INTERIM REPORT OF THE STUDY TEAM ON CO-OPERATIVE AGRICULTURAL CREDIT INSTITUTIONS IN MAHARASHTRA

RESERVE BANK OF INDIA
AGRICULTURAL CREDIT DEPARTMENT
BOMBAY

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CONTENTS

INTRODUCTION

IN consultation with the Chief Minister of Maharashtra, the Governor of the Reserve Bank of India appointed on 28 December 1972 a Study Team with Dr C. D. Datey, Chief Officer, Agricultural Credit Department, Reserve Bank of India (since appointed Executive Director of the Bank) as Chairman and the following as members : Shri N. S. Sapkal, Chairman, Maharashtra State Co-operative Bank; Shri K. S. Bawa, Joint Secretary, Government of India, Ministry of Agriculture, Department of Co-operation; Shri L. N. Bongirwar, Secretary, Planning Department and Additional Development Commissioner, Government of Maharashtra; Shri L. S. Lulla, Secretary, Agriculture Department, Government of Maharashtra; Shri H. Nanjundiah, Secretary, Co-operation Department, Government of Maharashtra; and Dr M. V. Hate, Joint Chief Officer, Agricultural Credit Department, Reserve Bank of India (Member-Secretary).

2. At the first meeting of the Team held on 15 January 1973, the Team decided to co-opt Shri A. K. Dutt, Joint Secretary, Department of Banking, Ministry of Finance, Government of India and Shri P. R. Kulkarni, Deputy Chief Officer, Department of Banking Operations and Development, Reserve Bank of India as members and also invite Shri M. S. Palnitkar, Commissioner for Co-operation and the Registrar of Co-operative Societies, Government of Maharashtra and Dr W. C. Shrishrimal, Managing Director, Maharashtra State Co-operative Bank to the meetings of the Team.

3. In view of the widespread drought conditions prevailing in the state this year preceded by two successive bad agricultural seasons, the need for providing relief to those cultivators who have been affected by three successive bad years as well as to those who had not been able to pay their dues to the societies for certain reasons and lost their eligibility for fresh loans and the urgency of providing larger credit facilities to all including the above categories in the context of the high-yielding varieties programmes and the agricultural development projects being financed out of funds provided by the World Bank, the Team decided to accord priority to those aspects of the terms of reference which had a bearing on the above matters and submit an interim report before the

end of March 1973 so that action on the recommendations could be initiated early for facilitating the provision of adequate credit facilities for the *kharif* season 1973. The Team approved, at its first meeting, a set of proformas prepared by the Member-Secretary for collecting information from the banks and offices concerned. It was also agreed that the Reserve Bank's Agricultural Credit Department might be requested to depute officers to visit some banks and societies in Akola, Bhir, Nanded, Osmanabad and Yeotmal Districts to collect data relevant to the aspects which the interim report would cover. Simultaneously, it was decided to request the Government of Maharashtra, Agriculture Department, to give information district by district about the area likely to be covered by the different high-yielding variety of crops and the estimated credit needs so as to enable the Team to project the total credit needs for implementing these and the other programmes of the banks and the financial and other assistance that might be required in this behalf. The Team held its second meeting on 6 February 1973 when the discussion on the question of providing relief to drought stricken cultivators and non-wilful defaulters was continued. The data relating to the various high-yielding variety of crops provided by the Agriculture Department being incomplete, the discussion on the credit needs of the districts for 1973-4 was postponed.

4. In the meanwhile, a Study Group of Secretaries to the Government set up by the Chief Minister of Maharashtra in November 1972 under the chairmanship of Shri L. N. Bongirwar, had submitted their report on *Agricultural Credit and Relief necessary to the Agriculturists who have been in Arrears due to the Conditions of Crop Failure and Drought*, a copy of which was made available to the Team. The Team took note of the recommendations of the Study Group and, as may be seen later, has quoted from the report on various issues relevant to its own terms of reference. The Chairman of the Team, Sarvashri Bongirwar and Nanjundiah (Members) and Dr Hate (Member-Secretary) also met the Chief Minister of Maharashtra on 1 March 1973 and had a discussion with him on the important aspects of the question, which were taken up for immediate consideration by the Team.

5. The third meeting of the Team was held on 14 March 1973 to discuss the draft of the interim report prepared by the Member-Secretary. The members cf the 'Study Team on Overdues of Cooperative Credit Institutions' were also requested to attend the

meeting. The Team had the benefit of their views in the discussions on the draft report which they went through in great detail page by page. It was decided to hold one more meeting of the Team to consider the interim report after incorporating the changes suggested by the members.

6. The Team held its fourth meeting on 24 March 1973. The draft interim report was finalized at the meeting after further discussions and signed by the members of the Team.

7. The Interim Report is divided into four sections, each dealing with a specific issue and the fifth section sums up our recommendations, as follows: Section One: Stabilization/Relief arrangements in years of successive natural calamities; Section Two: Rehabilitation programme for defaulter-members of primary agricultural credit societies; Section Three: Lending programme for the year 1973-4 and its financial implications; Section Four: Operational aspects of the proposed programmes; and Section Five: Summary of recommendations.

8. The Team is grateful to the secretarial staff comprising Shri R. Sundaravaradan, Assistant Chief Officer, Shri A. G. Sule, Rural Credit Officer and others of the Reserve Bank's Agricultural Credit Department for their unstinted co-operation in the collection of material and assistance in the drafting of the report. It would not have been possible to submit the report in such a short time without their help. The Team is also grateful to the officers and staff of the Bombay Regional Office of the Agricultural Credit Department for conducting the field studies, the findings of which were quite revealing.

SECTION ONE

STABILIZATION/RELIEF ARRANGEMENTS IN YEARS OF SUCCESSIVE NATURAL CALAMITIES

1.1 AGRICULTURE in most parts of the country is exposed to the vagaries of the monsoons. Excessive rain or too little of it leads to an almost total or substantial failure of crops, thereby affecting very adversely the capacity of cultivators to repay the loans obtained by them for growing crops at the beginning of the season. Failure to repay the loans makes them defaulters and thus ineligible for any further credit from co-operative credit societies just at a time when they need it most. Since credit is an essential pre-requisite not only from the viewpoint of the cultivators but also from that of agricultural production, an arrangement had to be thought of whereby an individual, while not being called upon to repay the loan in the year of natural calamity, is allowed to repay the crop loan borrowed in that year over a period of time in the subsequent years and at the same time issued fresh short-term production loans for carrying on his agricultural operations. It was with this intention that the All-India Rural Credit Survey Committee (1954) recommended stabilization arrangements under which the crop loan due from a member in a year of natural calamity is converted into a medium-term loan up to a maximum period of five years.

