. Deposits with individuals were rather high in Punjab at Rs. 4 crores against a total of Rs. 25 crores for the country as a whole.

B. Shares

Investments in shares by cultivator households totalled Rs. 130 crores forming 20.3 per cent of their total financial assets. Over 90 per cent of these investments were in shares of co-operatives. The proportion of households reporting this item was 17.6 per cent (Table 6) for the country as a whole. It was 58.8 per cent in Punjab and 41.7 per cent in Maharashtra. Share investments in Maharashtra and Gujarat were Rs. 43 crores and Rs. 25 crores, respectively. These two States together accounted for about 50 per cent of the total share investments and practically the entire amount in these two States was in shares of co-operative institutions.

Table 6—Proportion of households reporting, Average Value per household and Aggregate Value of Shares — Cultivators (As on June 30, 1971)

Shares (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
1. Co-operatives	17.6	121.5	22
2. Banks	0.1	3.6	1
3. Companies	0.1	4.1	1
4. Units of the Unit Trust	Neg.	0.3	Neg.
Total	17.7	129.6	23

Investments in bank shares amounted to Rs. 4 crores, of which Gujarat and Karnataka accounted for about Rs. 1 crore each. Investments in company shares were Rs. 22 lakhs in Gujarat accounting for about 5 per cent of the total investments in the country as a whole. Investments in units were Rs. 21 lakhs in Uttar Pradesh as against an all-India investment of Rs. 35 lakhs.

C. Cash Dues

Total cash dues receivable by cultivator households amounted to Rs. 273 crores. The proportion of reporting households was 3.6 per cent for all-India. In Punjab the proportion was much higher at 9.5 per cent.

The amounts receivable were quite sizeable in Rajasthan and Tamil Nadu with Rs. 38 crores and Rs. 37 crores, respectively. Rajasthan, Tamil Nadu, Uttar Pradesh, Andhra Pradesh and Bihar together accounted for Rs. 175 crores or about 64 per cent of total cash dues. For the country as a whole, the major items were promissory note transactions and usufructuary mortgage transactions which were Rs. 88 crores and Rs. 62 crores, respectively, accounting for 32 per cent and 23 per cent of the total. Dues receivable through sale/mortgage of real estate and pledge of bullion and ornaments were about Rs. 12 crores each, forming about 4 per cent of total cash dues (Table 7).

Table 7—Proportion of households reporting, Average Value per household and Aggregate Value of Cash Dues — Cultivators (As on June 30, 1971)

Cash dues	Proportion of house-holds reporting	Aggregate Value (Rs. crores)	Average Value per house-hold (Rs.)
Promissory notes	1.0	87.7	16
Usufructuary mortgage of real estate	0.8	61.7	11
Pledge of other movable property ..	0.1	6.0	1
Pledge of bullion and ornaments ..	0.1	12.0	2
Sale/Mortgage of real estate ..	0.2	11.5	2
Sales proceeds receivable	0.5	22.4	4
Unsecured loans	1.0	46.8	8
Others	0.4	25.3	5
Total amount receivable	**3.6**	**273.4**	**49**

Promissory note transactions appeared to be predominant in Tamil Nadu and Andhra Pradesh at about Rs. 25 crores each, accounting for 68.0 per cent and 73.4 per cent of the total cash dues, respectively. Rajasthan was the next State which reported these transactions at Rs. 9 crores. Usufructuary mortgage transactions were higher in Bihar at Rs. 20 crores forming about a third of the all-India total (Rs. 62 crores). In Gujarat and Haryana, these transactions were about Rs. 4 crores each. Unsecured loans accounted for Rs. 11 crores in Uttar Pradesh and Rs. 9 crores in Rajasthan, against an all-India total of Rs. 47 crores. Pledge of bullion and ornaments was higher in Kerala at Rs. 6 crores, against an all-India total of Rs. 12 crores.

III. Non-cultivators

(i) Agricultural Labourers

A. Deposits

Investments in financial assets by labour households totalled Rs. 12 crores, of which deposits were Rs. 10.4 crores or 87 per cent of the total. Out of the total deposits of Rs. 10 crores, provident fund contributions amounted to Rs. 6 crores. Deposits with individuals and post offices were Rs. 70 lakhs each (Table 8).

Table 8—Proportion of households reporting, Average Value per household and Aggregate Value of Deposits — Agricultural Labourers (As on June 30, 1971)

Deposits (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
National Plan Savings Certificates ..	Neg.	Neg.	—
Treasury Savings Deposit Certificates	—	—	—
Government securities	Neg.	Neg.	—
Cash certificates of commercial banks	—	0.2	Neg.
Deposits in post offices	0.2	0.7	1
Annuity deposits	—	—	—
Deposits with co-operative societies and banks	Neg.	Neg.	Neg.
Deposits in commercial banks ..	0.1	0.5	Neg.
Deposits in non-banking companies	Neg.	Neg.	Neg.
Deposits with individuals	0.2	0.7	1
Other deposits	0.1	0.4	Neg.
Provident fund	0.5	6.0	5
Insurance premia	0.2	1.9	2
Total	**1.1**	**10.4**	**9**

Deposits with commercial banks totalled about Rs. 50 lakhs. Provident fund contributions were higher in Kerala with Rs. 1.8 crores, followed by Assam with Rs. 1.3 crores. Insurance premia amounted to Rs. 2 crores with West Bengal accounting for about Rs. 1 crore. Deposits with individuals were Rs. 38 lakhs in Punjab, out of an all-India total of Rs. 71 lakhs. Punjab and Gujarat reported Rs. 54 lakhs and Rs. 26 lakhs, respectively, in post office and commercial bank deposits as against the all-India figures of Rs. 70 lakhs and Rs. 50 lakhs, respectively.

B. Shares

It is interesting to note that agricultural labourers who earn a meagre income have invested about Rs. 1 crore in shares of co-operative institutions (Table 9). On the other hand, no investment was made by them in bank shares, units etc. About fifty per cent of the total share investment in the country by labour households was in Punjab indicating perhaps the relative prosperity of labourers engaged in agricultural occupations in that State. Maharashtra and Karnataka together accounted for about Rs. 29 lakhs.

Table 9—Proportion of households reporting, Average Value per household and Aggregate Value of Shares — Agricultural Labourers

(As on June 30, 1971)

Shares (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average value per house hold (Rs.)
1. Co-operatives	2.7	1.3	1
2. Banks	Neg.	Neg.	—
3. Companies	—	—	—
4. Units of the Unit Trust	—	—	—
Total	2.7	1.3	1

C. *Cash Dues*

Total cash dues receivable by agricultural labour households in India were Rs. 7 crores consisting mainly of promissory note lendings (Rs. 3 crores), unsecured loans (Rs. 2 crores) and sales proceeds receivable (Rs. 1 crore) (Table 10). Promissory note transactions in Tamil Nadu and Andhra Pradesh accounted for Rs. 1 crore each. Cash realisable through sales proceeds was around Rs. 1 crore in Tamil Nadu. In Punjab, however, it was only about Rs. 9 lakhs.

Table 10—Proportion of households reporting, Average Value per household and Aggregate Value of Cash Dues—Agricultural Labourers

(As on June 30, 1971)

Cash dues	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
Promissory notes	0.4	2.8	3
Usufructuary mortgage of real estate	0.1	0.4	Neg.
Pledge of other movable property	Neg.	0.1	Neg.
Pledge of bullion and ornaments	—	—	—
Sale/mortgage of real estate	Neg.	Neg.	Neg.
Sales proceeds receivable	0.1	1.2	1
Unsecured loans	0.4	1.6	1
Others	0.3	0.9	1
Total amount receivable	**1.3**	**7.1**	**6**

Unsecured loans were Rs. 83 lakhs in Gujarat and Rs. 32 lakhs in Tamil Nadu as against an all-India total of about Rs. 2 crores.

(ii) Artisans

A. Deposits

Total deposits of artisans were Rs. 9 crores for the country as a whole, with Gujarat and Tamil Nadu accounting for Rs. 1 crore each. The pattern is similar to that of agricultural labour households and presents a contrast to cultivator households. Major categories of investments are deposits with post offices, commercial banks, individuals, provident fund and insurance premia (Table 11).

Table 11—Proportion of households reporting, Average Value per household and Aggregate Value of Deposits — Artisans (As on June 30, 1971)

Deposits (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
National Plan Savings Certificates ..	0.3	Neg.	Neg.
Treasury Savings Deposit Certificates	0.1	Neg.	Neg.
Government securities	0.2	Neg.	Neg.
Cash certificates of commercial banks	—	—	—
Deposits in post offices	1.4	0.5	3
Annuity deposits	0.2	1.1	6
Deposits in co-operative societies and banks	0.4	0.6	3
Deposits in commercial banks ..	0.8	2.5	13
Deposits in non-banking companies	—	—	—
Deposits with individuals	0.2	0.1	Neg.
Other deposits	0.3	0.3	Neg.
Provident fund	1.0	1.4	7
Insurance premia	1.1	2.2	12
Total	5.1	8.7	47

While post office and commercial bank deposits present a similar trend, in the case of both artisan and agricultural labour households, the former have invested a higher proportion in annuity deposits and the latter in deposits with individuals.

In Uttar Pradesh, artisan households had total deposits of Rs. 4 crores comprising mainly of annuity deposits, commercial bank deposits and insurance premia, each accounting for about a crore of rupees. It may be observed that Uttar Pradesh is the only State where investments were made by artisans in annuity deposits. In Gujarat, commercial bank deposits and LIC premia accounted for practically the entire deposits in that State.

B. Shares

The trend in share investment was more or less similar to that of the agricultural labour households. About Rs. 1 crore (Table 12) was invested in shares of co-operative institutions. Investments in Tamil Nadu (Rs. 27 lakhs) and Punjab (Rs. 20 lakhs) were quite considerable.

Table 12—Proportion of households reporting, Average Value per household and Aggregate Value of Shares — Artisans (As on June 30, 1971)

Shares (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
1. Co-operatives	7.3	0.9	5
2. Banks	Neg.	Neg.	—
3. Companies	—	—	—
4. Units of the Unit Trust	—	—	—
Total	7.4	0.9	5

C. Cash Dues

Total dues receivable in cash by artisan households at Rs. 4 crores formed about one-half of the total cash receivable by agricultural labourers. Dues from unsecured loans and sales proceeds were more or less the same in the case of both artisans and agricultural labour households. However, promissory note transactions were of a lower order in the case of artisans (Rs. 90 lakhs) as compared to agricultural labour households (Rs. 3 crores) (Table 13).

Table 13—Proportion of households reporting, Average value per household and Aggregate Value of Cash Dues—Artisans (As on June 30, 1971)

Cash dues (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
Promissory note	0.5	0.9	5
Usufructuary mortgage of real estate	—	—	—
Pledge of other movable property ..	Neg.	Neg.	—
Pledge of bullion and ornaments ..	0.1	Neg.	Neg.
Sale/Mortgage of real estate ..	—	—	—
Sales proceeds receivable	1.4	1.2	6
Unsecured loans	1.1	1.9	10
Others	0.8	0.4	2
Total amount receivable	3.5	4.4	23

Tamil Nadu and Uttar Pradesh accounted for about Rs. 1 crore and Rs. 2 crores, respectively. While the main items were promissory notes and unsecured loans in Tamil Nadu, in Uttar Pradesh, dues by way of sales proceeds accounted for about Rs. 1 crore. No promissory note transactions were reported in Uttar Pradesh.

(iii) Other non-cultivators

A. Deposits

The other non-cultivators held the bulk of financial assets (Rs. 271 crores) which formed 92.7 per cent of the financial assets owned by all non-cultivators (Statement V). Deposits of 'others' as on June 30, 1971 were Rs. 263 crores, with West Bengal accounting for Rs. 54 crores, Uttar Pradesh Rs. 32 crores, Maharashtra Rs. 30 crores and Tamil Nadu Rs. 20 crores. Among the major items were provident fund contributions and LIC premia, accounting for Rs. 135 crores and Rs. 55 crores, respectively. Commercial bank and postal deposits were Rs. 28 crores and Rs. 24 crores, respectively (Table 14).

Table 14—Proportion of households reporting, Average Value per household and Aggregate Value of Deposits — Others

(As on June 30, 1971)

Deposits (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
National Plan Savings Certificates ..	0.6	2.1	3
Treasury Savings Deposit Certificates	Neg.	0.1	Neg.
Government securities	0.5	1.0	1
Cash certificates of commercial banks	Neg.	0.7	1
Deposits in post office	5.0	23.7	29
Annuity deposits	0.4	1.5	2
Deposits in co-operative societies and banks	0.7	5.5	7
Deposits in commercial banks ..	2.1	28.0	35
Deposits in non-banking companies	Neg.	0.1	Neg.
Deposits with individuals	0.8	4.2	5
Other deposits	1.0	6.4	6
Provident fund	12.2	135.0	166
Insurance premia	5.2	54.6	67
Total	**18.3**	**262.9**	**322**

B. Shares

Total investment in shares by these households was Rs. 8 crores, Maharashtra accounting for Rs. 3 crores. Like artisan and agricultural labour households, investments were predominantly in shares of co-operative institutions (Rs. 7 crores). But these households had also invested in bank shares, company shares and units and the total of these investments amounted to about Rs. 1 crore (Table 15).

Table 15—Proportion of households reporting, Average Value per household and Aggregate Value of Shares—Others

(As on June 30, 1971)

Shares (Items)	Proportion of households reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
1. Co-operatives	7.0	7.3	9
2. Banks	0.2	0.2	—
3. Companies	Neg.	0.6	1
4. Units of the Unit Trust ..	Neg	Neg.	Neg.
Total	**7.2**	**8.1**	**10**

Maharashtra had reported investments of Rs. 2.6 crores and Rs. 10 lakhs in shares of co-operatives and banks, respectively, against an all-India investment of Rs. 7 crores and Rs. 16 lakhs, respectively, in these items. In Uttar Pradesh, these households had invested Rs. 53 lakhs in company shares.

C. Cash Dues

Aggregate cash dues of these households were Rs. 73 crores, with Rajasthan, Maharashtra and Tamil Nadu having Rs. 34 crores, Rs. 7 crores and Rs. 6 crores, respectively.

Out of a total of Rs. 73 crores, miscellaneous items accounted for Rs. 28 crores, promissory notes Rs. 16 crores and unsecured loans Rs. 12 crores. Dues receivable by way of pledge of ornaments were Rs. 3 crores (Table 16).

Table 16—Proportion of households reporting, Average Value per household and Aggregate Value of Cash Dues—Other non-cultivators

(As on June 30, 1971)

Cash Dues	Proportion of house-holds reporting	Aggregate Value (Rs. crores)	Average Value per household (Rs.)
Promissory notes	0.9	16.5	20
Usufructuary mortgage of real estate	0.2	1.8	2
Pledge of other movable property ..	0.1	1.0	1
Pledge of bullion and ornaments ..	0.1	3.2	4
Sale/Mortgage of real estate ..	0.1	0.6	1
Sales proceeds receivable	1.2	9.7	12
Unsecured loans	1.2	12.0	15
Others	1.2	28.2	35
Total amount receivable	**4.4**	**73.0**	**90**

Regarding the items other than unsecured loans and miscellaneous transactions, dues receivable by way of pledge of bullion and ornaments and pledge of immovable properties were significant in Rajasthan and Haryana, respectively.

Section — III

Asset Groupwise Analysis

Households have been classified into 11 asset groups for purpose of analysis (Statement VI). The first three asset groups (covering households having assets upto Rs. 500, between Rs. 500 and Rs. 1,000, and Rs. 1,000 and Rs. 2,500) may be taken to represent the poor households and those having assets upto Rs. 500 belong to the lowest stratum of the rural society.

The overall State-wise data are analysed in terms of the aggregate values.

Deposits of 'poor' households

The households having assets upto Rs. 2,500 have made a total investment of Rs. 53 crores (Statements VII and VIII) in financial assets (excluding an amount of Rs. 9 crores representing dues receivable by these households in cash). Of the three asset groups in the lower strata of the society, households having assets between Rs. 1,000 and Rs. 2,500 had made more investments than the other two groups. In the lowest group, investments were very negligible (Rs. 2 crores). The asset group, Rs. 500 to Rs. 1,000 accounted for about Rs. 7 crores and as much as Rs. 44 crores of investments had been made by the asset group Rs. 1,000—Rs. 2,500.

Deposits constituted Rs. 50 crores out of a total investment of Rs. 53 crores. The lowest group (Rs. 0—Rs. 500) had reported deposits of Rs. 2 crores. The next higher group accounted for about Rs. 6 crores and the balance of Rs. 42 crores was held by the asset group Rs. 1,000—Rs. 2,500. Deposits of these three asset groups as a proportion of total deposits of all asset groups accounted for 0.3 per cent, 0.8 per cent and 5.3 per cent, respectively. Among the States, taking deposits of the three bottom groups as a whole, Assam and West Bengal accounted for Rs. 8 crores and Rs. 7 crores, respectively. Tamil Nadu and Uttar Pradesh accounted for about Rs. 6 crores each. In the lowest group, Assam, Tamil Nadu and Uttar Pradesh together accounted for about Rs. 1 crore out of a total of Rs. 2 crores. Karnataka and Maharashtra each accounted for Rs. 0.2 crore. In the next group (Rs. 500—Rs. 1,000), Assam, Tamil Nadu and Uttar Pradesh together had about Rs. 2 crores out of a total of about Rs. 6 crores. Deposits in Maharashtra were Rs. 1 crore and Kerala and Madhya Pradesh together accounted for another Rs. 1 crore. In the third group (Rs. 1,000—Rs. 2,500), the number of States reporting data, the proportion of households as well as the amount of investment were more. Out of a total of Rs. 42 crores in this asset group, deposits of Rs. 23 crores were held in four States, Assam, Uttar Pradesh, Tamil Nadu and West Bengal. Besides, Madhya Pradesh, Maharashtra and Kerala held total deposits of about Rs. 10 crores.

Investments in shares

Share investments were negligible in the three bottom asset groups totalling about Rs. 3 crores out of a total investment of about Rs. 140 crores in shares by all asset groups. The States in which broadly these investments were held were Maharashtra, Punjab, Rajasthan and Tamil Nadu.

Cash Dues

Dues receivable in cash reported by the three bottom asset groups formed only 2.6 per cent of total cash dues reported by all asset groups. A total of Rs. 9 crores was reported as cash dues to be received by households in these asset groups, with Tamil Nadu accounting for about Rs. 4 crores and Andhra Pradesh, Kerala and Uttar Pradesh together accounting for about another Rs. 2 crores.

Other Asset Groups

We may now discuss the financial assets of households having total assets of over Rs. 2,500. These asset groups comprise of eight of the remaining eleven asset groups. Among these eight, the more significant groups which accounted for over 10 per cent each of the total financial assets are five. Of these two asset groups, viz., Rs. 20,000—Rs. 30,000 and over Rs. 1 lakh, accounted for 19 per cent each of the total financial assets. Gujarat, Karnataka, Maharashtra and Uttar Pradesh had reported the maximum investment in the asset group of Rs. 20,000—Rs. 30,000, while Bihar, Kerala, Punjab, Rajasthan and Tamil Nadu had reported the largest investments in the asset group over Rs. 1 lakh. West Bengal, on the other hand, reported the highest amount of investment in the asset group of Rs. 50,000—Rs. 1 lakh.

As regards deposits, five asset groups, namely, Rs. 5,000—Rs. 10,000, Rs. 20,000—Rs. 30,000, Rs. 30,000—Rs. 50,000, Rs. 50,000—Rs. 1,00,000 and over Rs. 1 lakh accounted for Rs. 573 crores or 72 per cent. In all these asset groups, except the highest one, West Bengal and Uttar Pradesh had sizeable deposits. In the top asset group (over Rs. 1 lakh), Bihar had the largest amount (Rs. 53 crores).

Investment in shares was sizeable only in four asset groups, viz., Rs. 20,000—Rs. 30,000, Rs. 30,000—Rs. 50,000, Rs. 50,000—Rs. 1,00,000 and over Rs. 1 lakh, which had invested Rs. 100 crores (71 per cent) out of the total of Rs. 140 crores. In all these four groups, Maharashtra and Gujarat had reported investments in shares which constituted over 60 per cent of the total investments in these groups.

Cash Dues

Total cash dues receivable by all rural households amounted to Rs. 358 crores, of which Rs. 256 crores (72 per cent) was in the top four asset groups, viz., Rs. 20,000—Rs. 30,000, Rs. 30,000—Rs. 50,000, Rs. 50,000—Rs. 1,00,000 and above Rs. 1 lakh. No significant concentration was noticed in any State among these asset groups, except in the case of Rajasthan which accounted for about one-third (Rs. 32 crores) of the total of Rs. 91 crores in the highest asset group.

Cultivators

Investments in financial assets by cultivator households in the lower asset groups having assets upto Rs. 2,500 totalled Rs. 11.4 crores, thus indicating the small share of investments on the part of poor cultivators. This was almost entirely made by the asset group Rs. 1,000—Rs. 2,500 which had invested a total of Rs. 10.3 crores comprising of Rs. 9 crores in deposits and Rs. 1 crore in shares. Dues receivable in cash by this group totalled Rs. 3 crores. It is interesting to note that among the poorest households owning assets upto Rs. 500 excepting for a fractional investment of Rs. 0.2 crore in deposits in Assam, no major investment was reported in any other State either in this item or in any other item.

The asset group having assets between Rs. 500 and Rs. 1,000 had invested Rs. 0.9 crore in financial assets comprising of deposits (Rs. 76 lakhs) and shares (Rs. 14 lakhs). Dues receivable by this group amounted to Rs. 32 lakhs. State-wise analysis indicates that in this group, deposits amounted to Rs. 25 lakhs in Assam and Rs. 17 lakhs in West Bengal and cash dues receivable in Tamil Nadu was Rs. 12 lakhs. As already indicated, the asset group of Rs. 1,000—Rs. 2,500 accounted for Rs. 10 crores of total financial assets. Karnataka, Kerala, Maharashtra and Tamil Nadu together accounted for a total investment of Rs. 0.6 crore in shares. In Assam, this asset group had deposits of Rs. 5 crores out of a total of Rs. 9 crores for the country as a whole. Tamil Nadu, Andhra Pradesh, Assam and Bihar together accounted for dues receivable in cash of about Rs. 2 crores.

Deposits, shares and cash dues were progressively more in the higher asset groups. Comparatively larger amounts were invested in deposits and cash dues by the four higher asset groups, while in the case of shares sizeable investments were noticed in three asset groups, viz., Rs. 20,000—Rs. 30,000, Rs. 30,000-Rs. 50,000 and Rs. 50,000—Rs. 1,00,000. As regards deposits, Bihar, Punjab, Maharashtra, Kerala, Uttar Pradesh and West Bengal had reported large deposits in the top four asset groups, while in the case of shares, Gujarat and Maharashtra were the only two States which had bulk of the investments. Cash dues in the four higher asset groups were reported by Andhra Pradesh, Bihar, Maharashtra, Rajasthan, Tamil Nadu, Karnataka and Uttar Pradesh.

Non-cultivators

In the case of non-cultivators all asset groups of over Rs. 10,000 are clubbed together and shown as a single group.