1.2 For meeting the resources required in this regard, the Committee also recommended the setting up of Agricultural Credit Stabilization Funds at the national level in the Reserve Bank and at the state level in the state and central co-operative banks. While the national fund is built up by annual appropriations out of the profits of the Reserve Bank, the funds with co-operative banks are built up partly out of their own profits and partly out of loans-cum-subventions from the state government/Government of India. The funds at the lower levels have to be utilized fully for the purpose before the Reserve Bank is approached for assistance out of the national fund. The Reserve Bank of India Act as well as the rules governing the stabilization funds at the lower levels provide for assistance up to a maximum period of 5 years only. Section 46 B of the Reserve Bank of India Act, 1934, which provides for the setting up of the National Agricultural Credit (Stabilization) Fund and its utilization thereof reads as under:

> 46B. (1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Stabilisation) Fund to which shall be

credited such sums of money as the Bank may contribute every year:

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June, 1956 shall not be less than one crore of rupees:

Provided further that the Central Government may, if the circumstances so require, authorize the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the making to State co-operative banks of loans and advances repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance and on such terms and conditions as may be specified in this behalf by the Bank.

Provided that no such loans or advances shall be made—

(*a*) except for the purpose of enabling the State co-operative banks to pay any dues in respect of bills of exchange and promissory notes purchased or rediscounted by the Bank under clause (2) of section 17 or loans and advances made to them by the Bank under clause (4) of section 17, and unless, in the opinion of the Bank, the State co-operative banks are unable to pay such dues in time owing to drought, famine or other natural calamities; and

(*b*) unless such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government.

1.3 Although the Stabilization Funds were set up in 1955-6 and were being used since the year 1965-6, there had been no occasion so far for assistance from the Funds for providing relief to farmers affected by famine for more than two successive years. On the occurrence of crop failure for the first time, the Fund is used to convert the short-term loan into a medium-term loan repayable in three years. If during the currency of the converted loan, another natural calamity occurs, say, in the second year, the first conversion loan is so rephased that the total period of the loan does not go beyond five years from the date of the first conversion and a second conversion loan of three years' duration is granted for the short-term loan due in that year. In such a contingency the total annual burden of debt repayment is one short-term loan and the instalments under two medium-term conversion loans.

1.4 During the year 1972-3, large parts of Maharashtra have experienced scarcity conditions for the third year in succession. Information about the number of villages affected by scarcity conditions in the state (i.e., villages where remission of land revenue was granted or where the yield was declared as below 6 annas) since 1960-61 till date is given in Annexure I. It will be seen therefrom that of the total number of villages at about 39,500 in the state as per 1971 Census, as many as 23,000 villages were affected by natural calamity i.e., where the *annewari* was less than

6 annas, in 1970-71 forming more than 58 per cent of the total number of villages. In 1971-2, about 14,200 villages (36 per cent) were so affected. As many as 24,800 villages forming 63 per cent of the total have been declared as scarcity villages for the kharif 1972. The figures for the complete year 1972-3 will be available when the *annewari* for the *rabi* crops is declared. The maximum number of villages affected by natural calamity for three consecutive years may be about 10,000.

1.5 The occurrence of such widespread natural calamities, especially for two or three consecutive seasons in recent years has already led to heavy drafts on the Funds at various levels. The demand for relief during the current year is likely to be much more as the villages declared so far in respect of *kharif* crops alone accounted for well over 63 per cent of the total villages in the state. The magnitude of the problem is well illustrated in the table below showing the position at the central bank and primary levels:

Rs crores

Central Bank Level

Year	Demand under short-term loans	Recoveries by		Total recoveries	Balance overdue
		Conversions	Other recoveries		
1	2	2*a*	2*b*	2*c*	3
1969-70 ...	... 120	1	79	80	40
1970-71 ...	... 128	17	69	86	42
1971-2 ...	... 125	12(7.41)*	66	78	47
1972-3 ...	... 106	26	(estimated)	—	—

* Relates to rephasement of the medium-term conversion loans granted in 1970-71.

Primary Level

Year	Demand	Recoveries by		Total recoveries	Balance overdue
		Conversions	Other recoveries		
1	2	2*a*	2*b*	2*c*	3
1969-70 ...	... 145	1	88	89	56
1970-71 ...	... 154	17	75	92	62
1971-2 ...	... 180	12	94	106	74

1.6 Besides the large size of the quantum of relief required, the situation raises the question whether the cumulative burden of three conversion loans can be borne by a farmer within the framework of relief envisaged under the Agricultural Credit Stabilization Funds so that his eligibility for short-term loan for carrying on his agricultural operations for the succeeding season is not adversely affected and yet the total burden under both the principal and interest is within his annual repaying capacity. The issues for consideration in this regard are :

(i) Whether a farmer can bear the burden of three conversion loans and interest thereon, if the period of each of the converted loans is not to go beyond five years as stipulated in the Reserve Bank of India Act;

(ii) In case the burden is considered too heavy to be borne by a farmer within his repaying capacity arising out of his agricultural income, whether the period of the loan could be extended even beyond the period permitted by the Act by amending it or by some other method;

(iii) In case, however, by extending the period of the loans as above the annual burden of the instalments cannot be accommodated within the repaying capacity of a farmer, whether any portion of his loan could be written off and, if so, how and to what extent;

(iv) If write off is considered undesirable, whether the state government and/or the Government of India can assist the co-operative credit structure so that it may be able to lighten the burden on a farmer by extending the period of loans to seven or even ten years; and

(v) Whether the central banks, the state co-operative bank and the Reserve Bank of India could assist the farmers in lightening the annual repayment burden in some form or other.

Repaying Capacity

1.7 One of the important considerations underlying the recommendation of the Rural Credit Survey Committee for granting relief in the form of a term loan is to lighten the annual debt burden in such a manner as to be within the farmer's repaying capacity. Since the cultivator would be eligible for fresh finance under the stabilization arrangements envisaged by the Committee, which in fact was its prime concern, the question that arises in this regard is about what could be assumed as the maximum repaying capacity of a cultivator. In fact, in the ultimate analysis, repaying capacity will have a vital bearing on the total period required for the conversion loans or even the need for writing off of a part thereof.

1.8 In regard to repaying capacity, the Reserve Bank has been suggesting, as a general proposition, that 50 per cent of the value of gross produce in a normal year i.e., where there is no suspension of revenue or where the *annewari* declared is above 6 annas, could be assumed as available for the purpose of repayment of loans. To quote the *Manual on Production Oriented System of Lending for Agriculture published by the Agricultural Credit Department of the Reserve Bank of India:*

> The most convenient method of determining the repaying capacity of a cultivator is to relate it to the value of gross output turned out by him. Taking into account the cultivator's other liabilities, the credit agency would be justified in proceeding on the basis that liabilities on account of repayment of loan, which a cultivator might bear without much difficulty, should not exceed half the value of his annual output. It has been assumed earlier that since the basic cash component intended to take care of the miscellaneous cash outlay related to the cultivation in the area may not be more than about one-third of the anticipated average value of gross produce per acre, the balance of repaying capacity, i.e., one-sixth of such minimum assumed value of output per acre would be a safe measure of repaying capacity in so far as instalments payable on medium-term loan account are concerned. (page 48)

Although there is no specific mention about interest on the short-term and medium-term loans, it is implied that interest thereon will be paid by a borrower out of the balance of 50 per cent of the value of gross produce left with him. On the assumption that a member could borrow Rs 100 as a short-term loan (i.e., at $\frac{1}{3}$ of the value of gross produce of Rs 300) and a medium-term loan of Rs 150 (three times the repaying capacity viz., $\frac{1}{6}$ of the value of gross produce earmarked for term loan), interest repayable on both the loans at 10 per cent per annum will be Rs 25 (Rs 10 on short-term loan and Rs 15 on medium-term loan) in the first year, Rs 20 in the second year and Rs 15 in the third year. The maximum repayments in a year in respect of both principal and interest will, therefore, amount to Rs 175 (Rs 150 towards principal and Rs 25 towards interest). Thus the maximum annual repaying capacity of a borrower assumed under the crop loan system will work out at 58.33 per cent of the value of gross produce.