(a) Agricultural Labourers

Deposits

Deposits of agricultural labourers amounted to Rs. 10 crores for the country as a whole. Out of this, households with assets upto Rs. 2,500 had reported about Rs. 4 crores comprising of Rs. 13 lakhs in group Rs. 0—Rs. 500, Rs. 73 lakhs in group Rs. 500—Rs. 1,000 and about Rs. 3 crores in group Rs. 1,000—Rs. 2,500.

Provident fund contributions totalled Rs. 6 crores out of total deposits of Rs. 10 crores. The asset group Rs. 1,000—Rs. 2.500 held about Rs. 2 crores, with Kerala and Assam accounting for Rs. 99 lakhs and Rs. 73 lakhs, respectively. In the higher asset groups, households having assets over Rs. 10,000 had reported about Rs. 2 crores with Tamil Nadu and West Bengal together accounting for about Rs. 1 crore, each State accounting approximately for 50 per cent of this amount.

Insurance premia totalled Rs. 2 crores with asset group Rs. 10,000 and above accounting for Rs. 1 crore. State-wise, West Bengal accounted for the bulk of this investment. Investments in the lower groups (upto Rs. 2,500) were negligible, being about Rs. 23 lakhs.

Post office deposits totalled Rs. 70 lakhs of which an amount of Rs. 11 lakhs was held by the households with assets upto Rs. 2,500. Among the higher asset groups, the asset group

Rs. 2,500—Rs. 5,000 accounted for about Rs. 33 lakhs, with the households in Punjab accounting for about Rs. 31 lakhs.

Investments in commercial bank deposits totalled Rs. 50 lakhs. The three lower asset groups together held Rs. 2 lakhs ; Rs. 26 lakhs was held by the asset group Rs. 5,000—Rs. 10,000, while Rs. 16 lakhs was held by the asset group Rs. 2,500—Rs. 5,000 with Haryana alone reporting as much as Rs. 10 lakhs.

Shares

Investments in shares made by agricultural labour households amounted to Rs. 1.3 crores and almost the entire amount was in shares of co-operatives. No other item was reported except a negligible investment in bank shares. In Punjab, where investments totalled Rs. 57 lakhs, the asset group Rs. 500—Rs. 1,000 accounted for Rs. 3 lakhs and the asset group Rs. 2,500—Rs. 5,000 had reported about Rs. 22 lakhs. Total investments in shares in Uttar Pradesh was Rs. 4 lakhs of which Rs. 2 lakhs was accounted for by the asset group Rs. 5,000—Rs. 10,000.

Cash Dues

Total dues receivable by agricultural labour households amounted to Rs. 7 crores in the country as a whole. The lower asset groups having assets upto Rs. 2,500 accounted for Rs. 3 crores and among the higher asset groups, households having assets over Rs. 10,000 accounted for Rs. 2 crores. Itemwise, promissory note transactions accounted for Rs. 3 crores, while sales proceeds and unsecured loans together accounted for about Rs. 3 crores.

The lowest asset group (Rs. 0—Rs. 500) had reported a total amount of Rs. 36 lakhs, of which 50 percent was accounted for by unsecured loans. Among the States, Tamil Nadu had reported Rs. 25 lakhs, out of Rs. 36 lakhs in this asset group. Unsecured loans in Tamil Nadu accounted for Rs. 14 lakhs in the lowest asset group. Households constituting the asset groups Rs. 500—Rs. 1,000 and Rs. 1,000—Rs. 2,500 reported a total amount of Rs. 2 crores. Promissory note transactions accounted for Rs. 1 crore in these two groups. Among the States, Tamil Nadu had reported about Rs. 1 crore of which about Rs. 0.5 crore was held by the groups Rs. 500—Rs. 1,000 and Rs. 1,000—Rs.2,500.

Regarding the higher asset groups, about Rs. 1 crore was reported by the group Rs. 5,000—Rs. 10,000, which comprised mainly promissory note transactions and unsecured loans. Households having assets over Rs. 10,000 had reported about Rs. 2 crores and the important items were sales proceeds and promissory note transactions.

(b) Artisans

Deposits

Deposits held by artisan households totalled Rs. 9 crores of which Rs. 6 crores was accounted for by the asset group of Rs. 10,000 and above.

Insurance premia totalled about Rs. 2 crores of which Rs. 1.4 crores was reported by the asset group Rs. 10,000 and above in Uttar Pradesh.

Provident fund contributions totalled about Rs. 1 crore, Assam accounting for about Rs. 48 lakhs, which was mainly in the higher asset groups (i.e. above Rs. 2,500). Among the lower groups, the group Rs. 1,000—Rs. 2,500 had reported Rs. 42 lakhs which included Rs. 15 lakhs in Gujarat, Rs. 8 lakhs in Tamil Nadu and Rs. 5 lakhs in Bihar. Artisan households in Uttar Pradesh had deposited Rs. 1 crore in commercial banks which was about 50 per cent of that in the country as a whole. This was reported only by the asset groups above Rs. 5,000.

Shares

As in the case of agricultural labour households, share investments by artisan households also amounted to about Rs. 1 crore and the major item of investment was shares of co-operatives. Investment in bank shares was negligible and no other item was reported.

It may be noted that the asset group (Rs. 1,000—Rs. 2,500) had reported Rs. 33 lakhs, while the next group (Rs. 2,500—Rs. 5,000) accounted for Rs. 29 lakhs. On the other hand, investment in shares was only Rs. 14 lakhs by higher asset groups of over Rs. 10,000. Out of Rs. 33 lakhs in the asset group of Rs. 1,000—Rs. 2,500, Tamil Nadu accounted for over 50 per cent with Rs. 17 lakhs.

Cash Dues

The lower asset group Rs. 0—Rs. 500 had reported a negligible amount of about Rs. 38,000 as dues receivable. The next asset group (Rs. 500—Rs. 1,000) had reported Rs. 4 lakhs of which about Rs. 3 lakhs was accounted for by Uttar Pradesh through sales proceeds. Compared to this asset group, the amount was higher in asset group Rs. 1,000—Rs. 2,500 at Rs. 44 lakhs of which Rs. 19 lakhs represented unsecured loans, sales proceeds Rs. 16 lakhs and Rs. 7 lakhs promissory note transactions. Tamil Nadu accounted for Rs. 17 lakhs of unsecured loans and Uttar Pradesh reported sales proceeds of Rs. 6 lakhs.

Out of a total amount of Rs. 4 crores of dues receivable by artisan households, Rs. 3 crores was reported by the households having assets over Rs. 10,000 and Uttar Pradesh accounted for Rs. 2 crores comprising unsecured loans of Rs. 1.4 crores and sales proceeds of Rs. 0.6 crore.

(c) Other non-cultivators

Deposits

Deposits held by these heterogeneous households amounted to Rs. 263 crores, with the asset group of Rs. 10,000 and above accounting for Rs. 133 crores. Out of the total amount of Rs. 263 crores, provident fund contributions were Rs. 135 crores, insurance premia Rs. 55 crores and the balance of Rs. 73 crores mainly represented deposits with banks. The three lower asset groups together accounted for Rs. 35 crores of which Rs. 29 crores was in the group of Rs. 1,000—Rs. 2,500.

Out of the total investment of Rs. 35 crores made by the lower asset groups, Rs. 27 crores represented provident fund contributions. State-wise, Madhya Pradesh, Uttar Pradesh, West Bengal and Tamil Nadu together accounted for about Rs. 16 crores of the total provident fund contributions. Insurance premia amounted to Rs. 4 crores of which Maharashtra accounted for Rs. 74 lakhs, Rajasthan Rs. 72 lakhs, Tamil Nadu Rs. 52 lakhs and Uttar Pradesh Rs. 58 lakhs.

As regards bank deposits, commercial bank deposits amounted to Rs. 28 crores of which Maharashtra and Punjab each accounted for about Rs. 5 crores, while West Bengal and Uttar Pradesh accounted for Rs. 4 crores each. Gujarat reported

Rs. 3 crores. In all these States, most of the deposits were held by the households having assets over Rs. 10,000. Deposits with co-operatives amounted to Rs. 5 crores. Postal deposits accounted for Rs. 24 crores of which the lower asset groups (upto Rs. 2,500) held about Rs. 2 crores. Among the higher asset groups, the largest amount of Rs. 13 crores was held by the asset group of Rs. 10,000 and above, comprising mainly Uttar Pradesh (Rs. 3 crores), Punjab and Gujarat (Rs. 2 crores each) and Maharashtra and West Bengal (Rs. 1 crore each).

Shares

Shareholdings by 'others' amounted to Rs. 8 crores, of which Rs. 7 crores was in shares of co-operatives. Households holding assets over Rs. 10,000 had reported Rs. 4 crores. The lower asset groups (upto Rs. 2,500) held only about Rs. 75 lakhs.

In Maharashtra, the asset group of Rs. 10,000 and above had reported an investment of Rs. 1.4 crores in co-operative bank shares and about Rs. 10 lakhs in commercial bank shares. Unlike artisans and agricultural labour households, other non-cultivator households had diversified their investments. Company share investments reported by households having assets over Rs. 10,000 amounted to Rs. 57 lakhs against a total investment of Rs. 59 lakhs in the country as a whole.

Cash Dues

Total dues receivable by these households amounted to Rs. 73 crores. Among the lower groups, the asset groups of Rs. 1,000—2,500 accounted for Rs. 3 crores. As much as Rs. 62 crores had been reported by households with assets of over Rs. 10,000. The major items were miscellaneous transactions (Rs. 28 crores), promissory note transactions (Rs. 16 crores), unsecured loans (Rs. 12 crores) and sales proceeds (Rs. 10 crores).

Among the States, Rajasthan accounted for Rs. 34 crores as compared to Rs. 73 crores of dues receivable in the country as a whole. Miscellaneous transactions and unsecured loans together accounted for Rs. 24 crores in Rajasthan. In both the items the amounts reported were either negligible or marginal in the lower asset groups (upto Rs. 2,500). Almost the whole investment in both the items was accounted for by households having assets of over Rs. 10,000.

Section IV

Comparison of Financial Assets in 1961 and 1971

In the following paragraphs an attempt is made to compare the financial assets of rural households based on All-India Rural Debt and Investment Survey (AIRDIS) 1961-62 and All-India Debt and Investment Survey (AIDIS) 1971-72.

The data pertaining to financial assets in the two surveys are not strictly comparable since the AIRDIS data relate to end-December 1961*, while the AIDIS data relate to end-June 1971. The scope of financial assets in the 1971-72 survey was extended to cover certain new items such as units of U.T.I. and annuity deposits as they were not in existence in 1961-62. Similarly insurance premia and chit funds were not included in financial assets in the 1961-62 survey.

Financial assets of all rural households recorded an increase of Rs. 642 crores to Rs. 930 crores between 1961 and 1971, representing an increase of 223 per cent. In proportion to total assets held by the rural households, there was a marginal increase from 0.8 per cent to 1.1 per cent during the decade. While all the States shared the increase, West Bengal alone accounted for an increase of Rs. 100 crores. West Bengal, Bihar, Uttar Pradesh, Kerala and Maharashtra together accounted for an increase of Rs. 395 crores, i.e. more than 50 per cent of the overall increase. In 1961 the proportion of financial assets to total assets in Assam was 3.0 per cent, followed by Gujarat with 2.1 per cent; the proportion declined to 2.4 per cent and 1.4 per cent in Assam and Gujarat, respectively, in 1971. On the other hand, there was a substantial increase in the proportion in West Bengal from 1.4 per cent to 2.9 per cent. In Kerala, the increase was from 0.9 per cent to 2.8 per cent.

All Rural Households

Deposits

Deposits which formed 76 per cent of total financial assets in 1961 rose to 85 per cent in 1971 (Statement IX). As a proportion to total of all assets, there was only a marginal rise during the decade under comparison, from 0.6 per cent to 0.9 per cent.

*The 1961-62 survey was launched in January 1962 and in view of the 'recall bias' it was decided to call for data on assets and liabilities from households only as at the end of December 1961, being the nearest date.

The overall increase in deposits was Rs. 571 crores or 260 per cent and the increase was relatively higher in West Bengal and Bihar with Rs. 98 crores and Rs. 78 crores, respectively. The increase in Uttar Pradesh was Rs. 73 crores. However, in proportionate terms, the increase was impressive in Rajasthan and Jammu & Kashmir, being 555 per cent and 550 per cent, respectively.

Provident fund contributions and insurance premia could not be compared with 1961 as comparative data on provident fund are not separately available and insurance premia were excluded in the 1961 survey. Among the other items, deposits of commercial banks and post offices showed a general increase accounting together for an increase of about Rs. 140 crores, out of a total increase of Rs. 571 crores.

Post office deposits showed an overall increase of Rs. 49 crores which was partly offset by a decline in Gujarat, Madhya Pradesh and Rajasthan, and the decline in Madhya Pradesh was sizeable at Rs. 7 crores. The increase in Uttar Pradesh and West Bengal was quite considerable with Rs. 16 crores and Rs. 15 crores, respectively.

Deposits of commercial banks showed an overall increase of Rs. 91 crores which was partly offset by a decline in Gujarat, Tamil Nadu and Karnataka. Increase in this item was quite substantial in Kerala and West Bengal with Rs. 20 crores and Rs. 12 crores, respectively. Bihar showed an increase of Rs. 17 crores. The number of rural and semi-urban branches of commercial banks in Kerala increased by 179 and 157, respectively, between 1961@ and 1971. Although the increase in the number of branches was more in rural and semi-urban areas in other States, such branches in Kerala have succeeded in mobilising larger deposits than in other States.

The term 'individuals' used in the 1971-72 survey had a wider connotation whereas in the 1961-62 survey it referred to 'money lenders' only. As such, the data which have been compiled for the two surveys under this head are not strictly the same. In 1961, deposits with money lenders were reported only in a few States and the amounts were sizeable in Punjab (Rs. 2 crores) and Andhra Pradesh (Rs. 1 crore). In 1971, deposits with indi-

@ Number of branches for 1961 is inclusive of branches of co-operative banks also. If the same are excluded from 1961 data the increase in commercial bank branches will be more than the figures given above.

viduals which may include money lenders also were reported practically by all the States; their ratio to total financial assets was about 3 per cent in the country as a whole.

Shares

Investments in shares recorded a rise of about Rs. 72 crores or 105 per cent during the decade. Almost the entire increase was accounted for by shares of co-operatives. The maximum increase in this item was recorded in Maharashtra and Gujarat with Rs. 31 crores and Rs. 16 crores, respectively. However, in proportionate terms the increase was substantial in West Bengal and Bihar. The ratio of shares to total financial assets which was higher at 23.7 per cent in 1961 declined to 15 per cent in 1971, indicating a preference for other types of assets. There was no major change in the proportion of shares to the total assets which remained more or less constant at 0.2 per cent.

Cash dues

Cash dues which formed 1·5 per cent of total assets of rural households in 1961 formed only 0·4 per cent in 1971. Unlike deposits and shares, dues receivable in cash by the rural households recorded an overall decline of Rs. 190 crores or 35 per cent. The trend was not uniform in all the States and contrary to the general trend, Maharashtra accounted for an increase of Rs. 9 crores and Gujarat Rs. 3 crores. On the other hand, Bihar had recorded a substantial decline of Rs. 48 crores (Statement X).

Among the constituent items, promissory note and miscellaneous transactions recorded declines of Rs. 52 crores and Rs. 46 crores, respectively. However, there was no uniformity among the States. Thus, in promissory note transactions while there was general decline, Gujarat and Kerala together recorded increases by about Rs. 3 crores. Dues receivable by way of pledge of bullion and ornaments had increased substantially by Rs. 10 crores during the decade. The increase was mainly in Kerala and Rajasthan. There was an overall increase of Rs. 5 crores in dues receivable by sale transactions.

Cultivators

During the decade under review, financial assets of cultivator households increased by Rs. 456 crores to Rs. 638 crores or by

251 per cent. Although the overall increase was shared by all the States, mention may be made of Bihar and Kerala where the increase was comparatively sharp with Rs. 77 crores and Rs. 63 crores, respectively.

Deposits

Deposits held by cultivator households formed 67 per cent of total financial assets in 1961 and the proportion increased to 80 per cent in 1971. Total deposits of these households increased by Rs. 387 crores to Rs. 508 crores in 1971. Bihar accounted for an increase of Rs. 75 crores, followed by Kerala and West Bengal with increases of Rs. 60 crores and Rs. 59 crores, respectively. Deposits formed over 90 per cent of total financial assets in Assam, Bihar and West Bengal in both 1961 and 1971.

Among the items, commercial bank deposits increased by Rs. 77 crores. The increase in post office deposits was Rs. 35 crores. Deposits with individuals showed a marginal decline of Rs. 0.4 crore in Andhra Pradesh. Deposits of co-operatives rose by Rs. 4 crores of which an increase of Rs. 2 crores was in Maharashtra. It may be observed that in the same State, investments in shares of the co-operative institutions rose sharply by Rs. 29 crores which perhaps confirms the impression that the rural folk turned to co-operatives more for credit facilities. In relation to total financial assets, the proportion of commercial bank deposits showed a marginal increase from 15.0 per cent to 16.4 per cent, while for post office deposits the ratio came down from 19 per cent to 11.0 per cent and for co-operative bank deposits, the proportion declined from 4.8 per cent to 2.0 per cent.

Shares

During the period under review, investments in shares of co-operatives, commercial banks, companies, etc. made by the cultivator households rose by Rs. 69 crores to Rs. 130 crores. However, the increase in shares was about one-sixth of the increase in deposits. Shares which formed 33 per cent of total financial assets in 1961 came down to 20 per cent in 1971 and in terms of total assets, they were very negligible.

As already mentioned, the increase was very high in the case of Maharashtra and Gujarat with Rs. 30 crores and Rs. 18 crores, respectively. The proportion of shares to total financial assets was very high in these two States in 1971. In 1961 the ratio was very high in Rajasthan with shares accounting for over 60 per cent of the total financial assets. The ratio came down to about 16 per cent in 1971, indicating a possible flow of funds into other forms of investment.

Among the various items, investments in shares of co-operatives accounted for an over all increase of Rs. 68 crores, with Maharashtra and Gujarat accounting for about Rs. 45 crores. In the case of company shares, there was an overall decline of Rs. 3 crores. However, in Karnataka, there was a marginal rise of Rs. 0.6 crore in company shares.

Cash Dues

The overall decline in dues receivable noticed in the case of all households is reflected in both cultivator and non-cultivator households, although the decline in cultivator households was more sharp (Rs. 178 crores) representing 39 per cent. The decline was also reflected in the proportion of these items to total assets which had come down from 1.3 per cent to 0.3 per cent. The overall decline would have been even greater but for a partial increase in some States like Maharashtra and Gujarat which together accounted for an increase of Rs. 8 crores.

The actual decline in dues receivable by way of promissory note transactions was Rs. 50 crores or 36 per cent. There was an increase of about Rs. 8 crores each in pledges and sales proceeds. The decline in promissory note transactions was comparatively higher in Andhra Pradesh with Rs. 27 crores. In pledged transactions, Kerala and Rajasthan showed an increase of about Rs. 6 crores and Rs. 2 crores, respectively. In regard to sale transactions with traders, there was an increase in dues from these transactions in Madhya Pradesh by about Rs. 2 crores. Total sale transactions showed an increase of Rs. 7.5 crores or 50 per cent.

Possibly, the funds liquidated consequent to the decline in cash dues have been absorbed by deposits and to some extent by investments in shares.

Non-cultivators

Financial assets of the non-cultivator households increased by Rs. 186 crores to Rs. 292 crores. Compared to the cultivator households the increase was of a lower order. The increase was shared by all the States with the lone exception of Assam where surprisingly there was a decline of Rs. 3 crores in sharp contrast to an increase of Rs. 20 crores observed in the case of cultivator households. Among the States where there was an increase, mention may be made of West Bengal and Maharashtra which accounted for Rs. 40 crores and Rs. 29 crores, respectively. The overall increase in the ratio of financial assets to total assets noticed in all rural households was shared by non-cultivator households also.

Deposits

Deposits held by the non-cultivator households had recorded an increase of 182 per cent (from Rs. 100 crores to Rs. 282 crores). The increase was only a little less than half of the increase recorded by the cultivator households. The increase in these assets was impressive in West Bengal and Uttar Pradesh with Rs. 39 crores and Rs. 26 crores, respectively. Kerala had recorded a very high increase in proportionate terms. While the general trend showed an increase, Assam had recorded a decline of Rs 3 crores or 20 per cent in these assets. It is not clear how the decline had occurred in Assam with considerable plantation labour. As compared to 1961, the 1971 survey data do not indicate any perceptible change in most of the States, although the ratio of deposits to total financial assets had gone up to 100 per cent in Assam in 1971. In Kerala, deposits accounted for 80 per cent of financial assets in 1961 and the ratio rose to 99 per cent in 1971, indicating perhaps a preference of the non-cultivator households for deposits and also conversion of other forms of assets into deposits in this State between 1961 and 1971.

Among the other items, the increase in post office deposits was Rs. 12 crores followed by commercial bank deposits with Rs. 8 crores. The States which accounted for a sizeable increase in these items are Maharashtra and Punjab. Commercial bank deposits as a proportion of financial assets in 1961 and 1971, were 22 per cent and 11 per cent, respectively. The smaller proportion in 1971 may be due to inclusion of insurance premia and chit fund contributions in total financial assets in 1971.

Shares

Total share investments showed a rise of about Rs. 4 crores to Rs. 10 crores between 1961 and 1971, representing an increase of 67 per cent. Share investments which formed 5.7 per cent of financial assets in 1961 came down to 3.5 per cent in 1971.

The increase of Rs. 4 crores was primarily due to shares of co-operatives. Out of a total increase of Rs. 4 crores, Maharashtra accounted for Rs. 2 crores which was due to the rise in investments in shares of co-operatives.

Cash Dues

Dues receivable in cash by non-cultivator households declined from Rs. 100 crores to Rs. 85 crores, representing a decline of 15 per cent. The proportion of total dues receivable to total assets formed 3.3 per cent in 1961. The proportion was far lower at 1.5 per cent in 1971. There was a marginal increase of Rs. 0·2 crore in Assam and some of the States showed a decline in these items. The increase was very sizeable in Rajasthan with Rs. 21 crores.

While there was a general decrease in dues receivable by way of cash, there was an increase in some of the transactions. Dues receivable by way of pledge of bullion and ornaments showed an increase of Rs. 2 crores. There was a marginal decline of Rs. 0.5 crore in promissory note transactions.

Conclusion

The analysis of data relating to financial assets establishes the fact that the rural households continue to invest most of their savings in physical assets rather than in financial assets. The canalisation of rural savings into financial institutions is a slow process, as it would depend not only on the availability of surplus funds with the rural population but also on their choice between the acquisition of financial assets like shares and deposits on the one hand, and investments in land, farm buildings, implements, etc., on the other, with a view to increasing the productivity of agriculture. It is obvious from the study that only a few types of financial assets like shares of co-operatives, insurance premia and provident fund are popular with the rural households. While investment in shares of co-operatives was significant in Gujarat and Maharashtra where co-operative credit societies have been well developed, contributions to provident fund were predominant in Assam, Bihar, Kerala, Maharashtra, Tamil Nadu and Uttar Pradesh where plantations or coal mines or sugar factories give employment to rural population. Insurance premia were popular in Karnataka, Kerala, Uttar Pradesh and West Bengal, but the amount of investment is not sizeable, which would indicate the need for making sustained efforts to sell life insurance policy in the rural areas in other States. Post office deposits were very significant in Uttar Pradesh and West Bengal where commercial banks have opened offices in rural areas only in recent years, while commercial banks' deposits were sizeable in Kerala which has a long tradition of commercial banking.

Other types of financial assets like shares of joint stock companies and non-banking companies and units of UTI were insignificant. One reason is that these are rather sophisticated investments in which rural population might not be interested. However, the higher asset groups could be persuaded to invest more in units of UTI in which the risk of loss is comparatively less than in holding shares of companies or in deposits with non-banking companies. Greater efforts on the part of UTI in sales promotion in selected rural areas might yield good results.

Another feature of savings in the rural sector is the system of cash dues receivable by rural households in the form of promissory notes, pledge and unsecured loans. Conversion of these investments into financial assets would further increase the availability of institutional credit in rural areas and it would also help in reducing the cost of credit.

More recently, many of the public sector banks have introduced certain schemes to attract rural savings. A special study of the success of these schemes would throw further light on the suitability of the presently available avenues of savings to the rural sector.

Statement I. Financial Assets of All Rural Households

(As on June 30, 1971)

(Rs. crores)

States	Shares of Co-operatives	Shares of Companies	Units of Unit Trust of India	Shares in Banking Companies	Toal shares (2+3+4+5)	Deposits with Co-operative Banks	Deposits in Post Offices	Deposits with Commercial banks	Deposits with Non-Banking Companies*	Insurance Premia	Provident Fund	Others@	Total deposits	Total financial assets	Total assets£	Ratio of Col. 15 to 16
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Andhra Pradesh	4.6	0.3	—	0.4	5.3	0.2	0.7	9.5	Neg.	8.7	6.6	1.1	26.8	32.1	5406.0	0.6
Assam	0.4	—	Neg.	Neg.	0.4	0.3	2.9	1.8	Neg.	4.2	23.1	4.1	36.4	36.8	1517.0	2.4
Bihar	2.7	—	Neg.	0.2	2.9	Neg.	6.6	18.8	2.0	10.6	28.1	27.3	93.4	96.3	11070.1	0.9
Gujarat	24.2	0.2	Neg.	1.5	25.9	3.2	3.3	8.4	Neg.	11.6	13.1	3.4	43.0	68.9	4858.8	1.4
Haryana	2.5	Neg.	—	Neg.	2.5	0.1	1.6	1.8	Neg.	1.0	1.3	1.2	7.0	9.5	2871.0	0.3
Himachal Pradesh ..	0.9	—	—	0.1	1.0	0.2	2.0	0.3	Neg.	0.7	2.7	0.9	6.8	7.8	1042.7	0.7
Jammu & Kashmir	0.5	—	—	—	0.5	Neg.	1.3	0.6	—	0.6	2.5	0.2	5.2	5.7	851.0	0.7
Karnataka ..	8.5	0.7	—	0.6	9.8	1.1	0.8	3.9	Neg.	25.9	4.2	6.4	42.3	52.1	4187.0	1.2
Kerala	5.0	0.8	Neg.	0.3	6.1	1.3	2.2	23.0	Neg.	14.4	24.2	12.4	77.5	83.6	3024.5	2.8
Madhya Pradesh ..	4.8	Neg.	Neg.	Neg.	4.8	0.7	2.3	1.9	Neg.	4.0	16.2	2.4	27.5	32.3	6222.3	0.5
Maharashtra ..	44.4	0.8	Neg.	0.2	45.4	3.5	6.1	8.0	0.6	6.9	22.0	3.7	50.8	96.2	7002.4	1.4
Orissa	1.7	—	—	Neg.	1.7	0.5	3.8	0.3	Neg.	1.0	4.4	4.0	14.0	15.7	2211.8	0.7
Punjab	6.6	0.2	—	0.1	6.9	1.1	8.8	14.0	1.5	3.5	5.5	10.5	44.9	51.8	4936.4	1.0
Rajasthan	2.8	—	—	—	2.8	1.2	0.6	5.2	0.2	11.2	3.2	3.3	24.9	27.7	3993.1	0.7
Tamil Nadu ..	7.8	1.1	Neg.	0.1	9.0	0.5	2.5	5.9	Neg.	10.7	20.5	8.5	48.6	57.6	4391.7	1.3
Uttar Pradesh ..	10.3	0.5	0.2	0.3	11.3	2.0	25.9	16.1	1.8	16.7	29.7	13.0	105.2	116.5	18549.9	0.6
West Bengal ..	3.1	Neg.	—	Neg.	3.1	3.4	23.0	13.6	0.2	17.7	61.8	5.3	125.0	128.1	4458.1	2.9
All India‡ ..	131.0	4.7	0.4	3.8	139.9	19.5	94.8	135.8	6.6	151.7	274.8	107.0	790.2	930.1	87131.6	1.1

*Includes deposits with Joint-Stock Companies.

@Include National Plan Savings Certificates, Treasury Savings Deposit Certificates, Government Securities, Cash Certificates of Commercial Banks, Annuity Deposits, Deposits with Individuals and Chit Funds.

‡Including Manipur, Tripura, Delhi, Goa, Pondicherry and Meghalaya.

£The figures of total assets are based on summary block data.

Statement II—Financial Assets and Cash Dues of All Rural Households—Proportion of Households Reporting data for AIDIS Survey — end-June 1971—(*Contd.*)

(Proportions of Households reporting data are in terms of percentages)

State/Items	SHARES					DEPOSITS								
	Co-operative	Commercial Banks	Companies	Unit-Trust	Total	National Savings Certificates	Treasury Savings Deposit Certificates	Government Securities	Cash Certificates of Commercial Banks	Deposits in Post Offices	Annuity Deposits	Deposits in Co-operative Societies and Banks	Deposits in Commercial Banks	Deposits with Non-Banking Companies
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra Pradesh	6.1	0.2	Neg.	—	6.2	0.1	0.1	Neg.	Neg.	0.6	Neg.	0.3	0.2	Neg.
Assam	3.4	Neg.	—	Neg.	3.4	0.1	—	Neg.	Neg.	2.7	Neg.	0.4	0.4	Neg.
Bihar	7.8	Neg.	—	Neg.	7.8	0.1	—	0.1	Neg.	0.8	—	0.1	0.2	Neg.
Gujarat	27.7	0.2	0.2	Neg.	27.7	0.8	Neg.	0.1	0.1	1.9	Neg.	0.8	1.1	Neg.
Haryana	18.1	0.1	0.1	—	18.2	0.5	0.3	Neg.	—	1.5	0.1	1.2	1.1	Neg.
Himachal Pradesh	38.0	0.3	—	—	38.0	0.8	—	0.1	0.1	4.8	0.1	0.8	0.7	0.1
Jammu & Kashmir	29.6	—	—	—	29.6	0.1	—	0.1	—	1.5	Neg.	0.1	0.2	—
Karnataka	19.5	0.2	0.2	—	19.5	0.7	Neg.	0.2	Neg.	1.1	Neg.	0.5	1.5	Neg.
Kerala	23.3	0.2	0.2	0.2	23.3	0.4	Neg.	0.1	Neg.	2.0	Neg.	0.6	1.6	Neg.
Madhya Pradesh	10.7	Neg.	Neg.	Neg.	10.8	Neg.	Neg.	0.1	Neg.	0.7	Neg.	0.6	0.3	Neg.
Maharashtra	30.6	0.2	0.2	Neg.	30.6	2.2	0.1	0.1	0.1	6.5	0.2	1.5	1.1	Neg.
Orissa	9.1	Neg.	—	—	9.1	Neg.	Neg.	0.1	—	1.1	Neg.	0.1	Neg.	Neg.
Punjab	39.8	0.4	0.1	—	39.9	1.0	0.1	2.6	0.1	5.3	0.2	1.0	2.1	Neg.
Rajasthan	14.3	—	—	—	14.3	1.5	—	Neg.	—	1.1	Neg.	0.5	0.6	0.1
Tamil Nadu	11.3	0.2	Neg.	Neg.	11.5	0.4	0.1	0.2	—	1.9	Neg.	0.4	0.5	Neg.
Uttar Pradesh	12.4	0.1	Neg.	Neg.	12.4	0.3	Neg.	0.1	Neg.	2.1	Neg.	0.3	0.4	Neg.
West Bengal	5.9	0.1	0.1	—	6.1	0.2	Neg.	0.1	Neg.	3.1	0.3	0.1	1.3	Neg.
All India*	**14.1**	**0.1**	**0.1**	**Neg.**	**14.1**	**0.5**	**Neg.**	**0.2**	**Neg.**	**2.0**	**0.1**	**0.5**	**0.7**	**Neg.**

Statement II—(*Concld.*)

State/Items						CASH DUES								
	Deposits with Individuals	Other Deposits	Provident Fund	Insurance Premia	Total	Promissory Note	Usufructuary Mortgage of Real Estate	Pledge-Other Moveable Property	Pledge-Bullion and Ornaments	Sale/Mortgage of Real Estate	Sales Proceeds Receivable	Unsecured Loans	Others	Total amount Receivable
	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Andhra Pradesh	0.1	0.1	0.9	1.0	2.5	2.6	0.4	0.1	0.1	0.1	0.4	0.7	0.4	4.3
Assam	4.9	1.2	8.7	1.8	17.1	1.0	0.6	Neg.	Neg.	0.2	1.7	1.8	0.9	5.6
Bihar	0.3	0.5	1.7	0.3	3.2	0.6	1.7	Neg.	0.2	0.2	0.3	0.8	0.2	3.4
Gujarat	0.1	0.3	2.4	2.7	7.8	0.1	0.5	Neg.	Neg.	Neg.	0.3	0.5	1.0	2.2
Haryana	0.1	0.3	2.0	0.6	6.1	0.2	0.8	0.2	—	—	0.6	0.7	0.5	2.7
Himachal Pradesh	0.1	0.9	4.6	1.5	9.2	1.5	0.2	—	—	0.4	1.1	1.9	1.2	6.1
Jammu & Kashmir	0.1	0.2	3.2	1.4	5.2	0.2	Neg.	—	—	0.1	0.9	0.9	0.5	2.5
Karnataka	0.5	0.6	1.1	3.2	7.0	1.2	0.3	0.1	Neg.	0.2	0.3	0.8	0.8	3.2
Kerala	0.4	0.4	6.6	4.3	16.5	0.8	1.0	0.2	0.1	0.3	1.0	0.8	0.2	3.9
Madhya Pradesh	0.6	0.1	2.3	0.6	4.0	0.2	0.3	0.1	0.1	Neg.	0.5	1.1	0.2	2.3
Maharashtra	0.3	0.6	3.1	1.4	12.7	0.1	0.2	Neg.	0.1	0.1	0.4	0.5	0.5	1.8
Orissa	2.0	0.1	11.4	0.4	4.5	0.1	0.4	0.1	0.1	0.1	0.6	0.7	0.3	2.2
Punjab	2.6	2.8	4.7	2.1	17.9	1.0	1.1	0.1	—	0.2	2.3	2.6	1.7	8.5
Rajasthan	0.3	0.4	1.0	2.3	5.8	0.9	0.6	0.2	0.2	0.4	1.0	2.2	0.8	5.2
Tamil Nadu	0.1	0.9	2.8	2.0	6.9	3.3	0.6	0.1	0.1	0.2	0.3	1.4	0.6	5.8
Uttar Pradesh	0.2	0.2	11.7	0.8	4.6	0.3	0.7	Neg.	Neg.	0.2	0.6	0.9	0.3	2.8
West Bengal	0.5	0.4	5.3	2.1	9.0	0.1	0.1	Neg.	—	Neg.	0.4	0.5	0.6	1.6
All India*	0.5	0.4	2.6	1.5	6.8	0.9	0.6	0.1	0.1	0.1	0.5	0.9	0.5	3.3

*Including Manipur, Tripura, Delhi, Goa, Pondicherry and Meghalaya.

Statement III—Shares and Deposits : Proportion of Households Reporting and Average value per Household

(As on June 30, 1971)

States	Cultivators				Non-Cultivators				All Households			
	Shares		Deposits		Shares		Deposits		Shares		Deposits	
	A	B	A	B	A	B	A	B	A	B	A	B
Andhra Pradesh ..	8.2	12	2.3	43	2.9	1	2.9	35	6.2	8	2.5	40
Assam	3.8	2	16.9	168	1.8	1	18.0	276	3.4	2	17.1	188
Bihar	9.5	4	3.2	118	0.9	Neg.	3.1	70	7.8	3	3.2	108
Gujarat	39.5	103	6.8	97	6.7	7	9.6	145	27.7	69	7.8	114
Haryana	23.3	35	5.6	61	10.6	6	6.7	74	18.2	24	6.1	66
Himachal Pradesh ..	39.9	23	8.1	127	14.3	7	23.6	394	38.0	22	9.2	147
Jammu & Kashmir ..	31.0	9	4.7	79	8.4	2	13.5	305	29.6	9	5.2	93
Karnataka	25.4	32	6.5	98	6.6	5	7.9	108	19.5	23	7.0	101
Kerala	24.9	26	16.0	293	9.6	4	21.0	335	23.3	24	16.5	297
Madhya Pradesh ..	12.7	10	2.8	26	1.8	1	9.0	138	10.8	8	4.0	46
Maharashtra	41.7	103	13.4	50	6.4	16	11.1	161	30.6	76	12.7	85
Orissa	11.3	6	3.8	39	1.9	Neg.	6.9	35	9.1	5	4.5	38
Punjab	58.8	78	20.0	319	25.6	19	16.3	268	39.9	44	17.9	290
Rajasthan	15.8	10	4.4	52	4.5	3	14.5	259	14.3	9	5.8	80
Tamil Nadu	18.0	23	6.2	74	3.3	3	7.6	78	11.5	14	6.9	76
Uttar Pradesh ..	14.9	10	4.3	64	3.5	3	5.9	120	12.4	8	4.6	77
West Bengal	7.7	6	8.7	172	3.0	4	9.7	270	6.1	5	9.0	206
All India*	**17.7**	**23**	**6.3**	**91**	**4.8**	**5**	**8.1**	**133**	**14.1**	**18**	**6.8**	**103**

Note: A — Proportion of households reporting (percentage). B — Average value per household (Rs.)
*Including Manipur, Tripura, Delhi, Goa, Pondicherry and Meghalaya.

Statement IV—Financial Assets of Rural Households — Cultivators

(As on June 30, 1971)

(Rs. crores)

States	Shares of Co-operatives	Shares of Companies	Units	Shares in Banking Companies	Total Shares	Deposits with Co-operatives	Deposits in Post Offices	Deposits in Commercial Banks	Deposits with Non-Banking Cos.*	Insurance Premia	Provident Fund	Others@	Total Deposits	Total Financial Assets	Total Assets	%of col. 15 to col. 16
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Andhra Pradesh	4.3	0.3	—	0.3	4.9	0.2	0.4	9.2	Neg.	5.4	1.7	0.9	17.8	22.7	4935.3	0.5
2. Assam ..	0.3	—	Neg.	Neg.	0.3	0.3	2.4	1.0	—	3.5	15.9	3.4	26.5	26.8	1446.8	1.9
3. Bihar ..	2.7	—	Neg.	0.1	2.8	Neg.	5.6	18.0	2.0	8.6	20.3	27.2	81.7	84.5	10786.6	0.8
4. Gujarat ..	23.2	0.2	Neg.	1.5	24.9	2.2	1.2	4.4	Neg.	8.8	3.9	2.8	23.3	48.2	4466.2	1.1
5. Haryana ..	2.2	Neg.	—	Neg.	2.2	Neg.	0.1	1.3	Neg.	0.7	0.5	1.3	3.9	6.1	2655.9	0.2
6. Himachal Pradesh	0.9	—	—	0.1	1.0	0.2	1.7	0.3	Neg.	0.6	2.0	0.6	5.4	6.4	1025.0	0.6
7. Jammu & Kashmir	0.5	—	—	—	0.5	Neg.	1.0	0.5	—	0.4	2.0	0.2	4.1	4.6	834.5	0.6
8. Karnataka ..	7.9	0.7	—	0.6	9.2	1.0	0.3	3.6	Neg.	15.3	2.1	5.9	28.2	37.4	3923.1	1.0
9. Kerala ..	4.9	0.8	Neg.	0.3	6.0	1.1	1.9	22.1	Neg.	12.6	18.7	12.1	68.5	74.5	2979.7	2.5
10. Madhya Pradesh	4.7	Neg.	Neg.	Neg.	4.7	0.6	1.2	1.4	—	1.8	6.1	1.7	12.8	17.5	5995.6	0.3
11. Maharashtra ..	41.6	0.8	Neg.	0.1	42.5	3.2	3.6	2.7	0.6	3.4	4.3	2.7	20.5	63.0	6676.7	0.9
12. Orissa ..	1.7	—	—	Neg.	1.7	0.5	3.4	0.3	Neg.	0.9	2.8	3.1	11.0	12.7	2092.1	0.6
13. Punjab ..	4.9	0.2	—	0.1	5.2	0.3	4.2	7.9	1.5	1.3	1.2	4.9	21.3	26.5	4179.2	0.6
14. Rajasthan ..	2.6	—	—	—	2.6	0.1	0.1	4.4	0.2	5.1	1.2	3.1	14.2	16.8	3790.4	0.4
15. Tamil Nadu ..	6.9	1.1	Neg.	0.1	8.1	0.4	1.5	5.7	Neg.	6.2	5.9	6.6	26.3	34.4	3886.1	0.9
16. Uttar Pradesh	9.7	Neg.	0.2	0.3	10.2	1.3	20.1	10.9	1.8	8.7	15.4	10.3	68.5	78.7	17428.0	0.5
17. West Bengal ..	2.2	Neg.	—	Neg.	2.2	1.7	20.8	9.6	0.2	7.7	26.5	2.4	68.9	71.1	3986.4	1.8
All India + ..	121.5	4.1	0.3	3.7	129.6	13.3	69.9	104.7	6.6	92.9	132.5	88.3	508.2	637.8	81575.1	0.8

@ Includes National Plan Savings certificates, Treasury Savings Deposit Certificates, Government Securities, Cash Certificates of Commercial Banks, Annuity Deposits, Deposits with Individuals and Chit funds.

* Includes deposits with joint stock companies.

+ Including Manipur, Tripura, Delhi, Goa, Pondicherry and Meghalaya.

Statement V—Financial Assets of Rural Households — Non-Cultivators

(As on June 30, 1971)

(Rs. crores)

States	Shares of Co-operatives	Shares of Companies	Units of UTI	Shares in Banking Companies	Total shares	Deposits with Co-operative Banks	Deposits in Post Offices	Deposits in Commercial Banks	Deposits with Non-Banking Companies*	Insurance premia	Provident Fund	Others@	Total deposits	Total financial assets	Total Assets	Ratio of col. 15 to col.16
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Andhra Pradesh ..	0.3	—	—	Neg.	0.3	Neg.	0.3	0.2	—	3.3	4.9	0.3	9.0	9.3	470.6	2.0
Assam	Neg.	—	—	—	Neg.	Neg.	0.5	0.8	Neg.	0.8	7.3	0.4	9.8	9.8	70.3	13.9
Bihar	Neg.	—	—	—	Neg.	—	1.0	0.7	Neg.	2.1	7.8	0.1	11.7	11.7	283.6	4.1
Gujarat	1.0	—	—	—	1.0	1.0	2.1	4.0	—	2.7	9.2	0.7	19.7	20.7	392.6	5.3
Haryana	0.2	—	—	—	0.2	Neg.	1.5	0.4	—	0.3	0.8	0.1	3.1	3.3	215.1	1.5
Himachal Pradesh	Neg.	—	—	—	Neg.	Neg.	0.3	Neg.	—	Neg.	0.7	0.4	1.4	1.4	17.7	7.9
Jammu & Kashmir	Neg.	—	—	—	Neg.	—	0.3	Neg.	—	0.2	0.5	—	1.0	1.0	16.5	6.1
Karnataka	0.6	—	—	Neg.	0.6	Neg.	0.5	0.3	Neg.	10.5	2.1	0.7	14.1	14.7	263.8	5.6
Kerala	0.1	—	—	Neg.	0.1	0.1	0.2	0.9	—	1.8	5.4	0.6	9.0	9.1	44.7	20.4
Madhya Pradesh ..	0.1	Neg.	Neg.	—	0.1	0.2	1.1	0.5	Neg.	2.2	10.1	0.6	14.7	14.8	226.7	6.5
Maharashtra	2.8	Neg.	—	0.1	2.9	0.3	2.6	5.3	Neg.	3.5	17.7	0.9	30.3	33.2	325.7	10.2
Orissa	Neg.	—	—	—	Neg.	Neg.	0.4	—	—	0.2	1.6	0.8	3.0	3.0	119.7	2.5
Punjab	1.7	—	—	Neg.	1.7	0.8	4.6	6.1	—	2.2	4.4	5.6	23.7	25.4	757.2	3.4
Rajasthan	0.1	—	—	—	0.1	1.0	0.4	0.8	Neg.	6.0	2.0	0.5	10.7	10.8	202.7	5.3
Tamil Nadu ..	0.9	—	—	Neg.	0.9	Neg.	1.0	0.2	—	4.5	14.7	1.9	22.3	23.2	505.7	4.6
Uttar Pradesh ..	0.5	0.6	—	—	1.1	0.7	5.8	5.2	—	8.0	14.3	2.7	36.7	37.8	1121.9	3.4
West Bengal ..	0.9	Neg.	—	Neg.	0.9	1.8	2.2	4.0	—	10.0	35.4	2.8	56.2	57.1	471.7	12.1
All India† ..	9.5	0.6	Neg.	0.2	10.3	6.1	24.9	31.0	Neg.	58.8	142.4	18.8	282.0	292.3	5556.5	5.3

* Including deposits with joint stock companies.

@ Includes National Plan Savings Certificates, Treasury Savings Deposit Certificates, Government Securities, Cash Certificates of Commercial Banks, Annuity Deposits, Deposits with Individuals and Chit funds.

† Including Manipur, Tripura, Delhi, Goa, Pondicherry and Meghalaya.