Formula suggested by the Secretaries' Study Group

1.9 The Study Group of Secretaries to the Government of Maharashtra has expressed the view that the repayment obligation of a member should not normally be more than 1.33x inclusive of interest ('x' representing the crop loan in a year to which he is entitled to under the crop loan system). To quote the Group in this regard :

> . . . Any rehabilitation programme which imposes a repayment obligation of more than 1.33x during the period of a normal agricultural year (normal agricultural year being defined as a year in which no suspension or remission of land revenue has been ordered in a village) may not be workable in practice unless the year concerned is extraordinarily good and the crop is much above 'average' year. Rephasing of the entire outstanding taken together, therefore, should be so done that the repaying obligation does not normally exceed 1.33x (including the repayment obligation of the interest concerned) in any one year. For this purpose, the period of conversion may be extended even beyond 5 years (by one or two years) in suitable cases and the repayment going up to 1.50x in a few years, if necessary. (pages 12-13)

1.10 As the Group has assumed eligibility for a crop loan at 40 per cent of the value of gross produce (page 11 of the report) as against 33.33 per cent assumed in the Reserve Bank's Manual, in the example cited under the Manual formula (paragraph 1.8) wherein the value of gross produce has been taken as Rs 300, the short-term credit eligibility under this formula will work out to Rs 120 (i.e., 40 per cent). If repaying capacity assumed by the Group is 1.33x at the lowest, it will amount to Rs 160 and at the maximum of 1.50x to Rs 180. In other words, as against 58.33 per cent of the value of gross produce as the maximum repaying capacity assumed under the Manual formula, the Secretaries' Group has assumed it at 53 per cent at the lowest and 60 per cent at the highest. In respect of principal alone, the burden comes to 48 to 54 per cent of the value of gross produce as per the Secretaries' Group as against 50 per cent assumed in the Manual. It would thus appear that there is by and large no material difference in the assumptions in regard to the maximum repaying capacity as estimated in the Secretaries' Group Report and in the Manual. Thus, for the purpose of analysing the problems created by three successive crop failures, the repaying capacity of a member is assumed at 58.33 per cent of the value of gross produce, inclusive of interest.

Theoretical Position in regard to Annual Debt Burden in case of Crop Failures

(i) *If for One Year*

1.11 Under the existing stabilization arrangements, if the natural calamity occurs for the first time, say, in the year 1972-3, the short-term loan of, say, Rs 100 due for repayment in March 1973 will be converted into a medium-term loan repayable in three equal annual instalments of Rs 33.33 each commencing from March 1974 and ending in March 1976 as illustrated in Annexure II. Assuming interest at 10 per cent per annum, the total annual repayments in respect of both short-term loan and the converted medium-term loan will work out to 51.11 per cent of the value of gross produce in the first year and 48.89 per cent in the third year. (Incidentally, it is assumed that the short-term loan will be limited to 33.33 per cent of the value of gross produce as envisaged under the Manual.) Since the annual repayment obligation is well within the assumed maximum repaying capacity of 58.33 per cent, there is no need for any further relief to the members affected by natural calamity for the first time this year.

(ii) *If for Two Successive Years*

1.12 Let us assume that natural calamity occurs for two years in succession, say, 1971-2 and 1972-3. In such a situation the existing procedure, as illustrated in Annexure III, is to rephase the first conversion loan of Rs 100 into a four year medium-term loan of Rs 25 per year and grant a conversion loan of 3 years' duration for the short-term loan issued for the year 1972-3, the first instalment of the two loans commencing from March 1974. Since interest would have been collected before granting the rephasement/conversion, the annual burden in respect of the two conversion loans as may be seen from the Annexure, would amount to 26.11 per cent of the value of gross produce. Providing for the short-term loan and interest thereon together at 36.67 per cent of such value, the aggregate of the annual burden would be 62.78 per cent of the value in the first year of repayment (1973-4). This burden is above the maximum level of repaying capacity assumed at 58.33 per cent of the value of gross produce. The problem could be solved by rephasing the first conversion loan into a four year medium-term loan and granting the second conversion loan straightaway as a five year medium-term loan (Annexure IV). If this is done, the annual debt burden under principal and interest which will be the highest in the first year of repayment (1973-4) will work out to just 58.33 per cent and is the same as assumed under the Manual formula. Thus, two conversion loans and a short-term loan can be accommodated within the repaying capacity of the cultivator as assumed above, provided that the present method of working out the instalments of conversion loans is modified in the manner indicated in Annexure IV. The cultivator will also have some portion left to accommodate a medium-term loan for say, the purchase of bullocks in the fourth and the fifth years of repayment.

(iii) *If for Three Successive Years*

1.13 Let us assume that the natural calamity has occurred for three successive years, say, from 1970-71. In the year 1970-71, the first year, the short-term loan of Rs 100 due for repayment in March 1971 will have been first converted into a medium-term loan repayable in three equal instalments of Rs 33.33 each commencing in March 1972 and ending in March 1974. (Interest of Rs 10 due on the short-term loan will have been collected at the time of/before granting the first conversion.) In the second year (1971-2), the first conversion loan would have been rephased into a four year medium-term loan of Rs 25 per year (the first instalment commencing from March 1973) and a second conversion loan of three years' duration would have been granted for the short-term production loan issued for that year. (Here also the interest of Rs 10 on the first conversion loan and of Rs 10 on the short-term loan would have been collected.) In the third year viz., 1972-3 the first conversion loan could be rescheduled as a three year medium-term loan as to be within five years from the first year of conversion (last instalment by March 1976) and the second conversion loan could be rephased into a four-year loan. The short-term loan issued for 1972-3 could be made repayable in two instalments, the first instalment of, say, Rs 40 falling due in the fourth year (March 1977), and the second instalment of Rs 60 in the fifth year (March 1978) so that in any given year instalments of not more than two conversion loans will be repayable, as by the end of the third year, the first conversion loan will have been fully repaid (Annexure V).

1.14 On rephasing/re-scheduling of the three medium-term conversion loans in the above manner, the total annual burden under (i) principal amount of the conversion loans, (ii) interest thereon, (iii) principal of short-term loan, and (iv) interest thereon, year by year, will be as under :

Year	Three conversion loans		Short-term loan			Percentage of total burden to gross produce
	Principal Rs	Interest Rs	Principal Rs	Interest Rs	Total Rs	
1	2a	2b	3a	3b	4	5
1973-4 ...	58.33	30.00	100	10	198.33	66.11
1974-5 ...	58.33	24.16	100	10	192.50	64.16
1975-6 ...	58.33	18.33	100	10	186.66	62.22
1976-7 ...	65.00	12.50	100	10	187.50	62.50
1977-8 ...	60.00	6.00	100	10	176.00	58.66

Thus it may be seen that the total annual burden including interest will be the highest at Rs 198.33 in the first year i.e., 1973-4 and the lowest at Rs 176 in the last year i.e., 1977-8. This works out to 66.11 per cent and 58.66 per cent of the value of gross produce respectively.

Excess Burden

1.15 It may now be ascertained as to what will be the excess burden if the maximum repaying capacity is assumed as per the Manual formula at only 58.33 per cent. Again, taking the hypothetical illustration given in Annexure V, the position in this regard interpreted as a percentage to the value of gross produce will be as under :

Year	*Manual Formula*		
	Actual Burden	*Maximum Repaying Capacity*	*Excess*
1973-4	66.11	58.33	7.78
1974-5	64.16	58.33	5.83
1975-6	62.22	58.33	3.89
1976-7	62.50	58.33	4.17
1977-8	58.66	58.33	0.33

It may be seen from the above that the excess burden is considerably heavy almost for the first four years and somewhat nominal in the last year. It is thus obvious that the annual burden of repayment of the conversion loans in the manner indicated earlier (paragraph 1.13 and Annexure V) with a view to confining the period of accommodation to five years is beyond the maximum repaying capacity of a borrower assumed under the Manual formula.

Possible Methods of Providing Relief—Long-term Conversion Loans

1.16 If the burden of debt repayment is to be kept within the assumed level, the annual instalments in respect of three conversion loans will have to be considerably reduced. This could be done either by extending the period of repayment beyond five years or by writing off a part of the conversion loans. As regards the first proposal, it may be observed from the data given in Annexure VI that a total period of 7 years would be required for repayment. As for the method suggested in this regard, the aggregate of the three loans will be re-scheduled as a seven year loan at Rs 45 per year repayable in the first six years commencing from March 1974 and the balance of Rs 30 in the last year. The total burden inclusive of the repayments in respect of short-term loan and interest thereon will work out to 61.67 per cent of the value of gross produce in the first year i.e., 1973-4 and to 47.67 per cent in the last year. It may, however, be noted that in the first two years the burden is more than 58.33 per cent. If, however, the re-scheduling is done in annual equated instalments repayable in 7 years, the annual burden will work out to only 57.21 per cent of the value of gross produce (Annexure VII).

1.17 The situation necessitating the grant of long-term conversion loans for 7 years could be met without amending the Reserve Bank of India Act by modifying only the rules governing the utilization of Stabilization Funds at the levels of the state and central co-operative banks so as to enable these banks to lend for longer periods than five years. In case the demand for relief is say, Rs 700 lakhs, the Reserve Bank could sanction a five year loan from its Stabilization Fund to the extent of 5/7th of the amount i.e., Rs 500 lakhs and the state/central banks could sanction a seven year loan for 2/7th of the amount i.e., Rs 200 lakhs. Under this arrangement, however, the annual recoveries during the first five years will be used to repay the borrowings from the Reserve Bank and those in the subsequent years only will be available for replenishing the Stabilization Funds of the state/central banks. Incidentally, the arrangement is similar to that of the Reserve Bank's contribution to rural debentures of land development banks to the extent of 8/15th of the amount of the issue for a 15-year period, while the balance of 7/15th is raised by public subscription for a seven year period, with the difference that the Reserve Bank's contribution to the debentures is repaid later i.e., from the eighth year onwards whereas in the present case it will be cleared first.

Implications of Long-term Conversion Loans

1.18 The implications of an arrangement involving a longer period of repayment may have to be considered. Firstly, an extension of the period beyond five years will mean locking up of the Stabilization Funds of the state and central banks for a longer period as they could expect repayment only after the fifth year under the formula mentioned above. The result will be that the banks will have no balance in the Funds with them excepting the annual accretions out of their profits or further contributions from the government for granting conversions in the event of a famine taking place before the first instalment of the loan becomes due in the sixth year. Consequently, the entire burden of conversions, if any, during the five years will fall on the Reserve Bank's National Fund. The Reserve Bank may have, therefore, to make larger appropriations out of its profits so that the balance in the Fund does not fall short of the requirements.

1.19 Secondly, although the annual burden is lightened by spreading the repayments over a longer period, the possibility of a recurrence of natural calamity during the currency of the longer term conversion loans will still pose a problem. In the year in which the calamity recurs, the short-term loan due for repayment will have to be converted. In such a contingency the repayments will go beyond the assumed level of repaying capacity. Even assuming that a natural calamity occurs only in the last year i.e., seventh year (1979-80), the repayments required to be made in the following year will work out to more than 62 per cent of the value of gross produce. The same problem of further stretching the period of repayment may then have to be faced. According to the *Fact Finding Committee for the Survey of Scarcity Areas in the Bombay State* (*1960*), six talukas were affected by scarcity once in three years, 15 talukas once in six years and 7 talukas once in ten years in the Maharashtra region of the erstwhile State excluding Marathwada. (A similar committee recently appointed by the Government in October 1972 is likely to give a complete picture of the frequency of famine in the present Maharashtra State.) According to the Secretaries' Group, 38 talukas were affected once in three years. Hence, assuming that on a moderate basis, some parts of the State are affected at least once in six years, there will be no decided advantage in granting conversion loans for periods extending beyond five years.

Provision for Normal Medium-term Loans

1.20 In assuming that the entire repaying capacity is available for the repayment of the crop loan and the conversion loan, it will be noted that there will be no room for the repayment of instalments of a medium-term loan, if any, already borrowed by a cultivator for replacement of wasting assets such as purchase of bullocks, implements etc., for his future borrowings for the purpose, except during the last two years of repayment. Any scheme or arrangement for relief, besides keeping the annual burden of repayments in respect of the crop loan and conversion loans well within his repaying capacity should allow enough reserve repaying capacity to accommodate a farmer's requirements for normal medium-term loans. If this is also to be accommodated (and this should be the case), the period of the conversion loans would have to be longer still, thereby further increasing the chances of recurrence of a famine during the currency of the loan. Moreover, the longer the period, the greater will be the proportion of the funds to be put in by the co-operative banks in relation to those of the Reserve Bank in terms of the formula mentioned in paragraph 1.17. It will thus be seen that while theoretically the extension of the total conversion loan to as long a period as is necessary to accommodate the burden of the short-term, medium-term conversion and medium-term normal loans together with interest thereon is an ideal solution, in practice it may not be feasible for the reasons given above. As already pointed out, a longer term conversion loan does not solve the problem because of the possibility of recurrence of natural calamity.

Write off of a Part of Conversion Loans

1.21 So far as a member's obligations to his society are concerned, one way to keep the total burden within the limits of repaying capacity is to reduce the individual's short-term loan eligibility. This has to be ruled out. In the very first year after three successive crop failures the need for credit will be the greatest as an individual may not be left with any savings. In the subsequent years it will be inadvisable to limit the individual's eligibility for a short-term loan as that will deprive him of the resources to buy the inputs necessary for increasing agricultural production. If too long a period is not practicable and if reduction in the eligibility for a short-term loan has also to be ruled out, one has to examine the need for writing off a portion of the total conversion debt so that the balance can be borne by an individual easily from his repaying capacity. If, for instance, the outstandings under the first conversion loan are written off, the instalments of the remaining two conversion loans could be repaid in 5 years if rephased in the manner indicated in Annexure IV. The annual burden of repayment including the short-term loan and interest will form 58.33 per cent in the first year and 44 per cent in the fifth year. After writing off one of the three conversion loans, a farmer will be left with enough repaying capacity to accommodate two conversion loans, the full short-term loan and also part of a medium-term loan in the fourth year for replacement of wasting assets. Only during the fifth year he will be able to borrow a normal medium-term loan as 16 per cent reserve repaying capacity is available in that year.