Statement—VI Financial Assets and Cash Dues of All Rural Households—Proportion of Households Reporting Data for AIDIS Survey— End - June 1971—(*Contd.*)

(Proportions of Households reporting data are in terms of percentages)

Asset Groups/Items	SHARES					DEPOSITS								
	Co-operative	Commercial Banks	Companies	Unit-trust	Total	National Savings Certificates	Treasury Savings Deposit Certificates	Govt. securities	Cash Certificates of Commercial Banks	Deposits in Post Offices	Annuity Deposits	Deposits in Co-operative Societies and Banks	Deposits in Commercial Banks	Deposits with Non-Banking Companies
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
0 —500	1.1	Neg.	—	—	1.1	Neg.	—	—	—	0.3	Neg.	0.1	0.1	—
—1000	2.1	0.1	—	Neg.	2.2	Neg.	—	0.1	—	0.6	—	0.2	0.1	—
—2500	4.5	Neg.	Neg.	—	4.7	0.1	—	0.1	Neg.	0.8	Neg.	0.1	0.2	Neg.
—5000	9.4	0.1	Neg.	—	9.5	0.3	Neg.	0.1	—	1.4	0.1	0.2	0.4	—
—10,000	13.3	0.1	Neg.	—	13.3	0.3	Neg.	0.1	Neg.	1.6	0.1	0.3	0.4	Neg.
—15,000	18.0	0.1	—	Neg.	18.0	0.5	Neg.	0.1	Neg.	2.1	0.1	0.4	0.6	Neg.
—20,000	21.0	0.1	0.1	—	21.1	0.4	Neg.	0.1	0.1	2.3	Neg.	0.5	0.7	—
—30,000	50.2	0.3	0.3	—	50.3	2.0	0.1	0.2	0.2	7.7	0.1	1.7	2.6	0.2
—50,000	30.2	0.4	0.1	—	30.3	1.1	0.2	0.2	0.1	4.6	0.3	1.5	1.7	0.1
—1,00,000	38.3	0.4	0.4	Neg.	38.5	2.2	0.1	0.9	0.1	6.3	0.2	2.0	2.9	0.1
G.T. 1 Lac	47.0	0.9	1.1	0.2	47.6	4.2	0.2	3.1	0.5	9.4	0.1	2.3	7.0	0.6
Total	**14.1**	**0.1**	**0.1**	**Neg.**	**14.1**	**0.5**	**Neg.**	**0.2**	**Neg.**	**2.0**	**0.1**	**0.5**	**0.7**	**Neg.**

Statement—VI—(*Concld.*)

(Proportions of Households reporting data are in terms of percentages)

Assets Groups/ Items	CASH DUES													
	Deposits with individuals	Other deposits	Provident fund	Insurance Premia	Total	Promissory Note	Usufructuary Mortgage of Real Estate	Pledge-Other Movable Property	Pledge-Bullion Ornaments	Sale/-Mortgage of Real Estate	Sales Proceeds receivable	Unsecured loans	Others	Total amount receivable
	15	16	17	18	19	20	21	22	23	24	25	26	27	28
0 —500	0.3	0.2	0.7	0.1	1.8	0.1	Neg.	Neg.	—	Neg.	0.1	0.3	0.1	0.6
—1000	0.2	0.1	1.9	0.3	3.2	0.3	0.2	0.1	—	Neg.	0.2	0.3	0.2	1.2
—2500	0.3	0.3	3.3	0.8	4.8	0.4	0.3	Neg.	Neg.	Neg.	0.5	0.5	0.3	1.9
—5000	0.5	0.3	2.8	1.1	5.3	0.6	0.4	0.1	Neg.	0.1	0.5	0.6	0.4	2.5
—10,000	0.5	0.3	2.1	1.2	5.4	0.6	0.7	0.1	0.1	0.1	0.5	0.8	0.5	3.1
—15,000	0.7	0.4	2.5	1.5	6.7	1.1	0.7	0.1	0.1	0.2	0.7	1.2	0.3	3.9
—20,000	0.7	0.7	2.3	1.5	7.5	1.4	1.0	0.1	Neg.	0.3	0.6	1.1	0.5	4.6
—30,000	0.8	1.1	5.6	4.7	19.8	1.9	1.4	0.2	0.2	0.3	1.1	2.1	1.5	7.6
—50,000	0.8	0.7	3.1	3.2	12.4	2.1	1.6	0.1	0.3	0.2	1.1	2.3	0.7	7.5
—1,00,000	1.1	1.8	3.5	5.1	18.5	3.2	1.5	0.1	0.2	0.4	1.2	3.2	0.9	9.2
G.T. 1 Lac	1.9	3.5	3.8	8.8	28.8	6.9	2.1	0.4	0.6	0.6	2.0	5.7	2.3	17.0
Total	0.5	0.4	2.6	1.5	6.8	0.9	0.6	0.1	0.1	0.1	0.5	0.9	0.5	3.3

Statement—VII. Distribution of Financial Assets According to Asset Groups

(As on June 30, 1971)

(Rs. crores)

Asset Groups	Cultivators			Agricultural Labourers			Artisans			Other Non-Cultivators			All Rural Households		
	Depo-sits	Shares	Cash dues	Depo-sits	Shares	Cash dues	Depo-sits	Shares	Cash dues	Depo-sits	Shares	Cash dues	Depo-sits	Shares	Cash dues
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
O—500	0.2	Neg.	Neg.	0.1	Neg.	0.4	Neg.	Neg.	Neg.	1.8	Neg.	0.1	2.1	0.2	0.5
—1000	0.8	0.1	0.3	0.7	0.1	0.9	0.2	Neg.	Neg.	4.9	Neg.	0.5	6.5	0.4	1.7
—2500	9.2	1.1	2.8	2.7	0.3	1.2	0.8	0.3	0.4	28.9	0.6	2.6	41.7	2.4	7.1
—5000	15.8	3.7	9.5	2.4	0.3	1.4	1.0	0.3	0.8	47.9	1.5	2.8	67.0	5.8	14.5
—10000	38.2	9.6	18.7	1.3	0.2	1.1	0.7	Neg.	0.3	46.1	1.1	5.4	86.3	11.1	25.4
—15000	35.8	9.8	20.9	3.1*	0.2*	2.0*	6.0*	0.1*	2.8*	133.4*	4.7*	61.7*	65.0	10.5	26.4
—20000	26.9	9.3	17.7										35.1	9.6	27.0
—30000	85.9	39.3	42.7										138.2	41.6	50.0
—50000	62.9	20.7	48.6										85.5	21.1	61.3
—100000	79.8	21.3	40.9										105.3	22.4	52.8
—G.T. 1 Lac	152.8	14.7	71.2										157.4	14.9	91.4
Total	**508.2**	**129.6**	**273.4**	10.4	1.3	7.1	8.7	0.9	4.4	262.9	8.1	73.1	790.2	139.9	357.9

Note : For agricultural labourers, artisans and other non-cultivators break-up of assets over Rs. 10,000 is not available.
*Figures relate to Asset Groups of over Rs. 10,000.

Statement VIII—Financial Assets of All Rural Households Excluding Cash Dues— (*contd.*)

(As on June 30, 1971)

(Rs. crores)

States	Asset Groups						
	0—500	—1000	—2500	—5000	—10000	—15000	—20000
1. Andhra Pradesh ..	Neg. (—)	0.2 (0.6)	1.5 (4.7)	2.8 (8.7)	3.4 (10.6)	1.7 (5.3)	1.3 (4.1)
2. Assam ..	0.3 (0.8)	0.6 (1.6)	7.2 (19.6)	5.6 (15.2)	5.8 (15.8)	3.4 (9.2)	2.5 (6.8)
3. Bihar ..	Neg. (—)	0.2 (0.2)	1.2 (1.2)	4.6 (4.8)	9.3 (9.6)	6.7 (7.0)	2.6 (2.7)
4. Gujarat ..	Neg. (—)	0.1 (0.1)	1.3 (1.9)	3.8 (5.5)	5.5 (8.0)	5.4 (7.8)	1.9 (2.8)
5. Haryana	Neg. (—)	0.1 (1.1)	0.4 (4.2)	0.4 (4.2)	0.8 (8.4)	1.3 (13.7)	0.4 (4.2)
6. Himachal Pradesh ..	— (—)	Neg. (—)	0.4 (5.1)	0.7 (9.0)	0.7 (9.0)	0.5 (6.4)	1.0 (12.8)
7. Jammu & Kashmir	Neg. (—)	Neg. (—)	0.1 (1.8)	0.2 (3.5)	0.5 (8.8)	1.2 (21.1)	0.6 (10.5)
8. Karnataka	0.2 (0.4)	0.3 (0.6)	1.3 (2.5)	3.2 (6.1)	2.7 (5.2)	2.1 (4.0)	1.2 (2.3)
9. Kerala ..	0.1 (0.1)	0.4 (0.5)	3.3 (3.9)	4.7 (5.7)	6.4 (7.7)	7.5 (9.0)	6.7 (8.0)
10. Madhya Pradesh ..	0.1 (0.3)	0.6 (1.9)	3.8 (11.7)	4.8 (14.8)	6.9 (21.4)	3.9 (12.1)	0.8 (2.5)
11. Maharashtra ..	0.2 (0.2)	1.1 (1.1)	3.5 (3.6)	7.1 (7.4)	6.5 (6.8)	5.5 (5.7)	4.3 (4.5)
12. Orissa ..	0.1 (0.6)	0.2 (1.3)	0.8 (5.1)	1.7 (10.8)	2.3 (14.6)	1.5 (9.6)	1.2 (7.6)
13. Punjab ..	Neg. (—)	0.3 (0.6)	0.9 (1.7)	3.5 (6.8)	4.2 (8.1)	3.6 (6.9)	1.5 (2.9)
14. Rajasthan	Neg. (—)	0.3 (1.1)	1.7 (6.1)	2.7 (9.7)	2.4 (8.7)	3.3 (11.9)	1.0 (3.6)
15. Tamil Nadu	0.4 (0.7)	1.1 (1.9)	5.4 (9.4)	8.9 (15.5)	7.8 (13.6)	5.3 (9.2)	3.7 (6.4)
16. Uttar Pradesh ..	0.4 (0.3)	0.5 (0.4)	5.0 (4.3)	5.1 (4.4)	13.0 (11.2)	5.9 (5.1)	7.0 (6.0)
17. West Bengal ..	0.1 (0.1)	0.8 (0.6)	6.4 (5.0)	12.3 (9.6)	18.4 (14.4)	16.1 (12.6)	6.4 (5.0)
All India*	**2.3** (0.2)	**6.9** (0.7)	**44.1** (4.7)	**72.9** (7.8)	**97.4** (10.5)	**75.5** (8.1)	**44.7** (4.8)

Note : Figures in brackets relate to percentage to total financial assets.
* Including Manipur, Tripura, Delhi, Goa, Pondicherry and Meghalaya.

STATEMENT VIII—(*Concld.*)

(Rs. crores)

	—30000	—50000	—100000	Over 1 lac	Total	Total Assets	%of Financial Assets to Total Assets
1. Andhra Pradesh ..	3.3 (10.3)	3.9 (12.1)	2.3 (7.2)	11.7 (36.4)	32.1 (100.0)	**5406.0**	0.6
2. Assam ..	2.5 (6.8)	5.3 (14.4)	3.0 (8.2)	0.6 (1.6)	36.8 (100.0)	**1517.0**	2.4
3. Bihar ..	6.6 (6.9)	5.3 (5.5)	6.6 (6.9)	53.2 (55.2)	96.3 (100.0)	**11070.1**	0.9
4. Gujarat	30.2 (43.8)	8.5 (12.3)	5.6 (8.2)	6.6 (9.6)	68.9 (100.0)	**4858.8**	1.4
5. Haryana	0.4 (4.2)	2.0 (21.1)	2.4 (25.3)	1.3 (13.6)	9.5 (100.0)	**2871.0**	0.3
6. Himachal Pradesh ..	1.5 (19.2)	1.0 (12.8)	0.9 (11.6)	1.1 (14.1)	7.8 (100.0)	**1042.7**	0.7
7. Jammu & Kashmir	1.1 (19.3)	0.8 (14.0)	0.8 (14.0)	0.4 (7.0)	5.7 (100.0)	**851.0**	0.7
8. Karnataka	20.7 (39.7)	4.3 (8.3)	6.6 (12.7)	9.5 (18.2)	52.1 (100.0)	**4187.0**	1.2
9. Kerala ..	8.1 (9.7)	10.3 (12.3)	16.6 (19.8)	19.5 (23.3)	83.6 (100.0)	**3024.5**	2.8
10. Madhya Pradesh ..	3.1 (9.6)	2.7 (8.4)	2.6 (8.0)	3.0 (9.3)	32.3 (100.0)	**6222.3**	0.5
11. Maharashtra ..	46.9 (48.8)	7.7 (8.0)	9.0 (9.4)	4.4 (4.5)	96.2 (100.0)	**7002.4**	1.4
12. Orissa ..	2.9 (18.5)	0.6 (3.8)	3.7 (23.6)	0.7 (4.5)	15.7 (100.0)	**2211.8**	0.7
13. Punjab ..	2.2 (4.2)	6.4 (12.4)	8.7 (16.8)	20.5 (39.6)	51.8 (100.0)	**4936.4**	1.0
14. Rajasthan	1.1 (4.0)	2.8 (10.1)	4.5 (16.3)	7.9 (28.5)	27.7 (100.0)	**3993.1**	0.7
15. Tamil Nadu	4.1 (7.1)	5.2 (9.0)	6.0 (10.4)	9.7 (16.8)	57.6 (100.0)	**4391.7**	1.3
16. Uttar Pradesh ..	23.0 (19.8)	19.5 (16.7)	18.9 (16.2)	18 2 (15.6)	116.5 (100.0)	**18549 9**	0.6
17. West Bengal ..	16.0 (12.5)	19.8 (15.4)	28.5 (22.2)	3.3 (2.6)	128.1 (100.0)	**4458.1**	2.9
All India*	**179.8 (19.3)**	**106.5 (11.5)**	**127.7 (13.8)**	**172.3 (18.5)**	**930.1 (100.0)**	**87131.6**	**1.1**

Note : Figures in brackets relate to percentages to total financial assets
* Including Manipur, Tripura, Delhi, Goa, Pondicherry and Meghalaya.

Statement IX—Break-up of Deposits of All Rural Households—(*contd.*)

(Rs. crores)

States	Deposits in Co-operative Societies and Banks		Deposits with Commercial Banks		Deposits in Post Offices	
	1961	1971	1961	1971	1961	1971
1. Andhra Pradesh ..	0.5 (6.0)	0.2 (0.7)	3.1 (37.3)	9.5 (35.4)	0.3 (3.6)	0.7 (2.6)
2. Assam†	— (—)	0.4 (1.1)	0.3 (1.6)	1.8 (4.9)	0.8 (4.1)	3.0 (8.1)
3. Bihar	— (—)	Neg. (—)	1.8 (11.7)	18.8 (20.1)	3.0 (19.5)	6.6 (7.1)
4. Gujarat	4.3 (14.3)	3.2 (7.4)	10.2 (34.0)	8.4 (19.5)	4.7 (15.7)	3.3 (7.7)
5. Jammu & Kashmir	Neg. (—)	Neg. (—)	0.1 (12.5)	0.6 (11.5)	0.6 (75.0)	1.3 (25.0)
6. Karnataka ..	1.4 (10.0)	1.1 (2.6)	6.3 (45.0)	3.9 (9.2)	0.7 (5.0)	0.8 (1.9)
7. Kerala	0.8 (9.2)	1.3 (1.7)	3.2 (36.8)	23.0 (29.7)	1.4 (16.1)	2.2 (2.8)
8. Madhya Pradesh ..	0.3 (2.9)	0.7 (2.5)	— (—)	1.9 (6.9)	8.8 (84.6)	2.3 (8.4)
9. Maharashtra ..	1.7 (11.6)	3.5 (6.9)	1.9 (12.9)	8.0 (15.7)	2.7 (18.4)	6.1 (12.0)
10. Orissa	Neg. (—)	0.5 (3.6)	— (—)	0.3 (2.1)	0.6 (46.2)	3.8 (27.1)
11. Punjab*	3.3 (14.8)	1.4 (2.4)	5.3 (23.8)	16.1 (27.5)	4.5 (20.2)	12.4 (21.2)
12. Rajasthan ..	0.2 (5.3)	1.2 (4.8)	0.6 (15.8)	5.2 (20.9)	0.9 (23.7)	0.6 (2.4)
13. Tamil Nadu ..	0.4 (3.4)	0.5 (1.0)	6.7 (57.8)	5.9 (12.1)	0.6 (5.2)	2.5 (5.1)
14. Uttar Pradesh ..	1.0 (3.1)	2.0 (1.9)	8.1 (25.1)	16.1 (15.3)	9.8 (30.3)	25.9 (24.6)
15. West Bengal ..	0.3 (1.1)	3.4 (2.7)	1.6 (5.9)	13.6 (10.9)	8.0 (29.4)	23.0 (18.4)
All India@ ..	**14.3 (6.5)**	**19.5 (2.5)**	**44.5 (20.3)**	**135.8 (17.2)**	**45.9 (20.9)**	**94.8 (12.0)**

Statement IX—(*concld.*)

(Rs. crores)

States	Deposits with others including money lenders		Total Deposits		Total Financial assets		Proportion of Deposits to Total Financial Assets	
	1961	1971	1961	1971	1961	1971	1961	1971
1. Andhra Pradesh	4.4 (53.0)	16.4 (61.2)	8.3	26.8	12.3	32.1	67.5	83.5
2. Assam† ..	18.2 (94.3)	31.8 (85.9)	19.3	37.0	19.7	37.4	98.0	98.9
3. Bihar ..	10.6 (68.8)	68.0 (72.8)	15.4	93.4	16.2	96.3	95.1	97.0
4. Gujarat ..	10.8 (36.0)	28.1 (65.3)	30.0	43.0	39.7	68.9	75.6	62.4
5. Jammu & Kashmir ..	0.1 (12.5)	3.3 (63.5)	0.8	5.2	1.0	5.7	80.0	91.2
6. Karnataka ..	5.6 (40.0)	36.5 (86.3)	14.0	42.3	19.4	52.1	72.2	81.2
7. Kerala ..	3.3 (37.9)	51.0 (65.8)	8.7	77.5	11.8	83.6	73.7	92.7
8. Madhya Pradesh	1.3 (12.5)	22.6 (82.2)	10.4	27.5	13.6	32.3	76.5	85.1
9. Maharashtra	8.4 (57.1)	33.2 (65.4)	14.7	50.8	28.3	96.2	51.9	52.8
10. Orissa ..	0.7 (53.8)	9.4 (67.1)	1.3	14.0	1.8	15.7	72.2	89.2
11. Punjab* ..	9.2 (41.3)	28.7 (49.0)	22.3	58.6	27.9	69.1	79.9	84.8
12. Rajasthan ..	2.1 (55.3)	17.9 (71.9)	3.8	24.9	7.4	27.7	51.4	89.9
13. Tamil Nadu ..	3.9 (33.6)	39.7 (81.7)	11.6	48.6	17.8	57.6	65.2	84.4
14. Uttar Pradesh	13.4 (41.5)	61.2 (58.2)	32.3	105.2	41.5	116.5	77.8	90.3
15. West Bengal	17.3 (63.6)	85.0 (68.0)	27.2	125.0	28.1	128.1	96.8	97.6
All India@ ..	114.8 (52.3)	540.1 (68.3)	219.5	790.2	287.8	930.1	76.3	85.0

Note : Figures in brackets relate to percentage to Total Deposits.
† Including Meghalaya.
* Including Haryana and Himachal Pradesh.
@ Including Manipur, Tripura, Delhi, Goa and Pondicherry.

Statement X—Financial Assets and Cash Dues of Cultivators and Non-Cultivators—(*contd.*)

(Rs. crores)

States	Cultivators											
	Total Financial Assets			Of which Deposits			Cash Dues Receivable			Total Financial Assets		
	1961	1971	Variation	1961	1971	Variation	1961	1971	Variation	1961	1971	Variation
	1	2	3	4	5	6	7	8	9	10	11	12
1. Andhra Pradesh	9.5	22.7	13.2	5.9	17.8	11.9	69.6	34.9	—34.7	2.7	9.3	6.6
2. Assam@ ..	6.7	27.0	20.3	6.5	26.7	20.2	4.4	4.8	0.4	12.9	10.2	—2.7
3. Bihar ..	7.1	84.5	77.4	6.4	81.7	75.3	78.4	32.6	—45.8	9.2	11.7	2.5
4. Gujarat ..	19.3	48.2	28.9	12.0	23.3	11.3	5.6	9.6	4.0	20.6	20.7	0.1
5. Jammu & Kashmir	0.7	4.6	3.9	0.5	4.1	3.6	0.3	1.5	1.2	0.4	1.0	0.6
6. Karnataka ..	15.1	37.4	22.3	10.4	28.2	17.8	39.9	13.3	—26.6	4.4	14.7	10.3
7. Kerala ..	11.3	74.6	63.3	8.4	68.5	60.1	17.3	15.7	—1.6	0.5	9.1	8.6
8. Madhya Pradesh	12.6	17.5	4.9	9.5	12.8	3.3	14.1	9.6	—4.5	1.0	14.8	13.8
9. Maharashtra ..	24.0	63.0	39.0	10.9	20.5	9.6	5.4	9.8	4.4	4.2	33.2	29.0
10. Orissa ..	1.8	12.7	10.9	1.3	11.0	9.7	1.4	3.2	1.8	Neg.	3.0	3.0
11. Punjab** ..	14.8	39.0	24.2	11.3	30.6	19.3	61.6	24.6	—37.0	13.1	30.1	17.0
12. Rajasthan ..	5.7	16.8	11.1	2.2	14.2	12.0	50.0	38.5	—11.5	1.8	10.8	9.0
13. Tamil Nadu ..	12.3	34.4	22.1	7.3	26.3	19.0	45.3	37.2	—8.1	5.5	23.2	17.7
14. Uttar Pradesh ..	29.9	78.7	48.8	21.3	68.5	47.2	46.9	32.4	—14.5	11.6	37.8	26.2
15. West Bengal ..	10.6	71.2	60.6	9.9	68.9	59.0	6.5	4.9	—1.6	17.5	57.1	39.6
All India* ..	**181.9**	**637.8**	**455.9**	**121.3**	**508.2**	**386.9**	**451.0**	**273.4**	**—177.6**	**106.2**	**292.2**	**186.0**

Statement X—(*concld.*)

(Rs. crores)

	Non-Cultivators						All Households								
	Of which Deposits			Cash Dues Receivable			Total Financial Assets			Of which Deposits			Cash Dues Receivable		
	1961	1971	Variation	1961	1971	Variation	1961	1971	Variation	1961	1971	Variation	1961	1971	Variation
	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1. Andhra Pradesh ..	2.3	9.0	6.7	13.0	8.3	—4.7	12.3	32.1	19.8	8.3	26.8	18.5	82.5	43.2	—39.3
2. Assam@	12.8	10.2	—2.6	0.6	0.8	0.2	19.7	37.4	17.7	19.3	37.0	17.7	4.9	5.6	0.7
3. Bihar	9.1	11.7	2.6	4.2	1.7	—2.5	16.2	96.3	80.1	15.4	93.4	78.0	82.7	34.3	—48.4
4. Gujarat	19.7	19.7	—	7.0	6.1	—0.9	39.7	68.9	29.2	30.0	43.0	13.0	12.6	15.7	3.1
5. Jammu & Kashmir	0.4	1.0	0.6	0.3	0.1	—0.2	1.0	5.7	4.7	0.8	5.2	4.4	0.4	1.6	1.2
6. Karnataka ..	3.7	14.1	10.4	6.0	1.1	—4.9	19.4	52.1	32.7	14.0	42.3	28.3	45.8	14.4	—31.4
7. Kerala	0.4	9.0	8.6	1.1	0.4	—0.7	11.8	83.6	71.8	8.7	77.5	68.8	18.3	16.1	—2.2
8. Madhya Pradesh ..	0.9	14.7	13.8	6.1	1.5	—4.6	13.6	32.3	18.7	10.4	27.5	17.1	20.5	11.1	—9.4
9. Maharashtra ..	3.7	30.3	26.6	2.1	7.0	4.9	28.3	96.2	67.9	14.7	50.8	36.1	7.5	16.8	9.3
10. Orissa	Neg.	3.0	3.0	0.1	0.5	0.4	1.8	15.7	13.9	1.3	14.0	12.7	1.3	3.6	2.3
11. Punjab**	11.2	28.3	17.1	16.5	6.6	—9.9	27.9	69.1	41.2	22.3	58.6	36.3	78.0	31.3	—46.7
12. Rajasthan	1.6	10.7	9.1	13.3	33.8	20.5	7.4	27.7	20.3	3.8	24.9	21.1	63.4	72.3	8.9
13. Tamil Nadu ..	4.4	22.3	17.9	14.1	9.7	—4.4	17.8	57.6	39.8	11.6	48.6	37.0	59.3	46.8	—12.5
14. Uttar Pradesh ..	11.0	36.7	25.7	5.9	5.8	—0.1	41.5	116.5	75.0	32.3	105.2	72.9	52.8	38.3	—14.5
15. West Bengal ..	17.3	56.2	38.9	7.7	0.7	—7.0	28.1	128.1	100.0	27.2	125.0	97.8	14.0	5.5	—8.5
All India *.. ..	**100.1**	**282.0**	**181.9**	**100.1**	**84.5**	**—15.6**	**287.8**	**930.1**	**642.3**	**219.5**	**790.2**	**570.7**	**547.8**	**357.9**	**—189.9**

@ Including Meghalaya.
** Including Haryana and Himachal Pradesh.
* Including Manipur, Tripura, Delhi, Goa and Pondicherry.