Views of Various Committees in regard to Write off

1.22 The All-India Rural Credit Survey Committee was of the view that state governments should give grants by way of relief to co-operative credit institutions for enabling them to write off irrecoverable loans arising from such causes as widespread natural calamities. For this purpose, the Committee recommended that the Governments should set up Relief and Guarantee Funds. It was also its recommendation that the Government of India should similarly set up a National Agricultural Credit [Relief and Guarantee] Fund. The relevant recommendation of the Committee is as under :

> It is again in connexion with Governments' responsibilities in times of distress and emergency that we recommend the establishment of a State Agricultural Credit (Relief and Guarantee) Fund to be used in conjunction with the National Agricultural Credit (Relief and Guarantee) Fund which should be similarly instituted by the Central Government under the Ministry of Food and Agriculture. Where irrecoverable arrears of debts due to co-operative credit institutions have assumed a magnitude which threatens the stability of the structure and provided the Ministry of Food and Agriculture is satisfied that such arrears have arisen from causes, such as widespread or chronic famine, beyond the control of the institutions concerned, the Fund of the Central Government can be utilised for the purpose of writing off such arrears; relief from this Fund may be made conditional on the State Government making a stipulated contribution for the same purpose from the corresponding Fund maintained by it. (page 475)

1.23 Although the recommendation of the Committee in regard to the setting up of the Fund was generally endorsed, the Government of India decided that there was no need to constitute a national Fund on the ground that, when necessary, it would come to the rescue of the co-operative movement even without creating a separate Fund. Some state governments, however, constituted Funds. It was expected that they would make annual budgetary contributions besides crediting 50 per cent (in excess of 3 per cent) of the dividend earned on the share capital investment in co-operative credit institutions. Incidentally, it may be mentioned that the excess was subsequently required to be credited to the Stabilization Funds of the respective institutions. The Standing Advisory Committee on Rural and Co-operative Credit of the Reserve Bank recommended at its thirty-first meeting that additions to the Fund should be related to the loans outstanding at the primary level. For this purpose, states were grouped into three categories with rates of contribution ranging from one per cent to two per cent. Maharashtra was to build up the Fund up to 1 per cent of the loans outstanding at the primary level. It was also recommended that Central assistance in the event of actual drawals would be in the ratio of 3 : 1, 2 : 1 and 1 : 1 respectively for the three groups of States. The Standing Advisory Committee also reiterated its recommendation for the setting up of the Fund at the Central as well as at the State levels. The Government of India, however, agreed to make *ad hoc* grants and loans to the state governments and also advised them to build up the Funds up to a level of ½ per cent of the loans outstanding at the primary level. Despite this, the amount to the credit of the Funds set up by 15 state governments stood at Rs 1.76 crores only as at the end of March 1971 of which Maharashtra accounted for Rs 14.47 lakhs only. The Government of Maharashtra have not been making regular annual contributions to the Fund. There was no addition at all to the Fund since March 1962. The Fund in Maharashtra formed 0.08 per cent of the loans outstanding at Rs 164.83 crores at the primary level as on 30 June 1971. The amount to the credit of the Fund on date even if built up to a level of ½ per cent of the outstandings would work out to Rs 82.42 lakhs and still be insignificant as compared to the estimated demand of Rs 7.41 crores for write off. This estimate relates to 10 central co-operative banks in the State which have rephased, in 1971-2, the loans originally converted in 1970-71 and hence considered eligible for write off in 1972-3 for the reason that crop failure in the areas of operation of these banks had occurred consecutively for three years since 1970-71.

1.24 As for the utilization of the Funds, it was recommended by the thirty-first Standing Advisory Committee that if the third calamity justifying conversion were to occur, while two of the former conversion loans were outstanding, the balance due on the first conversion loan should be written off. However, the Relief and Guarantee Funds have not so far been utilised by any state government for writing off of the dues. The observations of the All-India Rural Credit Review Committee in regard to utilisation of the Funds given below are relevant in this context :

> We observe that, under the rules in force in certain States, such as Maharashtra, the relief and guarantee fund cannot be drawn upon until the stabilisation fund has been exhausted. While the relief and guarantee fund is concerned with writing off dues of cultivators whose repaying capacity has been badly eroded by recurrent natural calamity, the stabilisation fund is intended only for converting the short-term dues (which cannot be repaid because of crop failure) into medium-term loans. It is true that the claim for help from the relief and guarantee fund in terms of a write-off of the arrears of members can come only after they have earlier received relief in terms of a conversion. It is not, however, meaningful to make the access of a society to a relief and guarantee fund conditional on the exhaustation of the resources in the stabilisation funds, as the two

funds are intended for different purposes and some members might have reached the stage of needing the facility of a write off even though resources may still be available in the stabilisation funds. We recommend that, wherever a stipulation of this nature at present inhibits the use of the relief and guarantee fund for writing off overdues, the rules may be suitably modified to remove this handicap. (page 521)

1.25 The Secretaries' Group referred to earlier is averse to any move for write off, as a matter of course. It has emphasised in unequivocal terms that the borrower has to discharge his repayment obligations arising out of crop failures by greater savings in the subsequent normal years. To quote the Group :

> The major trouble in the co-operative structure seems to have arisen out of a growing feeling intensified by various causes including those arising out of considerations other than economic that sooner or later dues to government, semi-government or organizations like co-operatives could be made to be written off by the authorities and they need not be repaid if only proper pressure is exercised and certain agitational approach is followed. This seems to be a very dangerous atmosphere and would, if allowed to continue, adversely affect very seriously any attempt to build up, on a permanent basis, any structure of agricultural credit particularly in areas where partial crop failures or wide fluctuations in gross produce as compared to the standard average occur quite frequently. In this context, it is necessary to teach the people to save during 'good' years and utilize the same for repayment of deficiencies during bad years. (page 16)

Moreover, as pointed out earlier, the write off of even one conversion loan does not resolve the problem once and for all.

Actual Position in regard to the Annual Debt Burden

1.26 The problems of farmers who have borrowed short-term agricultural loans in each of the three successive years of crop failure to the full extent of their eligibility and have been granted medium-term conversion loans in each of these years have been discussed at length in the above paragraphs. The conclusion is that if the total burden of principal and interest is to be within their repaying capacity, the period of the term loans has to go beyond five years ora portion of such loans has to be written off. The recommendations of the various committees which have considered this matter have been quoted and it has been brought out that the balance in the Relief and Guarantee Fund of the state government is negligible and that the Government of India have neither established such a Fund nor have given a firm commitment in this behalf. But the point for consideration is whether extension of the loans beyond five years or write off of a portion will be necessary in all cases or only in a few. This will depend on whether the persons concerned had borrowed fully against the short-term loan eligibility in each of the three years of successive famine. If they have not, the total burden of the conversion loans together with the full amount of short-term loan and interest on all these loans may be well within their repaying capacity as assumed under the Manual formula. Information regarding the cumulative burden of conversion loans of members of 10 societies in 5 districts which were affected by two or three successive crop failures (from 1970-71 to 1972-3) was collected, at the instance of the Study Team, by the Agricultural Credit Department of the Reserve Bank. The central banks concerned were Bhir, Nanded, Akola, Yeotmal and Osmanabad. The findings are indicated in the following paragraphs.

1.27 The Bhir District Central Co-operative Bank whose area was affected by three successive natural calamities, had as a matter of policy, reduced the short-term credit eligibility of individual members of primary agricultural credit societies with a view to keeping their debt burden within reasonable limits. The procedure followed by the central bank in regard to the recovery as well as the issue of fresh loans during the years of natural calamity was based on the instructions of the Maharashtra State Co-operative Bank. According to the data furnished by the central co-operative bank, the actual position in regard to conversion/rephasement and issue of fresh loans is given by way of illustration in Annexure VIII. Assuming that the outstanding at the beginning of 1970-71 of Rs 100 (as given by the bank) formed one-third of the value of gross produce, the annual burden of short-term loan and of conversion/rephasement loans as per the existing procedure would work out as under :

Year	Short-term Loan Issued		Medium-term Conversion/ Rephasement Loans	
	Amount Rs	Percentage to Gross Produce	Amount Rs	Percentage to Gross Produce
1970-71	45	15	70*	23
1971-2	20	7	45*	15
1972-3	35	12	20*	7
1973-4	—	—	34	11
1974-5	—	—	34	11
1975-6	—	—	35	12
1976-7	—	—	22	7
1977-8	—	—	10	3

*Amount of conversion loan granted during the year.

It is significant to note that because of the fact that the bank has been issuing reduced amounts of short-term loans ranging from 7 per cent to 15 per cent of the value of gross produce during the three years as against 33.33 per cent of eligibility, the cumulative burden of converted/rephased loans repayable in the next five years (excluding interest) will be less than 12 per cent of the value of gross produce. The position is well reflected in the case of individual borrowers of two societies whose details are given in Annexure IX. It will be seen from the information given in column 4 of the statement that in no case the annual burden of repayments (inclusive of interest) exceeds 12 per cent of the value of gross produce in the first year, 1973-4. In the subsequent years the burden gets further reduced and is somewhat nominal in the last year, 1977-8. The value of gross produce in each case has been worked out on the basis of the acreage under cultivation, the crops grown, the average yield per acre and the average prices as made available by the central bank staff.

1.28 Similarly, in the case of the Akola, Osmanabad and Yeotmal District Central Co-operative Banks, fresh short-term loans were either reduced or even denied. These banks had stipulated that for being eligible for conversion, members of societies should repay at least 25 per cent of the short-term loan and the interest thereon. Fresh short-term loans were drastically reduced as advised by the state co-operative bank. Besides a majority of the members was financed for one or two years and not for all the three years as they did not or were reluctant to comply with the stipulation in regard to minimum repayment for getting reduced short-term loans. Hence the annual burden of the conversion/rephasement of two or three loans ranging between 4 to 18 per cent is within 21.66 per cent of the value of gross produce and could be well repaid within the five year period (i.e., the balance of repaying capacity available after earmarking 36.67 per cent for short-term loan i.e., 58.33—36.67).

1.29 The position in regard to the Nanded District Central Co-operative Bank is, however, different from the rest and needs to be explained. It will be seen from the details of individual members in respect of Shalegaon-Dhanora and Malegaon Societies (Annexure X) that the annual burden is above 23.67 per cent in four cases (in one case it is as high as 55.47 per cent of the value of gross produce). The burden is high although the societies granted only two conversion loans and had not issued any fresh short-term loan in the current year viz., 1972-3. This is due to the fact that the central bank and the society had over-financed the members in the earlier years. For instance, for *kharif* 1970, the members were issued short-term loans far in excess of 33.33 per cent of the value of gross produce. It will be seen from the data given in column 5(a) of Annexure X that six members were issued short-term loans ranging from 37.83 per cent to 90.30 per cent of the value of gross produce for *kharif* 1970. Although for *kharif* 1971 the members were issued loans only at half the amount issued in the earlier year, in some cases even this was more than 33⅓ per cent of the value of gross produce (Annexure X column 5(b)). Thus the annual debt burden in respect of only two conversion loans, worked out as per the existing procedure, goes beyond the assumed maximum repaying capacity available for the purpose.

1.30 The Nanded District Central Co-operative Bank has over-financed cultivators in the villages falling within the Kandhar sugar factory area. Members were financed at Rs 900 per acre for 4 or 5 acres of sugarcane although actual cultivation was restricted to only one acre. Similarly, members who had no irrigation facilities also availed themselves of loans at higher scales for cultivating reportedly irrigated crops like sugarcane, turmeric, etc. It is a moot question whether one should consider at all the lightening of the annual burden in such cases.

1.31 Thus the actual position obtaining at the member level, with the exception of cases involving overfinancing as in Nanded, is contrary to the theoretical position worked out earlier on the basis that in each of the three successive years the individual will receive short-term loans to the full extent of his eligibility which, in turn, will be subsequently converted and become part of the total medium-term loans. In actual practice this has not happened as the central banks reduced the scales of finance substantially. Consequently, the burden of the medium-term conversion loans is very much lower than what has been estimated in the theoretical cases. It is possible that in Bhir, Akola, Osmanabad etc., the reduction in fresh short-term finance was more drastic than in other districts. It may, however, be mentioned that almost all the central banks in the state reduced the short-term loan eligibility of individuals drastically in the context of coversion loans, in pursuance of a cautious policy of the Maharashtra State Co-operative Bank to finance the borrowers covered under the conversion schemes. The bank's instructions in this regard were as under :

(1) In 1970-71 (i.e., the first year of natural calamity) recoveries of short-term principal amount between 25 to 40 per cent were to be effected before granting conversion facilities and fresh crop loan reduced by 40 per cent (circular dated 26.12.70).

(2) In 1971-2, fresh crop loan was to be limited to 40 per cent–45 per cent of 1970-71 level (which itself was reduced to 60 per cent to 75 per cent in that year). Further, in the case of those borrowers where recovery of even a part of short-term principal amount was not possible at the time of conversion in 1970-71, the fresh crop loan was to be reduced to even below 40 per cent (circular dated 12.1.72).

(3) In 1972-3, fresh crop loan was not to exceed 45 per cent and it should be ensured that the total repayments including interest under short-term and conversion loans do not exceed the original short-term loan amount (circular dated 13.1.73).

Further, the banks were also advised to realise the interest due before allowing any conversion facility. The cumulative effect of all these restrictions is reflected in the lower outstandings under medium-term conversion loans. Consequently, the burden of repaying the principal and interest on such loans, the fresh short-term loan and interest thereon and medium-term normal loan and interest thereon can by and large well be accommodated within the repaying capacity assumed at 58.33 per cent of the value of gross produce. (Long-term loan, however, has not been taken into account for this purpose, since it generates its own repaying capacity).