NOTES & COMMENTS

SHIFT IN THE PATTERN OF FINANCING OF CAPITAL FORMATION IN THE PRIVATE CORPORATE SECTOR**

K. G. K. SUBBA RAO*

Capital formation in the Private corporate sector is financed by funds from internal sources (through plough back of profits) and also by borrowings from institutions and others. Normally, fixed assets formation is financed by internal generation of funds (cash flow) and long-term borrowings, while inventory financing is done through short-term sources, of which bank credit is the more important. The commercial banks purveying credit are the connecting link between the monetary policies of the Central Bank and the 'real' sectors of the economy. Non-availability of adequate bank credit, particularly in the context of regulation of credit and tight money conditions as in recent years,† will induce the companies to have recourse to alternative sources of finance for meeting their working capital requirements. The companies will also resort to other sources such as deposits from public, trade debt, etc., for supplementing their resources. In this note, an attempt is made to examine some of these aspects, based mainly on the data of Medium and Large public limited companies for the period 1971-72 to 1974-75. Section I briefly outlines the scope of the flow-of-funds accounts, against the background of which, the sources and uses of funds of the Private corporate sector are discussed, in particular self-financing vis-a-vis long-term uses of funds viz., gross fixed assets formation. In Section II, the increased reliance of companies on deposits from public and trade debt as alternative sources of funds is brought out in the context of declining share of bank credit to the Private corporate sector in recent years. A brief account of the recommendations of the Tandon Committee relevant in the context of inventory financing, is outlined in Section III. The main findings are summarised in Section IV.

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**For the purpose of the present study, Medium and Large public limited companies (i. e. companies, each with paid-up capital of Rs. 5 lakhs and above) are considered.

†The more important measures of credit policy influencing the cost and availability of credit are briefly summarised in the Appendix.

I. Sources and uses of funds of Private corporate sector

The financing of the private corporate sector may be viewed in the framework of flow-of-funds accounts connecting the non-financial and financial flows. Briefly, these accounts depict the lendings and borrowings of the different sectors of the economy, how the saving of the surplus sectors (like the Household sector) is used to finance investment in the deficit sectors (like the Private corporate sector) and also the financial mechanism by means of which these transfers take place from one sector to another. If these are available in sufficient detail connecting the non-financial (real) and financial flows accounts, the sources of financing capital formation sector-wise could be traced out. Conceptually, investment and saving are related to changes in financial liabilities ($\triangle L$) and changes in financial assets ($\triangle A$) as in the equation: $I - S = \triangle L - \triangle A$. The difference between physical assets formation (I) and savings (S) (Retained income and depreciation provision) denotes the resources gap, and the financial flows accounts (after eliminating all intra-sector transactions) reveal the sources for financing the deficit. For deficit sectors like the Private corporate sector,

$$I > S, \quad \text{and} \quad \triangle A_D < \triangle L_D$$

For surplus sectors like the Household sector,

$$I < S, \quad \text{and} \quad \triangle A_S > \triangle L_S$$

The flow of loanable funds is

$$\triangle L_D - \triangle A_D = \triangle A_S - \triangle L_S$$

Taking the specific example of the Private corporate sector, these accounts would be useful for credit planning i.e. in estimating the resources to be mobilised (given the targeted level of investment and saving in the sector), while the transactions matrix giving the behaviour of the intersectoral disposition of funds, would provide the basis for estimating the resources to be tapped from the various sectors.*

The main sources and uses of funds of companies could be broadly classified into two categories. viz., 1) short-term and

* The use of the transactions matrix in working out consistent sectoral investment, given saving (and vice versa), is discussed in detail in the article 'An operational technique of financial planning' by V. V. Divatia *vide* September 1969 issue of RBI Bulletin.

2) long-term. The uses of funds under the first category relate mostly to inventory formation of the companies, while the latter corresponds to acquisition of long-term assets or fixed assets formation. Inventory formation is financed by short-term borrowings such as borrowings from banks, trade debt etc., while fixed assets formation is met by self-financing and long-term borrowings. Though this is the normal feature of financing capital formation in the Private corporate sector, the companies may be diverting short/long-term sources of funds to long/short-term uses ,depending upon the conditions prevailing in the money and capital markets, and also the policy measures pursued from time to time. The average rates of growth of fixed assets* and inventories of Medium and Large public limited companies for different time periods is indicated below.

TABLE 1

		No. of companies	Percentage rate of growth	
			Gross fixed assets	Inventories
1961-62 to 1965-66 (period 1)	..	1333	9.7	10.0
1966-67 to 1970-71 (period 2)	..	1501	8.2	9.1
1971-72 to 1974-75 (period 3)	..	1650	8.8	15.8

It may be noticed from the above table that the rate of growth of inventories exceeded that of fixed assets in each of the periods, particularly during the third period, mainly because of heavy inventory formation in the years 1973-74 and 1974-75.

If the credit instruments are classified according to liquidity criteria, the long and short-term sources of finance could be identified.† The nature of accounts of the Private corporate sector

* The RBI studies on company finances cover only operating companies; non-operating companies i.e., companies in the construction stage are excluded. If these are included, the growth rate of gross fixed assets may be somewhat higher.

† The flow of funds framework based on the classification of financial transactions into two groups *viz.*, short and long-term sources/uses of funds, is used as the basis, in connection with projections for monetary planning in Yugoslavia. For details, reference may be made to the article "The Use of Flow of Funds accounts in monetary planning in Yugoslavia" by Dimitrije Dimitrijevic — 'Review of Income and Wealth,' March, 1969.

may not lend itself to such detailed identification. Further, a particular use cannot be associated with a specific source or a sum total of sources. Nevertheless, it can be expected that gross saving (depreciation provision and retained profits), security issues and long-term loans would be used for financing fixed assets formation. Data for recent years on the financial aspects of the companies in relation to gross fixed assets formation, would reveal some interesting features (Table 2).

One important point that emerges from the analysis of the data for each of the years is that the sum total of gross savings, net security issues and other loans (long-term) exceeds the gross fixed assets formation. Furthermore, gross saving also far exceeded investment in gross fixed assets in each of the years, (except in 1972-73 when saving fell short of investment by about Rs. 12 crores). This is in contrast to the earlier years, when self-financing lagged behind gross fixed assets formation to the tune of Rs.100-150 crores in each of the time periods considered. Ploughback of profits was more pronounced in 1974-75, consequent on the dividend distribution curbs imposed in that year. The excess of savings and long-term sources over long-term uses of funds could possibly be interpreted to mean that a part of the saving was put to short-term uses, of which inventories formed a major part.* This assumes significance in the context of the recommendations of the Tandon Committee, discussed subsequently.

The financial structure of the sources and uses of funds of the companies for the period 1971-72 to 1974-75 is presented in Table 3. On the uses side, the share of fixed assets formation in total investment was the highest in 1972-73, but declined considerably during 1973-74 and 1974-75, while that of inventory formation was the highest in 1974-75. On the sources side, saving (internal sources) as percentage of investment showed a decline in the last two years. Among external sources of financing investment, short-term borrowings (bank borrowings, trade debt etc.,)

*In contrast to the above situation, when long-term sources fall short of the long term uses, the tendency on the part of the companies would be to divert short-term borrowings for this purpose. When the capital market is sluggish, the companies may be prone to draw upon their credit limits in excess of their requirements, and use the spare liquidity for acquisition of long-term assets. This is discussed in detail in the Report of the study group on "the extent to which credit needs of industry and trade are likely to be inflated and how such trends could be checked" — Known as Dehejia Committee Report, 1969. A summary of the Report was published in November 1969 issue of RBI Bulletin.

TABLE 2—INVESTMENT AND ITS FINANCING — MEDIUM AND LARGE PUBLIC LIMITED COMPANIES

(Rs. in crores)

	1971-72	1972-73	1973-74	1974-75
1. Gross Investment	**679.8**	**619.0**	**928.3**	**1565.5**
(a) Gross fixed investment	378.1	469.5	525.4	693.7
(b) Inventories	302.2	149.8	406.1	870.1
(c) Intangible and miscellaneous non-current assets	—0.5	— 0.3	— 3.2	1.7
2. Gross saving	**426.3**	**457.6**	**544.3**	**738.8**
(a) Depreciation provision	304.5	329.7	349.4	389.4
(b) Retained income ..	144.5	147.6	228.5	368.5
(c) Capital gains and losses and other adjustments	—22.7	—19.7	—33.6	—19.1
3. Net borrowing .. .. (1) — (2)	**253.5**	**161.4**	**384.0**	**826.7**
(a) Net security issues ..	20.8	6.0	9.1	16.6
(b) Borrowings from banks (short-term)	80.1	—46.4	142.4	345.2
(c) Borrowings from banks (long-term)	5.1	— 8.8	11.3	— 7.1
(d) Other loans (short-term)	36.2	49.4	36.3	11.3
(e) Other loans (long-term)	11.7	39.0	24.2	80.2
(f) Trade debt (net) ..	48.9	78.5	189.2	248.8
(g) Tax provision (net of advance of inome tax)	23.2	— 5.5	33.7	103.4
(h) Other current provisions	20.3	21.7	— 1.8	3.3
(i) Non-current provisions	11.9	—55.3	71.8	51.5
(j) Non-current liabilities	12.1	—10.8	— 7.9	— 0.2
(k) Cash and bank balances	—13.2	—14.2	—123.7	—24.0
(l) Investments	— 3.5	— 2.9	— 0.6	— 2.2

Notes: 1. Data are compiled from the studies on 'Finances of Medium and Large Public Limited Companies, published in September, 1975 and July 1976 issues of the RBI Bulletin.

2. Depreciation provision and Retained income [items 2(a) and 2(b)] are taken from the Income and Expenditure account. The balance sheet changes under 'reserves' and 'depreciation' are not taken for this purpose, as they are affected by book-keeping transfers, revaluation of assets, other adjustments to reserves etc.. However, the difference between balance sheet data (including capitalised reserves) and gross saving is adjusted under item 2(c).

3. 'Paid-up capital' and Investment are netted out for intracorporate securities and shown under items 3(a) and 3(l)

4. The classification of borrowings into (1) short-term and (2) long-term is done, taking the portion shown under 'debt' in company finance studies as long-term borrowings.

5. 'Loans and advances and other debtor balances' is netted out from 'Trade dues and other current liabilities' and shown as trade debt (net).

TABLE 3 : FINANCING OF INVESTMENT@ : PERCENTAGES

	Sources of finance					Gross Investment			
	1971-72	1972-73	1973-74	1974-75		1971-72	1972-73	1973-74	1974-75
(a) Internal	**62.7**	**73.9**	**58.6**	**47.2**	Gross fixed Investment	**55.6**	**77.9**	**56.6**	**44.3**
(b) External	**37.3**	**26.1**	**41.4**	**52.8**					
1. Borrowings (short-term)	17.1	0.5	19.3	22.8	Inventories	44.4	24.1	43.4	55.7
2. Borrowings (long-term)	2.5	4.9	3.8	4.7					
3. Trade debt (net)	7.2	12.7	20.4	15.9					
4. Security issues	3.1	1.0	1.0	1.0					
5. Other sources	7.5	7.1	—3.1	8.4					
Total	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0

@ Derived from data presented in Table 2.

formed a relatively large proportion in total investment in the last two years, constituting 35-40 per cent; trade debt (net) assumed greater significance in the last two years, compared with 1971-72 and 1972-73. The role of long-term sources (including security issues) was relatively insignificant in financing investment.

II. Declining share of bank credit and alternative sources of finance

The foregoing analysis shows the contribution of internal/external sources to the financing of capital formation. The working capital requirements are normally financed by bank borrowings, supplemented by other short-term sources. The preference for alternative sources of funds in this regard would depend upon the cost and availability of credit. The cost aspect may be relatively less important on two counts. First, interest as a cost element forms about 3 per cent of total expenses, according to the data available from the studies on company finances. Secondly from the tax point of view, it would be advantageous for the companies to trade on borrowed capital, because interest is deducted as a cost in computing taxable profits and the cost burden is, to some extent, offset by this deduction. It is tight money rather than dear money that influences business plans and the switch-over to alternative sources of funds. The restrictive credit policy adopted since 1973 in the context of inflationary situation, induced the companies to have recourse to alternative sources of financing.

After the nationalisation of banks in 1969 there has been a shift in sectoral deployment of bank credit, with the share of bank credit to priority sectors (like agriculture, small-scale industries) increasing from year to year. Data available from 'Basic Statistical Returns' for recent years indicate that the share of bank credit to industry (large and medium) has been declining (from 60.6 per cent in 1967-68 to 44.1 per cent in 1974-75), while that of small-scale industries has been increasing (from 6.9 per cent in 1967-68 to 12.4 per cent in 1974-75). The share of short-term bank borrowings in inventories has been declining in recent years, as revealed by the data on finances of companies (vide Table 4). In other words, the rate of growth of short-term bank borrowings lags behind that of inventories, and the companies resort to alternate sources of financing like trade debt, public deposits etc., as a supplementary measure.

TABLE 4 : MEDIUM AND LARGE PUBLIC LIMITED COMPANIES SOME IMPORTANT RATES AND RATIOS

	1971-72	1972-73	1973-74	1974-75
1. Rate of growth of gross fixed assets ..	7.4	8.5	8.8	10.6
2. Rate of growth of inventories ..	13.5	5.9	15.4	28.5
3. Gross saving as percentage of gross investment	62.7	73.9	58.6	47.2
4. Short-term bank borrowings as percentage of inventories	53.8	49.1	47.1	45.5
5. Ratio of current assets to current liabilities	1.23	1.24	1.32	1.29
6. Debt as percentage of equity ..	36.6	35.7	41.1	37.8
7. Sundry debtors as percentage of sundry creditors	92.6	88.0	79.5	72.5
8. Sundry debtors as percentage of sales	13.1	12.1	11.9	11.3

Source : Studies on Finances of Medium and Large Public Limited Companies—September 1975 and July 1976 issues of the RBI Bulletin.

The mobilisation of *deposits from public* as a source of finance for companies has been popular in recent years, in the wake of the credit discipline since 1973 and the dividend distribution curbs introduced by the Government in 1974. The rates of interest on deposits accepted by companies are enhanced and are in the range of 10—15 per cent for maturity periods ranging from 1—5 years.* The surveys of deposits with non-banking companies conducted by the Reserve Bank of India provide some information on the growth of these deposits.

TABLE 5—GROWTH IN DEPOSITS WITH PUBLIC LIMITED COMPANIES

End March	(Rs. crores)
1971	353.5
1972	367.2
1973	412.6

(Source : Growth of deposits with non-banking companies, RBI Bulletins, April 1975 and May 1976).

*The Finance Bill, 1975 stipulates that only 85 per cent of interest on public deposits will be allowed as expenditure for tax purpose, i. e. by making 15 per cent of interest expenditure taxable, the interest cost would be enhanced by 7½ per cent, on the assumption that a company pays 50 per cent tax. This would mean that the rate of interest on deposits would be pushed up by 1 per cent or more for interest range 10—15 per cent. Even so, financing through deposits would appear to be cheaper than bank credit, bulk of which costs over 14 per cent. About two thirds of the loans and advances of scheduled commercial banks to the 'Medium and large industry' sector are charged in the range of 14—18 per cent as at the end of December, '74 - *vide* "Incidence and effect of increased rates of interest on bank credit."—February 1976 issue of the RBI Bulletin.

Data for subsequent years are not available.† However, according to the Study Group on Non-Banking companies, the deposits for all categories (financial, non-financial) of public and private limited companies were estimated to be around Rs. 1300 crores as at the end of March, 1975.@ By mobilising resources through deposits, the corporate sector may, to some extent, encroach on the financial activities, which are considered to be the province of financial institutions.

The spurt in the growth of company deposits in recent years was primarily because investment in equities turned out to be less attractive, with consequent shift in the Household sector's preferences for deposits yielding a higher return. The new issue market also was sluggish as is evident from the following data.

TABLE 6—CAPITAL ISSUES BY NON-GOVERNMENT PUBLIC LIMITED COMPANIES

January-December	(Rs. in crores)
1972	98.1
1973	72.8
1974	56.5

(Source : Report on Currency and Finance, 1975-76.)

The decline in the amount of capital issues in 1974-75 could be attributed to the curbs on distribution of dividends. The widening spread between the lending rates on advances and the rates of interest paid on deposits of commercial banks, consequent to the Bank rate hike, was also one of the main reasons for the increasing importance of company deposits. The margin between the two rates could also be shared by both the companies and the depositors with higher returns to the lenders (mainly Household sector) and relatively lower costs for the borrowers (companies). Moreover, these deposits could be reckoned as clean loans and could be easily procured from the public, without being subject to the terms and conditions normally associated with bank credit, i.e., security, margin requirements etc. It is the easy availability

† Deposits from public are included under 'other borrowings' in the published studies on company finances.

@ *Vide* Report of the Study Group on Non-banking Companies July, 1975. As per surveys of deposits with non-banking companies the share of public limited companies in total deposits was 55 percent at the end of 1973. Assuming the same proportion, a rough estimate of deposits of this category of companies for 1975 would be of the order of Rs. 700 crores.

of finance, rather than the cost that influenced decisions of the companies to raise resources through deposits, when bank credit became scarce.

The inflow of funds through *trade debt* has been substantial in recent years, and far exceeds trade credit obtained by them as is evident from the following data.

TABLE 7

(Rs. in crores)

	1971-72	1972-73	1973-74	1974-75
Sundry debtors (Uses)	81.9	31.6	65.2	230.0
Sundry creditors (Sources) ..	105.7	94.0	217.7	451.8

The sources (net) under trade debt show a steep increase of the order of Rs. 150 crores in 1973-74 and further in 1974-75. Sundry debtors as percentage of sales also gradually declined in recent years, which indicates that the companies have gradually reduced the sales on credit consequent on the pressure of tight money conditions. The percentage of sundry debtors to sundry creditors declined from 93 per cent in 1971-72 to 73 per cent in 1974-75. (Vide Table 4).

It would be evident from the foregoing analysis that trade debt occupies an important place in the operations of the companies, and this would appear to be more so when the money market is tight. To the extent that the desired level of bank credit is not forthcoming, the dependence of the big companies on trade debt would be on a higher scale for financing the inventory requirements, resulting in a redistribution of credit from other sectors (such as small-scale industries, etc.), to the big companies and also within the strata of corporate sector; a major part of the transactions under the head 'trade debt'/'trade credit' would be in the form of intracorporate transactions. Though the sectoral breakdown of trade debt is not available, there is reason to believe that a part of these transactions relate to the small-scale industrial units. According to a study@ made earlier on the subject, about 50 per cent of the credit sales by small-scale indus-

@Report of the committee "to study the problem of payment of bills by large and medium industries to small entrepreneurs in respect of the supplies made to them and to work out suitable arrangements so as to ensure speedy settlement of claims"—published as a supplement to May 1972 issue of RBI Bulletin. The All-India Report on the 'Census of Small Scale Industrial Units' brought out by the Development Commissioner in 1976, gives little information on this vital aspect. Even the data on other financial aspects of these units furnished in the Report are scanty.

trial units are towards medium and large industrial units; the sundry debtors of these small-scale units far exceeded the sundry creditors. The delay on the part of large companies for transactions effected through credit sales would eventually place these units in a liquidity squeeze. According to the data available on the sectoral deployment of bank credit, the share of small-scale industrial sector has been gradually increasing in recent years. However, some part of this bank credit may *perforce* be channelled to the medium and large scale industrial sector via the trade credit mechanism by the small-scale industrial sector.*

III. Tandon Committee's recommendations : Emphasis on owned funds to meet working capital gap

Against the above background of the sources and uses of funds of companies, it would be appropriate to recall the recommendations of the Study Group set up by the Reserve Bank for follow-up of bank credit (known as the Tandon Committee Report). It was recognised that the pattern of lending by banks under the cash credit system laying emphasis on the security aspect, had led to excessive pile up of inventories without reference to production needs and also diversion of these funds for acquisition of long-term assets. This pattern of lending strained the resources position of the commercial banks as well. In order to rationalise the allocation of bank credit, it was considered necessary to fix up norms for working capital requirements commensurate with the production needs of the borrower, and provide bank credit only for supplementing the borrower's resources. What constitutes the 'hardcore' of inventory level for a particular industry depends upon the type of industry, the production process, pattern of trade practices for credit sale, the need to maintain stocks of finished goods, etc. Though a determination of norms in this regard would be difficult, the Committee examined the operating cycle of the companies in different industries and fixed up the norms in respect of inventories and receivables. The Committee recommended that 25 per cent of the working capital gap (i.e., current assets minus current liabilities excluding bank borrowings) should be met by owned funds and long-term borrowings.†

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*A detailed discussion of this aspect is given in the "Report of the Committee of inquiry on small firms - Research Report No. 4—Financial facilities for small firms" published by Her Majesty's Stationery Office (HMSO), London 1971.

† *Vide* chapter 6 of the 'Report of the Study Group to frame guidelines for follow-up of bank credit,' 1975.

This measure was enforced to bring about financial discipline and to regulate demand for bank credit by the companies, which would incidentally result in a lower debt-equity ratio in the financial structure of companies. It is in this context that a careful study of the short/long-term sources and uses of funds is necessary, which would be useful for planning of credit at micro/macro level, and also for checking up the end use of funds.*

IV. Summary and Conclusions

The analysis of sources and uses of funds of medium and large companies reveals that fixed assets formation is, by and large, financed by internal sources of funds. The share of bank borrowings in inventories has been declining in recent years, and the companies had recourse to alternative sources of finance like deposits, trade debt etc., as a supplementary measure, in the context of non-availability of adequate bank credit. Rationing of bank credit seems to have mainly influenced the decisions of the companies for increased reliance on deposits. Also the companies could successfully raise funds through deposits, because of the less attractive yield on risk capital.

Reliance on trade debt has been substantial in recent years, while the share of credit sales has been declining. The Corporate sector turned out to be a net borrower under trade debt, possibly resulting in a strain on the liquidity position of the sectors (like the small-scale industries, etc.) with whom they have trade transactions on credit.

The measures enforced by the Tandon Committee would bring about a shift in the debt-equity mix of the companies with greater reliance on equity. The companies will have to depend upon a part of their owned funds as well, for meeting the working capital gap. The resources that become available to the corporate sector, consequent on higher income retentions, could be used as a source of finance for meeting the working capital gap, when there is no simultaneous step-up in investment in fixed assets. The flow of funds accounts of the companies reveal that gross saving exceeded investment in long-term assets, and a part of the saving could be diverted for financing inventory formation.

*In the light of the Study Group's recommendations, the proformae under the Credit Authorisation Scheme (CAS) operated by the RBI, have been streamlined, demarcating the assets and liabilities according to the liquidity criterion for a proper evaluation of the permissible credit limits.

APPENDIX

The sources and uses of funds of companies are, to some extent, conditioned by the credit controls affecting their borrowings. The years 1973-74 and 1974-75 were characterised by credit policy measures, which increased the cost and reduced the availability of commercial bank credit.*

1. **Cost of credit :** The cost of credit was enhanced consequent on the step-up in the Bank Rate by 2 percentage points to a level of 9 per cent on July 22, 1974 and the minimum lending rate on commercial banks was raised to 12.5 per cent, except for some specified sectors. (The maximum lending rate charged by scheduled commercial banks is fixed at 16.5 per cent with effect from March 15, 1976). The rising cost of interest rates on deposits to be paid by commercial banks, consequent on the Bank Rate hike, has also pushed up the lending rates of the commercial banks. About two-thirds of the loans and advances of scheduled commercial banks to the medium and large industry sector were in the interest range 14-18 per cent, as at the end of December, 1974.

2. **Availability of credit :** The most important measure affecting the availability of credit was the announcement of a quantitative credit ceiling in 1973-74 on the borrowings of commercial banks from the Reserve Bank. Secondly, the lendable resources of the commercial banks have been considerably curtailed in recent years due to gradual enhancement of statutory liquidity ratios and the cash reserve ratios. (The cash and liquidity requirements form 39 per cent of the demand and time liabilities at present) over the range 28-39 per cent during 1970-1975 with the result that the percentage of funds available for credit got reduced to about two-thirds of the total funds. The assets used in maintaining the statutory ratios carry a nominal rate of interest, and an indirect effect would be the enhancement of the lending rates to the borrowers, so that the profitability of the banks is not unduly hampered.

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*Reference may be made to the following sources for further details :

(1) Recent credit trends and evolution of monetary policy—RBI Bulletin December, 1973.

(2) Reports on Currency and Finance.

LIQUIDITY OF THE INDIAN CORPORATE SECTOR

K. A. MENON@

This note discusses the state of corporate liquidity during the period 1965-66 to 1974-75. The analysis is based on the data contained in the studies on company finances published regularly by the Reserve Bank in respect of public and private limited companies. Against the backdrop of theoretical aspects of the problem, considered in section I, the liquidity position of the Indian industries is examined in section II. Section III sums up the main findings of the study.

I.

Liquidity : Concept and Measurement

The purpose of financial analysis based on present and past information is to determine, through qualitative and quantitative means, the future overall standing of the firm and to obtain some idea of its ability to meet in future, various financial obligations. These financial obligations take the form of interest and preferred dividends and repayment of principal amount of debt, etc. One of the methods of financial analysis that is commonly employed by both the suppliers of capital and the management of a firm, is the ratio analysis. A series of ratios calculated for a period of years, are employed to measure the present performance of the firm and also to forecast the likely trend in future.

Suppliers of long-term capital and proprietors are primarily interested in the profitability of the enterprise. On the other hand, the short-term capital suppliers are more concerned with the short-term liquid balances. Liquidity refers to the ability of the firm to provide cash to meet the claims of suppliers of capital. The long-run success of any company lies in its ability

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to survive in the immediate future. A company may have tremendous potential for long-term profitability but may languish due to inadequate liquidity. An appraisal of a company's short-term liquidity position centres on a series of ratios designed to reveal a company's capacity to meet its short-term obligations. The important ratios generally employed in short-term analysis are current ratio, acid test ratio, inventory turn-over ratio, receivable turn-over ratio, absolute liquidity ratio, etc. Probably the most commonly employed tool to measure a company's liquidity is the analysis of Working Capital. "Working capital, sometimes called net working capital, is represented by the excess of current assets over current liabilities and identifies the relatively liquid portion of total enterprise capital which constitutes a margin or buffer for manufacturing obligations within the ordinary operating cycle of the business" (American Institute of Certified Public Accountants, U.S.A.). This approach relates the sum of the firm's current assets (comprising cash marketable securities, accounts receivable and inventories) to the sum of its current liabilities represented by trade dues and other current liabilities, tax provision, borrowings from banks and other current borrowings. A satisfactory ratio for any given firm is difficult to judge as the ratio may differ from industry to industry depending upon the nature of operations. However, a ratio of 2:1 has traditionally been considered adequate and in India some foreign banks stipulate this norm, while drawing up the loan agreements with their clients. But the Study Group on Follow-up of Bank Credit (The Tandon Committee) has suggested a thin safety margin of over 1:1, considering the constraints on the overall availability of long-term funds.

Working capital is a "liquidation" concept i.e., assets are assumed to be converted into cash, and then related to current liabilities, to determine the extent of liability coverage. Viewed thus, current ratio provides only a rough idea of the liquidity, since inventories which are considered in the computation of this ratio, are least liquid of all the current assets. Therefore, a better guide to short-term debt paying capacity is the quick ratio or acid test ratio. This measures the relationship between quick assets and current liabilities ; the former includes all current assets except inventories. This, when applied in conjunction with current ratio, provides a better picture of the liquidity position ; the accepted standard for the quick ratio is 1:1. A further refined version of quick ratio is the absolute liquidity ratio. According to this measure, the sum of cash and marketable securities is compared to the total current liabilities.

While the ratio analysis may be useful in assessing liquidity, there are certain limitations arising from the fact that the analysis is based on a company's financial position at a given point of time. To cite a few, large current ratios though superior to smaller ones can be attained through a method of window dressing, say by liquidating accounts payable with currently available cash. Again in working capital analysis, a liquidation concept is being applied to a going concern ; it may not be appropriate to assume that current assets would be converted into cash for liquidating current liabilities. Similarly, it is implied in the analysis that current liabilities have a preferred claim on current assets in the event of liquidation. But in practice it may not hold true as most of the creditors would put up a general claim on the debtors' assets. The purpose of highlighting some of these short-comings is to caution that the concept of working capital in evaluations of liquidity in micro analysis is not wholesome ; this concept cannot be unduly relied upon as it amounts to "Static analysis of dynamic phenomena."

II.

Liquidity of the Indian Corporate Sector

The trends in the sample of companies covered in the RBI Study of Company Finances may be regarded as representative of the behaviour of the corporate sector as a whole. The growth in total capital employed or net assets of public limited companies in 1965-66 to 1970-71 was about 49 per cent and in 1970-71 through 1974-75, was slightly higher at 50 per cent. In the case of private limited companies the increase (44 per cent) in assets during the former period was somewhat higher than that registered in the latter period (41 per cent). However, considering the sharp rise in the index of investment cost during the period 1970-71 through 1974-75 (73 per cent), the increase in investment in real terms appeared to be much lower than that in 1965-66 to 1970-71 when the investment cost showed a small increase of 30 per cent. Current assets as percentage of total net assets moved up from 55 per cent in 1965-66 to 59 per cent in 1970-71 and further to

63 per cent in 1974-75. For private limited companies the proportion was found to be higher than that for public limited companies ; it showed an increase of 74 per cent between 1965-66 and 1970-71 but declined to 72 per cent by 1974-75.

Composition of current assets

Total current assets of 1501 public limited companies improved by 60 per cent during the period 1965-66 to 1970-71 and those of 1650 companies covered in the present series of company finance studies, by 64 per cent. The share of inventories which ranged between 55 per cent and 59 per cent during the period under study was predominant in total current assets, followed by loans and advances (Statement 1). In the case of private limited companies too, inventories were much higher than the other constituents ; but compared with public limited companies, the proportion of inventories was considerably lower, being of the order of 45 to 50 per cent of total current assets (Statement 2).

The amount of funds tied up in inventory accumulation, depends *inter alia* on (a) rate of growth of industrial production, (b) growth in sales, (c) trends in prices of industrial raw materials and produces and (d) cost and availability of credit. The higher level of inventories in Indian industries might be the result of a combination of all these factors. The higher level of inventories also suggests the absence of any scientific management of inventories. According to a survey conducted by the National Institute of Training in Industrial Engineering in 1970 to assess application of management techniques in Indian Industry, only 21 per cent of the industries used modern management technique to the material's function. Besides, speculative stock holding and manipulation of market may also account for the large inventory accumulation.

The Study Group on Follow-up of Bank Credit also provided a clue to industry's propensity to hold inventories above the optimal level. The Group identified three species of inventories viz., (a) safety inventory, (b) profit making inventory and (c) 'Flabby' inventory comprising finished goods, raw materials and stores because of poor working capital management and inefficient distribution. The Group characterised 'profit making' and 'flabby' inventories as selfish, inefficient and inequitable use of resources and recommended that they should be positively discouraged. As regards 'safety inventory' good management should bring it down to what disciplined experience would justify. The Group suggested certain flexible norms* for fifteen major industries covering about one half of industrial advances of banks with the ultimate objective of making bank credit a more effective tool of resource allocation. The trends in the proportion of loans and advances to total current assets suggests that granting of trade credit is practised by private limited companies on an increasing scale compared with the public limited companies.

Composition of current liabilities

An analysis of the trends in current liabilities reveals, that in public as well as private limited companies, trade dues and other current liabilities financed a good part of the current assets. The proportion of trade dues in total current liabilities was on the increase during the period 1965-66 to 1974-75. Probably as a reaction to the stringent credit policy measures, the rise has been rather sharp in 1973-74 and 1974-75. This is true in respect of both public and private limited companies. On the other hand, borrowings from banks which formed the other important source of finance for maintenance of current assets declined from about 34 per cent in 1970-71 to 33 per cent in 1974-75 ; the fall, in the case of public limited companies was more pronounced. Reflecting the faster rate of increase of current assets than current liabilities, the net working capital of public limited companies showed cent per cent increase in 1970-71 to 1974-75 as compared with 52 per cent in 1965-66 to 1970-71.

While on the aspect of bank borrowings, it would be of interest to see how certain individual industries behaved vis-a-vis the Tandon Committee norms. The Committee laid down three alternatives for working out the maximum permissible level of

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* A comparison of the actual inventory holdings of 1650 public limited companies covered by the RBI study on company finances with the permissible level of inventories computed in accordance with the Tandon Committee norms revealed that the amount tied up in inventories on an average was higher by about 10 per cent than the requirement. Significantly, while inventories as percentage of total assets increased from 32 per cent in 1970-71 to 37 per cent in 1974-75, the proportion of finished goods in total inventories showed a decline from 32 per cent to 30 per cent in the same period.

bank borrowings : (*i*) a bank can work out the working capital gap to mean the difference between current assets and current liabilities other than bank borrowings, and finance a maximum of 75 per cent of the gap ; the balance to be met from owned funds and term borrowings (*ii*) Borrowers to provide for a minimum of 25 per cent of total current assets out of owned funds and term borrowings ; a certain level of credit for purchases and other current liabilities will be available and the balance to be provided by the bank and (*iii*) On the same basis as under method (*ii*) but excluding 'core' current assets from total current assets. For illustrative purposes the permissible level of bank borrowings has been worked out by applying the first norm. The company finance studies do not provide all the details relevant for working out the Tandon Committee norms and the method of computation adopted here is in some respects arbitrary. Therefore, the results of our preliminary exercise indicate only broad trends. All the industries viz., jute textiles, engineering goods, paper and paper products, vegetable and hydrogenated oils and cement, to which the norms have been applied generally had higher borrowings during 1971-72 through 1974-75, than what the Tandon Committee felt appropriate. The relevant data are given in Statement 7.

Trends in Liquidity Ratios

In none of the years during the period studied, the value of the ratio of current assets to current liabilities in Indian industries (at the aggregate level) conformed to the traditional norm of 2:1. For all public limited companies the highest ratio reached was 1·33 in 1973-74. The liquidity of the corporate sector as measured by this ratio however showed improvement over the years. Barring a temporary set back in 1967-68, the current ratio rose steadily from 1·23 in 1965-66 to 1·33 in 1973-74. In 1974-75 the ratio slipped to 1·30 (Statement 3).

The movement in acid test or quick assets ratio, which is a better index of liquidity was closely similar to that of current ratio. During the period, the ratio of quick assets to current liabilities moved up from 0·51 in 1965-66 to 0·58 in 1973-74 after declining to 0·49 in 1967-68. As in the case of current ratio, the value of this ratio was also depressed in 1974-75 (Statement 4).

The behaviour of liquidity ratios of private limited companies was in contrast to that of public limited companies. The current ratio in the case of private limited companies displayed a mixed trend. Between 1965-66 and 1969-70 the ratio improved from 1·15 to 1·17 but stood lower at 1·11 in the subsequent two years; this decline incidentally coincided with the highest dividend pay-out ratio during the period. The ratio recovered to 1·15 in 1972-73 and remained at that level in the rest of the period. The value of quick assets ratio of these companies which has been higher than that of public limited companies throughout the period rose from 0·61 to 0·63 by 1968-69 but gradually declined thereafter to 0·58 in 1971-72. The ratio, after recovering to 0·60 in 1973-74, deteriorated to 0·57 in 1974-75.

Industry-wise Position

Data on industry-wise liquidity position of public limited companies given in statement 5 indicate that except tobacco and matches and to some extent mineral oils, no other industry groups satisfied the conventional norm of 2: 1 current ratio or 1: 1 quick assets ratio. Coffee plantations, sugar, cotton textiles, silk and rayon, aluminium, engineering, chemicals, cement, paper and paper products and glassware, improved their liquidity cushion over the years. Of these, the current and quick assets ratios of coffee and rubber plantations, engineering and chemicals were in proximity to the norms. There was some deterioration in the liquidity position of tobacco, iron and steel, rubber and rubber products, edible vegetable and hydrogenated oils and tea plantation; yet their position compared favourably with that obtaining in other industries. The state of liquidity in jute industry was quite unsatisfactory. Of the shipping industry while the current ratio was poor the acid test ratio was found to be adequate (Statement 5).

Working Capital Finance

Trade dues and other current liabilities constituted the major source of Working Capital finance both for public and private limited companies; between the two, the share of trade dues was higher in private limited companies. In the case of public limited companies, trade dues as a proportion of total current assets increased from 36 per cent in 1965-66 to 42 per cent in 1974-75; in regard to private limited companies, this proportion which stood at 39 per cent in 1965-66 moved up rather sharply to 46 per cent in 1974-75 (Statement 6). The predominance of trade credit in total short-term source of finance is partly ascribable to the general growth of corporate sector itself but its faster rate of increase particularly since 1972-73 lends support to the view that corporate sector uses this medium to whittle down rigours of credit policy. Next in importance is the borrowings from banks which in both the types of companies showed a more or less rising trend upto 1971-72 but petered out thereafter in the wake of dear money policy measures. Another significant aspect of the composition of working capital finance is that increasing amounts of long-term funds are utilised for working capital finance. Net working capital which represents the difference between current assets and current liabilities, financed by owned funds and long term borrowings formed about 19 per cent to 23 per cent of the total current assets during the period 1965-66 and 1974-75; the proportion was somewhat low in the case of private limited companies and remained more or less steady in the same period. The existence of disproportionate amount of short-term bank borrowings and also application of long-term funds for working capital purpose in a substantial way is indicative of an anomalistic situation arising from large inventory build-up.

Profit Margin, Dividend Pay-out Ratios And Liquidity

The table on page 157 depicts the trends in profit margin and dividend pay-out ratios of public and private limited companies. There has been an inverse relation between the profit margin and dividend pay out ratios in the sense that while the former expanded the latter tended to shrink and *vice versa*. Thus while the profit margin dropped from 9·2 in 1967-68 to 8·8 in the next year the dividend pay-out ratio improved from 71·4 to 72·9. In 1970-71 while the profit margin improved to 9·9 from 9·6 in the preceding year, the dividend as percentage of profits after tax slipped to 56·8 from 57·1 in 1969-70. Similarly the behaviour of liquidity ratios was more or less contrary to the trends in dividend pay-out ratios ; that is to say, a rise in the latter was accompanied by a fall in the former. For instance, in the case of public limited companies when the pay-out ratio fell from 56·8 per cent in 1970-71 to 51·6 in the next year, current ratio improved from 1·22 to 1·24. In regard to private limited companies also, a similar trend was discernible. In short, the trend has been that while gross profit margin widened dividend pay-out ratio tended to decline but liquidity ratios improved. Conversely, a reduction in profit margin was followed by a rise in the share of dividend in the profits after tax and deterioration in liquidity ratios.

TABLE.—TRENDS IN RATIOS OF PROFIT MARGIN, DIVIDEND PAY-OUT RATIOS AND LIQUIDITY

Year	Public Ltd. Companies				Private Ltd. Companies			
	Gross profits as percentage of net sales	Dividends as percentage of profits after tax	Current ratio	Quick asset ratio	Gross profits as percentage of net sales	Dividends as percentage of profits after tax	Current ratio	Quick asset ratio
	1	2	3	4	5	6	7	8
1965-66	10.7	62.8	1.23	0.51	7.7	48.9	1.15	0.61
1966-67	10.5	59.9	1.20	0.50	7.4	53.6	1.15	0.61
1967-68	9.2	71.4	1.18	0.49	6.4	57.0	1.16	0.62
1968-69	8.8	72.9	1.20	0.52	6.2	59.4	1.16	0.63
1969-70	9.6	57.1	1.21	0.54	6.4	54.1	1.17	0.62
1970-71	9.9	56.8	1.22	0.54	6.4	72.0	1.11	0.60
1971-72	10.0	51.6	1.24	0.53	6.5	54.4	1.11	0.58
1972-73	9.5	52.9	1.24	0.54	6.6	44.7	1.11	0.59
1973-74	10.7	40.8	1.33	0.58	7.1	28.4	1.15	0.60
1974-75	11.4	29.3	1.30	0.53	7.0	27.6	1.15	0.57

III

Summary and Conclusions

The main findings of the foregoing analysis may be brought together. Judging by the trends in current ratios or quick assets ratios of selected private and public limited companies, it may be said that the liquidity position of Indian Corporate Sector during the period 1965-66 to 1974-75 was on the whole comfortable. The current ratio or quick assets ratio of public limited companies improved over the years, although there were aberrations from the trend in some years. However, an examination of the composition of current assets as well as current liabilities revealed certain disquieting features. The value of current assets ratios was higher in respect of public limited companies while that of quick assets ratio was lower as compared with private limited companies, implying that the latter companies had a better liquidity cushion. Both these ratios were closely aligned to the trends in profit margin and dividend pay-out ratios which probably explains why the liquidity position of the private limited companies was observed to be better than the public limited companies.

The proportion of current assets to total net assets displayed a rising trend during the period, the share was rather high in the case of private limited companies. Inventories had a preponderent share in total current assets followed by loans and advances, which represent trade dues granted by the corporate sector. Motivated by considerations such as profitability, safety and other factors Indian industries in general showed a propensity to hold a higher level of inventories than warranted by production requirements. Applying the test of Tandon Committee norms to certain selected industries the level of inventories carried by these industries has been found to be roughly higher by 10 per cent than what the Tandon Committee prescribed. Significantly, while the proportion of inventories to total assets showed a rising trend, that of finished goods in total inventories declined.

Huge inventory build-up has given rise to the need for incurring excessive bank borrowings apart from substantially utilising funds from long-term sources for working capital purpose. A scientific management of inventory envisages two principal objectives *viz.*, ensuring the availability of inventories as and when needed, and investing the right amount in inventories in order to avoid unnecessary blocking of capital. There is greater need to strive for these objectives on the lines suggested by the Study Group to Frame Guidelines for Follow-up of Bank Credit in order to improve the corporate profitability as well as liquidity.

The share of trade dues and other current liabilities in total sources of short-term finance was significant in public and private limited companies ; the proportion was rather high in the case of the latter. The size of trade dues is as much a reflection of the attempts on the part of companies to dilute the severity of monetary policy as of the growth of corporate sector itself. The sharp rise in this, since 1972-73, accompanied by a fall in the share of short-term bank borrowings is an evidence to this hypothesis.

Although the importance of bank borrowings as a source of working capital finance diminished over the period, on a rough assessment of the optimal level of bank borrowings as per the Tandon Committee norms, with regard to a few manufacturing industries, it is found that the short-term bank borrowings were in excess of what the committee considered appropriate. In the interest of better bank credit dispersal as well as for improving the liquidity position of the industries, the need to bring down the level of inventories and consequently the bank borrowings is imperative. Pursuit of a prudent dividend policy and avoidance of diversion of internally generated funds (e.g. through inter-corporate investments), reinforced by an efficient inventory management would to a great extent enable the industries to be self-reliant, to secure a better status liquidity-wise and to improve the capital formation rates.