1.32 We have, therefore, come to the conclusion that in the conditions obtaining at present in the societies and central banks in Maharashtra, there is no need to write off any portion of the loans of a borrower who has suffered from three successive crop failures and has his short-term loans converted into term loans on each occasion. Further, we are of the view that in most cases the borrower will be provided with adequate relief by spreading the total burden over a period of five years and that in a few cases only the period of the loans may have to be extended up to 7 years. Even this facility can be granted without any amendment to the Reserve Bank of India Act but by modifying by administrative orders the rules governing the stabilization funds with the state and central co-operative banks. However, the need for write off would have arisen had the central co-operative banks given full finance during the three years of natural calamity including the current year, namely, 1972-3. As we are recommending later that central co-operative banks and societies should provide finance to meet the full requirements of the cultivators, the possibility of scarcity conditions occurring consecutively for three years in future necessitating relief in the form of write off cannot be ruled out. Further, the need for write off may also arise in cases where conversion loans have been re-scheduled already for 7 years and where because of recurrence of scarcity conditions during the currency of the loans further extension is not a practicable proposition. In both the situations, a write off of a part of the loan to keep the repayment burden within the assumed repaying capacity at 58.33 per cent of the value of gross produce may be necessary. It is to meet such contingencies that it may be desirable for the Government of Maharashtra to make contributions on a regular basis to the Relief and Guarantee Fund. The extent to which the Fund at the state level may be built up, the manner in which assistance may be provided by the Government of India for facilitating write off and whether the Fund should be maintained by the state government or the state co-operative bank are some of the questions which may have to be examined further. We hope that the other Study Team appointed by the Reserve Bank of India on overdues of co-operative credit institutions will look into the matter.

Position in regard to Payment of Interest in 1972-3

1.33 During the year 1972-3 a borrower has to pay interest on two converted/rephased loans and the short-term loan issued for the year. Since the natural calamity this year is more widespread and acute, it is contended that it may not be realistic to expect the borrowers to meet the total interest burden. Because of the policy of caution adopted by the banks the burden of 3 conversion loans indicated in Annexure IX in respect of the members of five societies in Bhir, Akola and Osmanabad districts works out to in no case more than 3 per cent of the value of gross produce (column 6 of Annexure IX). Even then where *annewari* is less than four annas, the burden may be too much for the cultivators to bear. Therefore, the societies and central banks may, if they so desire, spread it evenly over the next three years. This will, however, amount to the societies and the central banks deferring their income this year and realising it over the next three years. Consequently, the balance sheets of these institutions may even show loss for the year 1972-3.

Position in regard to Payment of Interest from 1973-4 *onwards*

1.34 On theoretical grounds, as indicated in paragraph 1.16 and Annexure VI, there may be a case for concession in the rate of interest charged in the first two years, if the crop failure is consecutively for three years and if the annual repayment burden is to be kept within 58.33 per cent of the value of gross produce. If interest is charged at half the rate of the assumed 10 per cent per annum i.e., at 5 per cent, the debt burden is brought down from

61.67 to 56.67 per cent of the value of gross produce in the first year (1973-4) and from 60.16 per cent to 55.92 per cent in the second year (1974-5). Thereafter, no concession is called for as in 1975-6 onwards the burden inclusive of interest at 10 per cent per annum is within 58.33 per cent of the value of gross produce. If, however, the three conversion loans are made repayable in 7 equated instalments (Annexure VII), no relief in respect of interest even on theoretical grounds is called for.

1.35 In actual cases, it would be clear that the cumulative burden of two or three conversion loans inclusive of interest when rephased within a period of 5 years would leave enough room for accommodating repayment of the short-term loan together with the interest thereon at the existing rates of interest and hence there is no strong justification for recommending reduction in the rate of interest. However, the Secretaries' Group has favoured a reduction in the interest rate. The recommendations of the Group are as follows:

> The rate of interest charged to the borrower during the period of the rephasing of the outstanding should not however be more than what is to be paid on the advances drawn from the Stabilization Fund for this conversion, the administrative charges which are normally added by the co-operative structure for working out the effective rate of interest being not added now, as a major concession to the borrower and also the fact that the administrative burden on the co-operative structure for dealing with this recovery would not be the same as in the case of the original loan. (page 13)

1.36 The implication of the reduction in the rate of interest to the ultimate borrower is to reduce the margin available to co-operative credit institutions to almost nil assuming that the rate charged by the Reserve Bank on loans out of the Stabilization Fund remains unaltered at 1½ per cent per annum below the Bank Rate i.e., at 4½ per cent as at present. It is estimated that the total amount involved in three conversions is of the order of Rs 7.41 crores. If this be so, the co-operative credit institutions will have to forego gross income amounting to Rs 30 lakhs or Rs 35 lakhs depending on the difference between the rate of interest charged by the Reserve Bank and the rate to the ultimate borrower (the ultimate rate ranges between 9 to 9½ per cent). The loss will not be spread evenly among all the central banks and societies in the state as the amount is concentrated in 5 districts of the Marathawada area to the extent of Rs 6.00 crores and in four districts of Vidarbha area to the extent of Rs 1.32 crores. The net profits earned by these banks in the last five years, their proportion to the loans and the dividend declared by them are indicated below:

Rupees lakhs

Central Bank		1967-8	1968-9	1969-70	1970-71	1971-2
Akola ...	A	457.55	405.72	423.17	597.26	586.05
	B	1.19	1.23	1.06	0.69	0.47
	C	—	2.5	2.5	2.5	1.5
Amravati ...	A	349.79	380.31	416.33	726.29	686.32
	B	1.48	0.87	0.43	0.52	0.70
	C	—	1.5	1.5	1.0	2.0
Yeotmal ...	A	474.63	529.71	471.14	781.36	742.75
	B	1.35	1.27	1.48	0.90	1.11
	C	—	3.0	3.0	3.0	3.0
Buldana ...	A	529.05	507.93	545.83	667.46	691.79
	B	0.83	1.07	0.71	0.75	0.80
	C	—	1.0	1.0	—	—
Aurangabad ...	A	818.85	865.44	915.65	906.46	961.40
	B	1.17	0.78	0.74	0.22	0.21
	C	1.5	2.0	2.0	2.0	Not declared.
Bhir ...	A	344.50	390.46	412.13	478.34	523.16
	B	0.99	0.72	0.76	0.62	0.17
	C	2.0	2.0	2.0	2.0	—
Nanded ...	A	702.76	728.45	772.90	759.09	698.25
	B	1.02	1.12	0.90	0.34	0.19
	C	3.0	2.75	3.75	3.0	—
Osmanabad ...	A	588.78	839.23	877.84	921.72	982.75
	B	1.00	1.02	1.15	0.24	0.08
	C	—	3.0	3.5	3.5	—
Parbhani ...	A	351.23	431.69	516.86	629.08	689.44
	B	0.78	0.44	0.33	0.29	0.33
	C	—	—	—	—	—

A — Loans outstanding at the end of the year.
B — Percentage of net profits to loans outstanding.
C — Rate of dividend declared for the year.

It will be seen from the above that the banks can ill afford to suffer loss of income when there may not be any appreciable savings in the costs involved in servicing the loans and recovering the instalments due over a long period of 5 years.