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STATEMENT 1.—COMPOSITION OF CURRENT ASSETS AND LIABILITIES OF SELECTED MEDIUM AND LARGE PUBLIC LIMITED COMPANIES (ALL INDUSTRIES)

(Rs. crores)

All Industries	1501 companies						1650 companies				
	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1970-71	1971-72	1972-73	1973-74	1974-75
A. Total Current Assets†	**2372.46**	**2665.75**	**2883.44**	**3097.68**	**3398.24**	**3795.92**	**4037.87**	**4475.32**	**4728.86**	**5392.73**	**6625.78**
1. Inventories ..	1381.08	1549.25	1699.73	1739.63	1875.01	2124.73	2241.31	2543.52	2693.29	3050.64	3922.02
	(58.2))	(58.1)	(58.9)	(56.2)	(55.2)	(56.0)	(55.5)	(56.8)	(57.0)	(56.6)	(59.2)
2. Loans and advances	751.95	867.92	940.50	1076.00	1193.76	1322.24	1396.57	1514.65	1598.84	1772.66	2101.07
	(31.7)	(32.6)	(32.6)	(34.7)	(35.1)	(34.8)	(34.6)	(33.8)	(33.8)	(32.9)	(31.7)
3. Book value of investment	103.12	104.93	108.51	113.62	116.79	122.12	119.45	123.37	128.74	134.97	144.19
	(4.3)	(3.9)	(3.8)	(3.7)	(3.4)	(3.2)	(3.0)	(2.8)	(2.7)	(2.5)	(2.2)
4. Cash and bank balances	136.31	143.65	134.70	168.43	212.68	226.83	280.54	293.78	307.99	434.46	458.50
	(5.7)	(5.4)	(4.7)	(5.4)	(6.3)	(6.0)	(7.0)	(6.6)	(6.5)	(8.0)	(6.9)
5. Advance of income tax	—	—	—	—	—	—	—	—	—	—	—
B. Total Current Liabilities@	**1929.55**	**2220.18**	**2434.68**	**2589.10**	**2807.44**	**3122.13**	**3290.92**	**3618.91**	**3800.98**	**4049.96**	**5090.42**
1. Tax provision ..	118.20	116.42	106.92	104.01	89.17	105.64	110.12	133.28	127.76	164.57	267.94
	(6.1)	(5.2)	(4.4)	(4.0)	(3.2)	(3.4)	(3.4)	(3.7)	(3.4)	(4.1)	(5.3)
2. Borrowings from banks	752.14	893.47	1020.62	1967.90	1139.43	1249.17	1286.80	1368.09	1321.85	1437.52	1782.71
	(39.0)	(40.2)	(41.9)	(41.2)	(40.6)	(40.0)	(39.1)	(37.8)	(34.8)	(35.5)	(35.0)
3. 'Other' borrowings	197.86	233.86	254.77	272.84	294.60	328.58	379.91	416.14	465.52	219.64	231.09
	(10.3)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(11.5)	(11.5)	(12.2)	(5.4)	(4.5)
4. Trade dues and other current liabilities ..	861.35	976.43	1052.37	1144.35	1284.24	1438.74	1514.09	1701.40	1885.85	2228.23	2808.68
	(44.6)	(44.0)	(43.2)	(44.2)	(45.7)	(46.1)	(46.0)	(47.0)	(49.6)	(55.0)	(55.2)
Net Working Capital (A — B)	**442.91**	**445.57**	**448.76**	**508.58**	**590.80**	**673.79**	**746.95**	**856.41**	**927.88**	**1342.77**	**1535.36**

† **Current Assets** comprise (1) Inventories (2) Loans and advances and other debtor balances (3) book value of investments (excluding investments in shares/debentures of subsidiary companies) (4) Cash and bank balances and (5) advance of income-tax in excess of tax provision.

@ **Current Liabilities** comprise (1) provision of taxation (net of advance income tax) (2) current provision (other than taxation and depreciation) (3) borrowings from banks (for the series 1965-66 to 1970-71, borrowings from banks against debentures, and other securities and unsecured borrowings, for 1970-71 to 1974-75 borrowings from banks other than those against own debentures and other mortgages) (4) 'other borrowings' [for the series 1965-66 to 1970-71, 'other borrowings' (except deferred payment liabilities) against other securities and unsecured borrowings and for 1970-71 to 1974-75, 'other borrowings' other than those against own debentures and other mortgages and deferred payment liabilities, and public and other deposits (for the years 1973-74 and 1974-75)] and (5) Trade dues and other current liabilities.

STATEMENT 2.—COMPOSITION OF CURRENT ASSETS AND LIABILITIES OF SELECTED MEDIUM AND LARGE PRIVATE LIMITED COMPANIES (ALL INDUSTRIES)

(Rs. crores)

All Industries	701 companies					
	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
A. Total Current Assets	**355.11**	**391.79**	**412.94**	**438.20**	**472.06**	**531.18**
1. Inventories	167.73	183.56	189.54	198.53	219.02	257.46
	(47.2)	(46.8)	(45.9)	(45.3)	(46.4)	(48.5)
2. Loans and advances	145.37	164.10	179.96	191.68	201.88	216.83
	(40.9)	(41.9)	(43.6)	(43.8)	(42.8)	(40.8)
3. Book value of investment	22.57	23.33	23.94	25.11	26.49	28.23
	(6.4)	(6.0)	(5.8)	(5.7)	(5.6)	(5.3)
4. Cash and bank balances	19.44	20.80	19.50	22.28	24.67	28.66
	(5.5)	(5.3)	(4.7)	(5.1)	(5.2)	(5.4)
5. Advance of income tax	—	—	—	—	—	—
B. Total Current Liabilities	**309.52**	**340.92**	**358.90**	**378.73**	**406.36**	**453.63**
1. Tax provision	21.13	19.21	16.64	15.23	12.02	14.04
	(6.8)	(5.6)	(4.6)	(4.0)	(3.0)	(3.1)
2. Borrowings from banks	91.21	103.31	116 99	124.07	138.05	158.21
	(29.5)	(30.3)	(32.6)	(32.8)	(34.0)	(34.9)
3. 'Other' borrowings	58.55	61.23	63.40	66.65	67.57	73.73
	(18.9)	(18.0)	(17.7)	(17.6)	(16.6)	(16.3)
4. Trade dues and other current liabilities	138.63	157.17	161.91	172.78	188.72	207.65
	(44.8)	(46.1)	(45.1)	(45.6)	(46.4)	(45.7)
Net Working Capital (A — B)	**45.59**	**50.87**	**54.04**	**59.47**	**65.70**	**77.55**

STATEMENT 2.—(*Contd.*)

(Rs. crores)

All Industries	1001 companies				
	1970-71	1971-72	1972-73	1973-74	1974-75
A. Total Current Assets	**626.64**	**684.90**	**729.99**	**781.25**	**901.68**
1. Inventories	298.36	326.37	345.93	376.43	457.50
	(47.6)	(47.7)	(47.4)	(48.2)	(50.7)
2. Loans and advances	260.10	283.77	306.00	328.26	359.94
	(41.5)	(41.4)	(41.9)	(42.0)	(39.9)
3. Book value of investment	33.84	34.91	33.70	27.21	28.03
	(5.4)	(5.1)	(4.6)	(3.5)	(3.1)
4. Cash and bank balances	34.34	39.95	44.36	49.35	56.21
	(5.5)	(5.8)	(6.1)	(6.3)	(6.2)
5. Advance of income tax	—	—	—	—	—
B. Total Current Liabilities	**560.03**	**616.55**	**656.02**	**676.87**	**785.67**
1. Tax provision	14.47	15.80	13.84	18.12	26.85
	(2.6)	(2.6)	(2.1)	(2.7)	(3.4)
2. Borrowings from banks	189.21	204.30	219.69	230.04	260.86
	(33.8)	(33.1)	(33.5)	(34.0)	(33.2)
3. 'Other' borrowings	106.67	116.65	119.59	91.59	85.24
	(19.0)	(18.9)	(18.2)	(13.5)	(10.8)
4. Trade dues and other current liabilities	249.68	279.80	302.90	337.12	412.72
	(44.6)	(45.4)	(46.1)	(49.8)	(52.5)
Net Working Capital (A—B)	**66.61**	**68.35**	**73.97**	**104.38**	**116.01**

STATEMENT 3.—RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES OF SELECTED MEDIUM AND LARGE PUBLIC AND PRIVATE LIMITED COMPANIES

Industry Group		No. of companies	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	No. of companies	1971-172	1972-73	No. of companies	1973-74	1974-75
I. Agriculture and Allied Activities														
	Public ..	188	1.28	1.27	1.21	1.25	1.23	1.25	165	1.24	1.22	168	1.26	1.29
	Private ..	24	0.88	0.99	1.02	1.01	1.13	1.14	33	1.14	1.11	31	1.07	1.13
II. Mining and Quarrying														
	Public ..	56	0.79	0.75	0.89	0.93	0.94	0.97	13	0.98	0.99	13	0.92	0.92
	Private ..	26	0.86	0.91	0.94	0.99	1.06	1·03	21	0.82	0.73	20	0.92	1.06
III. Manufacturing and Processing (Foodstuffs, Textiles, Tobacco, Leather and products thereof)														
	Public ..	483	1.20	1.18	1.17	1.15	1.18	1.18	493	1.22	1.27	477	1.40	1.36
	Private ..	158	1.10	1.07	1.10	1.12	1.14	1.13	227	1.07	1.09	231	1.15	1.10
IV. Processing and Manufacture (Metals, Chemicals and products thereof)														
	Public ..	443	1.29	1.25	1.21	1.24	1.25	1.26	600	1.28	1.29	609	1.37	1.35
	Private ..	175	1.14	1.17	1.17	1.18	1.18	1.21	303	1.19	1.19	299	1.22	1.21
V. Processing and Manufacture —Not elsewhere classified														
	Public ..	141	1.35	1.34	1.29	1.30	1.32	1.36	175	1.30	1.27	177	1.41	1.37
	Private ..	83	1.13	1.14	1.13	1.13	1.14	1.20	119	0.99	1.01	121	1.15	1.14
VI. Other Industries														
	Public ..	190	1.16	1.12	1.10	1.13	1.13	1.11	204	1.08	1.05	206	1.08	1.04
	Private ..	235	1.21	1.20	1.20	1.18	1.18	1.18	298	1.14	1.14	299	1.12	1.12
Overall	Public ..	1501	1.23	1.20	1.18	1.20	1.21	1.22	1650	1.24	1.24	1650	1.33	1.30
	Private ..	701	1.15	1.15	1.16	1.16	1.17	1.11	1001	1.11	1.15	1001	1.15	1.15

STATEMENT 4.—RATIO OF 'QUICK ASSETS' TO CURRENT LIABILITIES OF SELECTED MEDIUM AND LARGE PUBLIC AND PRIVATE LIMITED COMPANIES

Industry Group		No. of companies	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	No. of companies	1971-72	1972-73	No. of companies	1973-74	1974-75
I. Agriculture and Allied Activities														
	Private ..	24	0.57	0.61	0.61	0.62	0.75	0.76	33	0.73	0.71	31	0.73	0.73
	Public ..	188	0.52	0.51	0.46	0.49	0.49	0.45	165	0.50	0.48	168	0.49	0.47
II. Mining and Quarrying														
	Private ..	26	0.65	0.70	0.75	0.77	0.81	0.74	21	0.39	0.33	20	0.45	0.54
	Public ..	56	0.55	0.51	0.61	0.67	0.66	0.66	13	0.53	0.54	13	0.54	0.67
III. Processing and Manufacture (Foodstuffs, Textiles, Tobacco, Leather and products thereof)														
	Private ..	158	0.42	0.41	0.45	0.45	0.43	0.40	227	0.41	0.45	231	0.47	0.44
	Public ..	483	0.40	0.41	0.40	0.41	0.42	0.41	493	0.42	0.44	477	0.48	0.47
IV. Processing and Manufacture (Metals, Chemicals and products thereof)														
	Private ..	175	0.53	0.56	0.53	0.56	0.57	0.55	303	0.56	0.55	299	0.56	0.52
	Public ..	443	0.51	0.49	0.46	0.53	0.55	0.55	600	0.56	0.56	609	0.60	0.53
V. Processing and Manufacture —Not elsewhere classified														
	Private ..	83	0.63	0.59	0.53	0.60	0.61	0.64	119	0.55	0.56	121	0.64	0.59
	Public ..	141	0.67	0.66	0.61	0.64	0.68	0.67	175	0.62	0.56	177	0.64	0.57
VI. Other Industries														
	Private ..	235	0.78	0.79	0.82	0.81	0.81	0.80	298	0.79	0.79	299	0.74	0.72
	Public ..	190	0.68	0.66	0.63	0.66	0.69	0.70	204	0.67	0.63	206	0.67	0.61
Overall	Private ..	701	0.61	0.61	0.62	0.63	0.62	0.60	1001	0.58	0.59	1001	0.60	0.57
	Public ..	1501	0.51	0.50	0.49	0.52	0.54	0.54	1650	0.53	0.54	1650	0.58	0.53

STATEMENT 5.—TRENDS IN LIQUIDITY RATIOS OF SELECTED INDUSTRIES (PUBLIC LIMITED COMPANIES)

Industry	1965-66		1966-67		1967-68		1968-69	
	C	Q	C	Q	C	Q	C	Q
1. Tea plantations ..	1.27	0.48	1.26	0.46	1.19	0.41	1.23	0.44
2. Coffee plantations ..	1.58	0.96	1.49	0.80	1.39	0.83	1.48	0.98
3. Rubber plantations ..	1.60	1.23	1.49	1.13	1.30	0.79	1.26	0.85
4. Coal mining	0.96	0.64	0.96	0.67	0.99	0.73	1.00	0.75
5. Edible vegetable & hydrogenated oils ..	1.22	0.33	1.21	0.32	1.16	0.33	1.17	0.34
6. Sugar	1.10	0.29	1.08	0.24	1.06	0.31	1.08	0.35
7. Tobacco	3.26	1.16	2.52	0.79	2.28	0.69	2.15	0.66
8. Cotton textiles ..	1.12	0.38	1.11	0.41	1.09	0.37	1.08	0.37
9. Jute textiles	1.19	0.40	1.14	0.38	1.09	0.39	1.05	0.38
10. Silk and rayon textiles	1.39	0.57	1.47	0.66	1.49	0.61	1.52	0.76
11. Woollen textiles ..	1.43	0.47	1.36	0.52	1.26	0.45	1.25	0.57
12. Iron and steel	2.07	0.88	1.66	0.71	1.33	0.56	1.33	0.62
13. Aluminium	1.05	0.42	1.00	0.39	1.05	0.42	1.31	0.70
14. Other non-ferrous metals (basic)	1.31	0.47	1.22	0.36	1.28	0.39	1.48	0.52
15. Engineering	1.23	0.46	1.20	0.44	1.19	0.44	1.21	0.51
16. Chemicals	1.24	0.54	1.23	0.54	1.24	0.51	1.29	0.55
17. Matches	2.33	1.61	2.26	0.95	2.14	0.94	1.99	1.10
18. Mineral oils	3.28	2.73	2.43	2.01	2.01	2.08	2.01	1.46
19. Cement	1.11	0.43	1.20	0.46	1.20	0.46	1.19	0.48
20. Rubber and rubber products	1.67	0.81	1.60	0.76	1.78	0.90	1.71	0.84
21. Paper and paper products	1.00	0.45	1.02	0'49	0.99	0.47	1.04	0.51
22. Glass and glassware ..	0.98	0.30	1.12	0.37	1.13	0.39	1.17	0.44
23. Trading	1.27	0.83	1.24	0.78	1.23	0.76	1.22	0.78
24. Shipping	1.36	1.33	1.15	1.12	0.95	0.93	1.14	1.12

C = ratio of current assets to current liabilities.
Q = ratio of quick assets to current liabilities.

STATEMENT 5—(*Contd.*)

1969-70		1970-71		1971-72		1972-73		1973-74		1974-75	
C	Q	C	Q	C	Q	C	Q	C	Q	C	Q
1.22	0.44	1.22	0.40	1.21	0.41	1.17	0.40	1.19	0.44	1.23	0.41
1.58	1.03	1.56	0.97	1.49	1.11	1.62	1.15	1.67	0.94	1.84	1.23
1.26	0.87	1.16	0.83	1.08	0.70	1.07	0.75	1.21	0.77	1.29	0.81
1.02	0.76	1.02	0.72	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
1.25	0.34	1.20	0.34	1.06	0.33	1.07	0.32	1.24	0.43	1.23	0.33
1.05	0.26	1.04	0.21	1.06	0.26	1.15	0.43	1.18	0.41	1.16	0.38
2.20	0.71	2.31	0.79	1.88	0.37	1.89	0.41	2.17	0.52	1.71	0.44
1.11	0.40	1.12	0.40	1.17	0.43	1.23	0.42	1.47	0.50	1.41	0.50
1.03	0.33	1.06	0.33	1.12	0.35	1.08	0.33	1.01	0.29	1.03	0.30
1.53	0.86	1.56	0.88	1.69	0.84	1.74	0.82	1.83	0.90	1.86	0.87
1.33	0.63	1.39	0.67	1.40	0.71	1.40	0.54	1.58	0.51	1.38	0.48
1.22	0.62	1.16	0.54	1.04	0.49	1.04	0.53	1.19	0.51	1.21	0.48
1.48	0.64	1.76	0.85	1.52	0.63	1.37	0.58	1.49	0.68	1.46	0.50
1.20	0.50	1.30	0.52	1.27	0.38	1.36	0.42	1.48	0.49	1.66	0.61
1.22	0.52	1.22	0.53	1.25	0.53	1.26	0.53	1.31	0.55	1.27	0.49
1.34	0.62	1.38	0.60	1.37	0.66	1.39	0.67	1.52	0.74	1.58	0.67
2.08	1.10	1.98	1.21	1.80	0.95	1.69	0.72	N.A.	N.A.	N.A.	N.A.
1.67	1.20	1.45	0.88	1.80	0.69	1.22	0.56	N.A,	N.A.	N.A.	N.A.
1.23	0.55	1.30	0.60	1.26	0.62	1.25	0.56	1.34	0.61	1.26	0.55
1.76	0.85	1.56	0.72	1.42	0.68	1.46	0.59	1.51	0.67	1.41	0.57
1.14	0.64	1.36	0.67	1.27	0.61	1.18	0.53	1.42	0.63	1.39	0.60
1.24	0.56	1.18	0.51	1.16	0.50	1.21	0.53	1.39	0.63	1.37	0.57
1.23	0.81	1.23	0.84	1.23	0.85	1.24	0.83	1.27	0.89	1.26	0.72
1.18	1.16	1.04	1.02	0.92	0.92	0.90	0.89	0.78	0.77	0.71	0.70

STATEMENT 6.—COMPOSITION OF WORKING CAPITAL FINANCE FOR SELECTED MEDIUM AND LARGE PUBLIC AND PRIVATE LIMITED COMPANIES : ALL INDUSTRIES

As percentage of total current assets	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
(1) Tax provision										
Public	4.98	4.37	3.71	3.36	2.62	2.78	2.98	2.70	3.05	4.04
Private	5.95	4.90	4.03	3.48	2.55	2.64	2.31	1.90	2.32	2.98
(2) Borrowings from banks										
Public	31.70	33.52	35.40	34.47	33.53	32.91	40.56	27.95	26.66	26.91
Private	25.68	26.37	28.33	28.31	29.24	29.78	29.83	30.09	29.45	28.93
(3) Other borrowings										
Public	8.34	8.77	8.84	8.81	8.67	8.66	9.30	9.84	4.07	3.49
Private	16.49	15.63	15.35	15.21	14.31	13.88	17.03	16.38	11.72	9.45
(4) Trade dues and other current liabilities										
Public	36.31	36.63	36.49	36.94	37.79	37.90	38.02	39.88	41.32	42.39
Private	39.04	40.12	39.20	39.43	39.98	39.09	40.85	41.49	43.15	45.77
(5) Net working capital										
Public	18.67	16.71	15.56	16.42	17.39	17.75	19.14	19.62	24.90	23.61
Private	12.84	12.98	13.09	13.57	13.92	14.60	9.98	10.13	13.36	12.86

STATEMENT 7.—SHORT-TERM BANK BORROWINGS AND TANDON COMMITTEE NORMS—A ROUGH ESTIMATE OF INDUSTRY-WISE POSITION

JUTE TEXTILES

(Rs. Crores)

	1971-72	1972-73	1973-74	1974-75
Requirements as per norms				
i **Raw Material** (2½ months' consumption)	38	42	40	40
ii **Stock-in-Process** (¼ month's cost of Production)	5	6	6	6
iii **Finished Goods** (¼ month's cost of Sales)	27	30	28	31
iv **Receivables** (1½ months' Sales)	39	43	40	47
Sub-Total	109	121	114	124
v **Cash and Bank balances (actual)**	2	2	2	2
vi **Book value of quoted investments**	2	3	2	2
A. Total current assets (as per norms)	113	126	118	128
B. Actual current assets	128	127	158	173
C. Excess over the norms : (B — A)	+15	+1	+40	+45
D. Total current liabilities (excluding bank borrowings)	58	60	83	95
E. Adjusted current liabilities	50	60	62	70
F. Working capital gap (A — E)	63	66	56	58
25% of (F) above permissible	16	17	14	15
G. Maximum bank borrowings as per method (1)	47	49	42	43
H. Actual bank borrowings	57	57	74	75
Excess (%)	21	16	76	74

CEMENT

(Rs. Crores)

	1971-72	1972-73	1973-74	1974-75
Requirements as per norms				
I. Raw Material (2 months' Consumption)	11	12	15	14
II. Stock-in-Process (½ months' cost of Production)	6	6	7	8
III. Finished Goods (1 month's cost of Sales)	12	13	13	15
IV. Receivables (1 month's Sales)	16	16	16	18
Sub-Total	**45**	**47**	**51**	**55**
V. Cash and bank balances	3	3	7	6
VI. Book value of quoted investment	3	3	3	3
A. Total current assets as per norm	51	53	63	64
B. Actual current assets	111	115	128	134
C. Excess over the norm (B — A)	+60	+62	+65	+70
D. Current liabilities (other than bank borrowings)	63	68	81	82
E. Adjusted current liabilities	26	28	37	30
F. Working capital gap (A — E)	25	25	26	34
25% of (F) above	6	6	7	9
G. Permissible bank borrowings	19	19	19	25
H. Actual bank borrowings	25	24	29	26
Excess (%)	31	26	52	4

ENGINEERING INDUSTRY

(Rs. Crores)

	1971-72	1972-73	1973-74	1974-75
Requirements as per norms				
(i) Raw Material (2.25 months' consumption)	216	233	264	347
(ii) Stock-in-Process (1 month's cost of production)	127	137	155	231
(iii) Finished Goods (1.50 month's cost of Sales)	190	206	232	346
(iv) Receivables (1.50 month's sales)	234	257	289	364
Sub-Total	**767**	**833**	**940**	**1288**
(v) Cash and bank balances (actual)	47	47	67	62
(vi) Book value of quoted investment	13	13	14	16
A. Total current assets (as per norms)	827	893	1022	1366
B. Actual current assets	1278	1361	1578	1941
C. Excess over norm (B—A)	451	468	558	575
D. Current liabilities (other than bank borrowings)—Actual	609	657	790	945
E. Adjusted current liabilities	379	409	478	623
F. Working capital gap (A — E)	448	484	544	743
25% of (F) above	112	121	136	186
G. Maximum bank borrowings as per method (1)	336	363	408	557
H. Actual bank borrowings	412	421	469	589
Excess (%)	23	16	15	6

EDIBLE VEGETABLE AND HYDROGENATED OILS

(Rs. Crores)

	1971-72	1972-73	1973-74	1974-75
Requirements as per norms				
I. Raw Material (1 month's consumption)	8	9	10	13
II. Stock-in-Process (negligible)	—	—	—	—
III. Finished Goods (0.37 month's cost of Sales)	3	4	4	5
IV. Receivables (0.38 month's sales)	3	4	4	5
Sub-Total	14	17	18	23
V. Cash and bank balances (Actual)	1	1	1	1
A. Current assets as per norms	15	18	19	24
B. Actual current assets	20	24	27	33
C. Excess over the norm (B — A)	+ 5	+ 6	+ 8	+ 9
D. Current liabilities (other than bank borrowings)	12	14	14	15
E. Adjusted current liabilities	9	10	9	10
F. Working capital gap (A — E)	6	8	10	14
25% of (F) above	2	2	3	4
G. Maximum permissible bank borrowings	4	6	7	10
H. Actual bank borrowings	7	8	9	13
Excess (%)	75	33	29	30

PAPER AND PAPER PRODUCTS

(Rs. Crores)

	1971-72	1972-73	1973-74	1974-75
Requirements as per norms				
(i) Raw material (4 month's consumptions) (Average)	24	25	28	39
(ii) Stock-in Process (neg.)	—	—	—	—
(iii) Finished Goods (1 month's cost of sales)	11	11	12	16
(iv) Receivables (3 months' sales)	11	11	13	12
Sub-Total	46	47	53	67
(v) Cash and bank balances (Actual)	8	6	8	11
(vi) Book value of quoted investment	3	3	3	3
A. Total current assets (as per norms)	57	56	64	81
B. Actual current assets	96	104	115	153
C. Excess (B — A)	+39	+48	+51	+72
D. Current liabilities (Other than bank borrowings)	51	57	61	77
E. Adjusted current liabilities	29	31	32	52
F. Working capital gap (A — E)	28	25	32	49
25% of (F) above	7	6	8	12
G. Maximum bank borrowings	21	19	24	37
H. Actual bank borrowings	25	32	34	32
Excess (%)	19	68	42	—13

BOOK REVIEWS

DETERMINANTS OF REAL NATIONAL INCOME AND PRICE LEVEL IN INDIA. by P. R. Brahmananda, University of Bombay, February 1977, pp. XI + 96. Rs. 15/-

There are essentially three stories of development of the Indian economy, first conceived and related sometimes during the years 1953 to 1956. Of the three, the most famous and the most widely supported one was shaped and authored by P. C. Mahalanobis. The second was in the nature of a 'dissent', related by B. R. Shenoy. The third one was presented as an 'alternative,' by C. N. Vakil and P. R. Brahmananda. Of the three, it was the Mahalanobis' model which was supposed to have provided the basic framework of the Second Five Year Plan (1956-61) and the plans thereafter.

Brahmananda's present work under review may be regarded as a quantified justification of the basic ideas found first in his 'alternative' model. He maintains that his ideas form part of what he calls the 'New' classical economics as against the Keynesian or neo-classical thought-streams. According to him, the 'New' classical system envisages the determination of real national income in a year "jointly by the stock of capitals and by the supply of wage-goods or the circulating capital goods, two magnitudes wholly on the supply side" (p. vii), thus implying that there is a stable relationship of a multiplier sort between the supply of wage goods and the real income. The second proposition of the 'New' classical system is that "the price level of basic goods (or of wage goods) is determined jointly by the supply of output and het volume of money (or credit)" (p. viii).

Brahmananda seeks to show that both these propositions are valid in the Indian economy, with the help of the well known regression analysis. The volume under review has 10 chapters. It adopts a single-equation (multiple or simple regression) model "primarily for the reasons flowing from considerations of policy". (p. 12). Brahmananda argues: "Policy can influence only a few parameters and it is these parameters that we choose as explanatory variables." (p. 12). He, however, agrees that the "approach in terms of simultaneous equations and also with room for the influence of lagged variables etc. is fascinating but has not been adopted in this monograph primarily because the theoretical implications of such an approach are not yet apparent for the Indian economy and more particularly for economic policy in such an economy." (p. 12, italics added). The key parameters in the Indian economy, according to him, are: net investment, government expenditure, domestic output of capital-goods, money supply and wage goods supply. The period chosen was: 1950-51 to 1973-74.

The equations he estimates are impressively large, particularly as the estimations were carried out both for original values and first differences. The most comprehensive equation for the determination of real income was :

YD=f(KD, WG, PPLN, RGMD and MWL), where YD= net real **domestic** product; KD=real fixed capital stock of the current year; WG=the supply index of wage goods of the current year; PPLN=population; RGMD=deflated geometric mean of interest rates in percentage terms; and MWL=money wages of labour. His results show, in his own words, "(1) that wage-goods supply (or basic goods supply) and real capital stock can comprehensively and adequately account for the determination of real income, (per capita wage-goods supply and real capital stock can also perform as well); (3) the current year magnitudes of wage-goods supply and real capital stock are of crucial importance in real income determination and (4) the single most important determinant of real income is the current year supply of wage goods". (p. 32, sic). His simple regressions, however, show that the relationship between YD and KD is as statistically significant as the association between YD and WG.

Brahmananda then examines the relationships between YD and home investment or its associated parameters and between YD and real money stock. Home investment was found to be statistically not a significant explanatory variable; so was the real stock of money or even domestic credit. These results indicate to him that the Keynesian framework was irrelevant at least during the period under study. He believes that real domestic investment did not have a meaningful impact on real national income probably because the economy might not be possessing excess capacity—at any rate "balanced excess capacity" as he puts it—in the real capital stock or in the inventories of wage goods and other related items. In the absence of the supposed excess capacity and excess stocks, "an increase in the supply of money should", as Brahmananda asserts, "lead to a proportionate increase in the level of prices". (p. 44).

Brahmananda tests some regression results on the price level determination. At the general level, it appears that nominal money stock was a statistically significant explanatory variable of prices, whether the prices are measured in terms of national income deflator or the wholesale price index. The wage goods price index was significantly correlated positively with nominal money stock and inversely with output. Even when nominal money stock was substituted by nominal domestic credit, the results did not change. The price index number of manufactured commodities was explained in terms of price indices of basic goods and of imports. The money wage index in the industrial sector as an argument was statistically not significant. The inclusion of import prices would signify that the economy is 'open'. And the wage push factor in price determination was shown to be irrelevant.

The equations fitted in regard to prices of foodgrains show that while money supply was a positively associated significant explanatory variable, net real investment was an inversely related significant variable, with real government expenditures and supply of foodgrains being statistically **not** significant. Obviously, the fitted equations appeared to have suffered from multicollinearity.

Clearly, the part dealing with real output determination relates essentially to a closed economy whereas the industrial price setting had taken care of the possible 'openness' of the economy. The distinction between 'wage goods' and 'basic goods' has not been made clear, and to make it more confusing, the former was described on page 84 as 'basic wage goods'. The narrative at the end of each table giving the significance of the results was dry and probably unnecessary for readers familiar with the regression analysis.

One is not sure whether it would be possible to determine **real** national income by **stocks** of fixed capital and wage goods of the current and previous years without taking into account the productivity of investment in the production of fixed capital and wage goods. Could it be that the absence of this crucial variable has made net home investment, an explanatory variable with no statistical significance? Even if the specification of the equation was correct, it is a curious point to make that there was a general absence of excess capacity in the Indian economy during the period merely on the ground that net domestic investment was not a significant explanatory variable, in the equation relating to real income determination. Is it that this inference would not have arisen had the productivity rate been included as an argument in the function ?

Moreover, it is not clear as to why the geometric mean of interest rates was used as one of the independent variables in the comprehensive equation of real income determination. Putting together both long and short term rates of interest shows lack of adequate appreciation of the divergent characteristics of the money markets, especially those in regard to liquidity and convertibility.

The specification in the equations relating to price determination could have been more comprehensive. For instance, one would like to consider the impact of price expectations, the behaviour of prices during contingencies such as the Korean boom, the Chinese invasion and the Indo-Pakistan conflict of 1965, the extent of underutilisation of capacities especially in 'new' industries and the rates of productivity of labour on price determination.

Finally about the regression technique as a tool of hypothesis-testing. Brahmananda was clear that the technique does not prove that a variable is caused by another (or a set of) variable(s). Indeed it is so. But is there no way of establishing the causal chain between say, any two variables? One wonders whether the model can be improved and the causation is made unidirectional by adopting the criterion developed by C.W.J. Granger, vide **Econometrica**, vol. 37, No. 3, July 1969.

As regards the multicollinearity problem, it is generally agreed that it cannot be wholly avoided, even if one were to take the first differences along with larger time series. Assume that the equation to be fitted is the following :

$\text{Log } \Delta Y = a + b \log \Delta X + c \log \Delta Z + U$. It would perhaps be profitable if instead of estimating the above equation the following is adopted.

$$\text{Log } \Delta Y = a + b \log \Delta X + (1\text{-}b) \log \Delta Z + U.$$

These comments, however, do not detract the value of the book which, to the reviewer, is essentially in the nature of provoking and stimulating rethinking on the age-old and elusive problem of output and price determination. Brahmananda deserves rich compliments for keeping alive his interest in it by his theoretical contributions and by his empirical efforts of which the book under review is proposed to be the first of the series. Every serious student of Indian economic development would welcome efforts at quantification and empirical examination of the economic realities, so as to know the implications underlying the different economic policies.

A. VASUDEVAN.

AGRICULTURAL MANPOWER AND ECONOMIC DEVELOPMENT—BY DR. B. P. RATNAWAT, POPULAR PRAKASHAN PVT. LTD., BOMBAY. Pages 290. Price Rs. 50.00.

Surplus agricultural population constitutes a major problem in many underdeveloped countries. The famous Prof. Ragnar Nurkse and W. A. Lewis models of economic development of underdeveloped countries provide for a shift of surplus population from the agricultural to non-agricultural sector or from the subsistence to the modern sector of the economy. The major assumption is that in the agricultural sector with the scene of serious underemployment or disguised unemployment, the marginal workers on most of the cultivated holdings are making little useful contribution to output or, in other words, marginal productivity of labour has fallen to zero or below zero. The removal of surplus labour from agriculture to other sectors will promote development since anything useful which they might produce will be a net addition to output. As against this, Prof. A. M. Khusro has advocated a model of economic development with no population transfer. According to Prof. Khusro, the demand for labour in the non-agricultural sector is not sufficient to absorb the supply of labour from within the sector. The transfer of surplus labour from agricultural sector would add to the pool of unemployed in non-agricultural sector. Until such time the demand for labour in non-agricultural sector overtakes the supply within the sector, there is no possibility of economically useful net shift of workers from agricultural to non-agricultural sector since such shift will add to the pool of jobless people in non-agricultural sector and will increase money costs as well as social costs.

Dr. Ratnawat has attempted to test these two models of development on the basis of data on unemployment and under-employment in the agricultural and non-agricultural sectors in Madhya Pradesh. The first part deals with the theoretical aspects of the phenomenon while in the second, data on underemployment collected through field investigation have been analysed to illustrate the theory. In the third part, an attempt is made to examine the demand and supply of labour in non-agricultural sector in Madhya Pradesh. The fourth part contains the diagnosis and deliberations based on testing these two models with regard to the economy of Madhya Pradesh and the problems and planning involved in the utilisation of surplus agricultural labour.

Employment in Agriculture

In India, the number of workers engaged in agriculture increased from 75.2 million in 1901 to 131 million in 1961 (or by 74.66 per cent). The percentage of agricultural workers to total workers increased from 66.8 in 1901 to 69.5 in 1961. However, the increase took place in the category of owner-cultivators rather than landless agricultural labourers. Thus, according to the 1961 census, the number of workers engaged in agriculture was 131 million, of whom 99.5 million were cultivators and 31.5 million landless agricultural labourers. The corresponding figures in 1951 were 70 million and 28 million, respectively. Between 1911 and 1961, working force in agriculture increased by 41 per cent, while cultivated land increased by 7 per cent, irrigated land by 11 per cent and double cropped area by 15 per cent. According to the Second Agricultural Labour Enquiry Committee, 1956-57, the total of agricultural labour households had fallen by 1.6 million between 1950-51 and 1956-57 even though there was an increase in the number of rural households from 58.9 million to 66.6 million. There was an increase in the proportion of agricultural labour households without land from 50.7 per cent in 1950-51 to 57.13 per cent in 1956-57. The average size of operating farm declined from 7·50 acres in 1950-51 to 5·70 acres in 1956-57. Casual adult male workers were employed on wages for 200 days in 1950-51 and 197 days in 1956-57. They were self-employed for 75 days in 1950-51 and for 40 days in

1956-57. Casual adult female workers were employed on wages for 134 days in 1950-51 and 141 days in 1956-57. They were self-employed for 27 days in 1956-57.

Estimates of Surplus Agricultural Labour in Madhya Pradesh

For the purposes of estimating surplus agricultural population and other relevant problems, the author had conducted empirical field investigation in 11 villages in the Indore Division consisting of 1518 total households having 8212 population. Total agricultural households were 1366 consisting of nearly 90.2 per cent of total families in the selected villages. The landless agricultural families were 193. Total agricultural population in selected villages was 6892, of which 4070 persons or 58.7 per cent were classified as workers. The percentages of self-employed, casual and attached workers were 73.3, 22.6 and 4.2 respectively.

The author has attempted to estimate the intensity of underemployment of the self-employed cultivators on the basis of two methods, viz., work-norm method and time-norm method. For the work-norm method, the author has adopted the criterion of standard holding i.e. size of holding which would provide full employment for a family of an average size with such assistance which is customary for agricultural operations. For different villages, different size of the standard unit is adopted. Cultivators having cultivated holding below the standard holding are considered unemployed to the extent of holding below the standard holding. Out of 1173 cultivating households surveyed, 1046 families had holdings less than the standard holding. In other words, 89.8 per cent of the families were underemployed. They had to subsist on work which can keep 503 families fully employed. Thus, the percentage of disguised unemployment was nearly 51.9 per cent in the case of self-employed agriculturists. For the purposes of the time-norm method, employment for 300 days at the rate of 8 hours of work a day i.e., 2400 man-hours per annum, was considered as full employment. The employment possibilities were only to the extent of 1229 man-hours per annum in the areas under study. This indicates underemployment to the extent of 48.9 per cent in the self-employed sector. Out of total of 2983 self-employed cultivators, 1456 were surplus on the basis of time-norm method as against 1548 on the basis of work-norm method. The agricultural labourers in the casual labour households were employed on an average for 157 days of which 140 days were devoted to agricultural operations. Casual labourers with land were employed on an average for 137 days and those without land for 179 days. Attached labourers were on an average employed for 268 days in a year of which 260 days were for agricultural operations. Thus, out of 4070 agricultural workers in selected villages, 1935 workers were estimated surplus on the basis of the first (work-norm) method and 1910 on the basis of the second (time-norm) method. In selected villages, the extent of surplus agricultural labour was to the extent of 47 per cent of the total.

By applying this norm, the author has attempted to estimate surplus labour in the agricultural sector in Madhya Pradesh. In the State, 81 per cent of the total population depends on agriculture. Between 1901 and 1961, the number of workers in the agricultural sector increased by nearly 70 per cent. In 1961, out of a total population of 32.4 million in Madhya Pradesh, total labour force was 16.9 million consisting of 13.4 million agricultural workers and 3.5 million non-agricultural workers. On the basis of alternative assumptions, for the State of Madhya Pradesh as a whole, the surplus agricultural labour in 1961 was nearly 6.50 million and 6.36 million as against the total agricultural labour employment of 13.43 million. Similarly, in 1966, the surplus was 7.36 million and 7.20 million as against the total agricultural employment of 15.20 million. Thus, about 47 to 48 per cent of the agricultural workers in Madhya Pradesh would be described as unemployed.

According to the author, the existence of nearly half the labour force in the agricultural sector as unemployed, with a further possibility of worsening the situation with continued growth of population in future is a threat to the economic development of Madhya Pradesh unless steps are taken to remedy the situation.

The author has also attempted to estimate the agricultural labour force between 1961 to 1981 in Madhya Pradesh. The working force consisted of 52.3 per cent of the total population in 1961. This proportion was 55.2 per cent for rural areas and 34.9 per cent for the urban areas. On the basis of the alternative methods of estimating working population,@ total labour

@ Registrar-General's method of labour force projection estimated that 92.61 per cent of male and 42.25 per cent of female in the age group of 15-59 are in the labour force. The other method is the 'Participation rate' method. The proportion of labour according to the 1961 census was 60.21 per cent for male and 43.99 for female.

force in Madhya Pradesh in 1981 has been estimated at 20.2 million and 27.5 million, respectively, as against the total population of 51.67 million. The availability of labour force in 1981 in the agricultural sector has been projected at 16.2 million and 21.8 million, respectively. The requirement of labour force in the agricultural sector on the basis of the expected growth rate of 4 and 5 per cent, respectively, in that sector will be 12.2 million and 14.5 million, respectively, by 1981 as compared with 11.6 million in 1961.

The estimated surplus agricultural labour in Madhya Pradesh is shown in Table 1.

TABLE I—ESTIMATION OF SURPLUS AGRICULTURAL LABOUR IN 1961-81

(In million)

	Existing Surplus in 1961	1966	1971	1976	1981
Assumption I ..	6.54	7.90	9.89	12.06	14.30
Assumption II ..	6.54	7.24	8.28	9.76	12.00
Assumption III ..	4.34	4.85	6.12	7.94	10.11
Assumption IV ..	4.34	4.19	4.51	5.64	7.81

In Madhya Pradesh, a predominantly agricultural economy, the pressure of increasing new entrants leads to the situation of large underemployment in the agricultural sector to hinge around small and uneconomic holdings or underemployment of all working members of an agricultural household. The introduction of better farming method could meet with success only after excessive pressure of population on land is drained out. According to the author, in a broader sense, marginal productivity of labour in the agricultural sector can be considered even negative. Madhya Pradesh offers wide scope for extending area under cultivation, but the cost of bringing new land under cultivation is high.

Requirements of Non-Agricultural Sector

However, in view of the existing unemployment in the non-agricultural sector in urban area, transfer of population from rural to urban areas would pose some problems. Thus, out of total additional labour force of 4.059 million in Madhya Pradesh during the decade 1951-61, non-agricultural sector could absorb only 0.75 million or less than one-fifth of the new entrants. The proportion of non-agricultural labour force to total number of workers declined from 20.3 per cent in 1951 to 19.7 per cent in 1961.

On the assumption that 1961 participation rate of 34.86 per cent of total non-agricultural sector's population would be maintained, the working population in the non-agricultural sector has been estimated to be 3.20 million in 1966, 3.62 million in 1971, 4.09 million in 1976 and 4.51 million in 1981. On the basis of the alternative method, working population in non-agricultural sector has been estimated at 2.69 million, 3.03 million, 3.50 million and 4.03 million in 1966, 1971, 1976 and 1981, respectively. Thus, during 1961-81, the additional available labour force in the non-agricultural sector would be 1.69 million and 1.59 million on the basis of two alternative methods.

On the basis of the growth rate of 6 per cent during the 1961-71 and 7 per cent during the 1971-81 periods, the total number of persons engaged in the non-agricultural sector is expected to increase from 3.50 million in 1961 to 8.20 million and 8.65 million in 1981. Thus, during the period 1961-81 additional requirement of labour in the non-agricultural sector on the basis of two different methods of assumption would be 4.70 million to 5.15 million in addition to the existing labour force in the sector.

The additional requirements of labour in the non-agricultural sector in 1981 on the basis of four different methods are estimated at 3.69 million, 4.14 million, 4.17 million and 4.62 million, respectively (Table 2 on page 83). Thus, in years to come, the non-agricultural sector in Madhya Pradesh will have to draw persons from the agricultural sector. However, the non-agricultural sector will not be in a position to absorb the entire surplus labour from the agricultural sector. Thus, the extra surplus labour estimated on the basis of minimum surplus labour with the maximum demand for labour from the non-agricultural sector would be 3.19 million in 1981 as compared with 3.28 million in 1961. Alternatively, if we co-relate the maximum of surplus agricultural labour with the minimum of demand from the non-agricultural sector, the unabsorbed agricultural labour would be 10.61 million in 1981 as compared with 5.85 million in 1961.

TABLE 2—DEMAND AND SUPPLY OF LABOUR FORCE IN NON-AGRICULTURAL SECTOR IN MADHYA PRADESH BASED ON DIFFERENT METHODS — 1961-81

(In million)

Method of Estimation	1961	1971	1981
I. Supply Estimation			
(a) Urban labour participation rate method	2.81	3.62	4.51
(b) Registrar-General's method	2.44	3.03	4.03
II. Demand			
(a) Method I	3.50	4.75	8.20
(b) Method II	3.50	5.20	8.65
III. Additional Requirements			
(A) IIa — Ia	0.69	1.13	3.69
(B) IIb — Ia	0.69	1.58	4.14
(C) IIa — I (b)	1.06	1.72	4.17
(D) II(b) — I(b)	1.06	2.17	4.62

It is a paradox that despite large minerals and other resources in Madhya Pradesh, 50 per cent of the working population in the State is unemployed or underemployed. This surplus, both of labour and other resources, could be utilised for stepping up the rate of capital formation. However, this would call for gearing up of administrative machinery. Further, with the increase in employment the demand for consumption goods might increase. Unless supply of these goods is increased, an inflationary pressure would emerge. The full utilisation of man and power resources would require intensive development of agriculture through increase in the minor irrigation, soil conservation, development of small-scale industries, cottage crafts, etc. which would provide employment to agricultural labourers during the spare time. Further, the pace of development, both in agricultural and non-agricultural sectors, will have to be considerably stepped up to provide gainful employment to increasing work force.

From this empirical study, the author has come to the conclusion that Nurkse-Lewis model regarding the transfer of population from agricultural to non-agricultural sector will be applicable to Madhya Pradesh economy during the period 1961 to 1981. Prof. A. M. Khusro's contention regarding the economic development with no transfer with regard to India's economy as a whole may not be applicable to the State of Madhya Pradesh.

As pointed out in the foreword, Dr. Ratnawat's study is probably one of the first efforts made by an economist to analyse the situation of underemployment and unemployment in rural areas in a backward State like Madhya Pradesh. However, on the basis of empirical study confined to 11 villages in one division of the State, it will not be possible to test the applicability of two diverse models of development and suggest any remedy for the solution of the problem of surplus agricultural labour. With the technological changes in the field of agriculture, employment potential in Indian agriculture might have undergone some changes. It is, therefore, necessary to undertake similar studies in agriculturally advanced States like Punjab and Haryana. The methodology employed by Dr. Ratnawat for measuring disguised unemployment and surplus rural population would prove useful for such studies on underemployment in the agricultural sector.

With large urban unemployment and economic and social problems faced by overcrowded cities due to the concentration of industries, it may not be rational to encourage large migration of surplus population from rural to urban areas.

A new strategy of rural industrialisation should be evolved which would help in utilising the locally available natural resources and provide adequate employment so as to counteract the attraction of migration to urban areas. Further, the product-process composition should aim at satisfying the needs of local rural population based on locally available natural resources. As Shri Bepin Behari has pointed out in his book 'Rural Industrialisation in India', that "Rural industrialisation based on concessional finance, technological implant etc. has failed to trigger off self-generating growth. In fact, rural exploitation has been intensified by the centralising influence of modern industrial system". Before undertaking rural industrialisation programme, the locally available resources and local demand should be surveyed. In short, a realistic approach to solving the rural unemployment problem would require the economic decision to be evolved at village level. The development of agriculture, irrigation and village industries has a direct bearing on the solution of the problem of rural unemployment but none of these would generate abiding interest among villagers unless the enthusiasm is aroused from the very beginning.

K. M. MANDAVAWALLA.