1.37 It may be contended that if the co-operative credit institutions cannot afford to reduce the rate of interest on the converted medium-term loans, an individual can still get the same relief if the Reserve Bank agreed to waive the interest charged by it viz., 4½ per cent per annum on the ground that it, as the bank of issue, has no cost for the funds created by it and that it does not lend with a view to making profits. On these considerations, the Bank should not charge interest on any of its loans and advances to banks and others. Interest is, however, an important weapon of credit control with any Central Bank. Further, if no interest is charged, credit will be cheaper and cheap credit has its own demerits and cannot be encouraged. While normally, therefore, there will be no justification for the Reserve Bank charging a rate lower than the normal rate of interest (particularly when the Bank has linked its rate on short-term loans with efforts at deposit mobilisation by central banks), the point for consideration is whether for a person having to carry a burden of three conversion loans there is need to provide relief not necessarily because he cannot afford to bear it with reference to his repaying capacity but merely to create a favourable climate for repayment. As pointed out earlier, the cumulative burden of three conversion loans is relatively very small because of the policy of the state and central co-operative banks for deliberate curtailment of short-term loans advanced to members affected by failure of crops and can be accommodated with interest within the assessed repaying capacity. If for this reason, the writing off of any portion of the conversion loans is not considered necessary and if such write off is not deemed essential to create a psychology of prompt repayment in the future, there appears to be no strong justification for the reduction in the rate of interest either by the co-operative credit structure or by the Reserve Bank. Moreover, there is no guarantee that such a gesture on the part of the credit institutions will help create a climate of promptness in repayment, because there is no precedent for this in the co-operative credit institutions in the country.

1.38 The Team considered the pros and cons of the suggestion that the rate of interest on the total amount of the conversion loans should be reduced, but could not come to an unanimous view on the question. Some members of the Team favoured a reduction to 5 per cent per annum on the following grounds:

(i) The burden of interest on the conversion loans together with that on the normal short-term and medium-term loans would be quite heavy and, therefore, some relief to the borrower was justified considering the fact that the burden would have to be carried by him for five years.

(ii) Individuals who had been granted conversion loans would receive short-term and medium-term loans for agricultural purposes and, therefore, central co-operative banks and primary agricultural credit societies would not have to incur any additional expenditure in servicing the conversion loans.

(iii) The reduction in the rate of interest would have a great psychological effect on the borrowers and create a climate favourable for prompt repayment of their dues to the societies.

While these members agreed on the question and the quantum of reduction in the rate of interest, one view was that the co-operative credit structure should sacrifice the entire margin, if the Reserve Bank of India did not agree to reduce its own rate of interest on the loans from the Stabilization Fund. The other view was that the structure could not afford to bear it as revealed by the financial position of the banks and, therefore, the reduction should be brought about by the Reserve Bank foregoing its interest, failing which, by financial assistance from the government. The rest of the Team felt that the facts of the case did not warrant any reduction in the rate of interest, that the proposal had implications of an all-India character and that, therefore, the whole issue might be referred to the other Study Team appointed by the Reserve Bank on ' Overdues of Co-operative Credit Institutions.'

Adjustment of Share-holdings towards Dues

1.39 A suggestion has been made by the Secretaries' Group for adjusting the shareholdings of members of societies in excess of 10 per cent towards the principal and interest due from them. If a member had originally availed himself of a loan of Rs 100 and his shareholding is Rs 20, the suggestion is to adjust Rs 10 towards the loan or interest and convert only the balance as a medium-term loan. The suggestion, if implemented, will require the individual to contribute again to the share capital of the society, if the ratio of shareholding to the total borrowings is maintained at 1:10. There is no point in asking him to do so at a time when his cash resources must have been completely exhausted. The effect of the proposal will be that the societies will deduct the additional share capital required to maintain the ratio of 1:10 from the fresh advance to the individual. This will not be appropriate. Further, for serving as a cushion against overdues as well as for enabling them to undertake the supply of agricultural inputs and domestic requirements, it is advisable for the societies to have a sufficiently wide capital base. The recommendation of the Secretaries' Group will have just the opposite effect. It is, however, common for the societies in Maharashtra to require members to contribute to their share capital at 10 per cent of the borrowings every time a loan is issued, with the result that in some cases the share capital held by individual members formed 40 per cent or more of the outstanding loans. In the context of repeated natural calamities it would be desirable to reduce the burden of debt of a cultivator. One of the methods by which this may be done is to adjust a portion of his share capital in the society towards his dues to it. A member may not hold by way of share capital more than 20 per cent of his loans from the society and allow the excess to be adjusted against the loans which he has to repay. Similarly, between the central banks and the societies the latter may not be called upon to contribute more than 10 per cent of their borrowings from the banks to their share capital. It is, therefore, recommended that the shareholdings in excess of 20 per cent and 10 per cent of the borrowings from societies and central co-operative banks respectively may be adjusted to the outstandings under the conversion loans.

SECTION TWO

Rehabilitation Programme for Defaulter-members of Primary Agricultural Credit Societies

2.1 IN Section One we have dealt with the problem of cultivators affected by natural calamities and the nature of relief required in rephasing their accumulated debts on account of two or three successive years of natural calamities. Besides lightening their annual repayment obligation, this step would qualify such cultivator - members for fresh credit for *kharif* 1973. There may still be a substantial part of the membership of primary agricultural credit societies who will remain defaulters and hence ineligible for fresh credit. The recovery performance at the society level being poor, the overdues have fast mounted up in the last few years as would be seen from the table below :

Rupees crores

Year	*Demand*	*Collection*	*Overdue*
1969-70	147	91	56
1970-71	154	92	62
1971-2	180	106	74

According to the Secretaries' Group, the number of defaulters in primary agricultural credit societies is about 7 lakh *khatedars* as against the total number of 13 lakh *khatedar*-borrowers in the whole state. The number of defaulters is thus very large and if such a large number is excluded from the purview of credit facilities, it is bound to have adverse effects on the agricultural production programmes in the state. At a time when the need for increasing production is the greatest, credit should not be a bottleneck.

Magnitude of the Problem

2.2 The urgency and the need for enabling a large number of defaulters to take advantage of credit provided by the co-operatives may not be disputed against the background of three successive crop failures and the necessity to step up agricultural production as part of the economic revival in the rural areas. Agriculture provides employment to the masses residing in the villages who are at present engaged by the government in famine relief works owing to failure of crops. This is not a permanent arrangement and cannot also be if agricultural operations have to commence in time for the *kharif* 1973 season. These labourers and small farmers can go back to the farms provided the cultivators are enabled to resume farming operations with financial assistance in the form of loans from the co-operatives. A scheme of rehabilitation, therefore, appears necessary in the case of those cultivators where the default has been, by and large, non-wilful in nature.

Recommendations of the Secretaries' Group

2.3 The Secretaries' Group has recommended that a regular rehabilitation programme should be drawn up for all the defaulters as on 30 June 1972 and they should be entitled to fresh agricultural credit for 1973-4 *kharif* season and in subsequent years if they satisfy the obligations under a rehabilitation programme as indicated below :

A. *Persons not entitled to Advantage of this Programme*

(i) A person assessed to agricultural income tax or normal income tax during any of the preceding five years ending on 31 March 1972;

(ii) A person who was in receipt of short-term credit from the co-operative society for growing perennial crop like sugarcane or banana during any of the co-operative years in which such credit was defaulted by him and his income from such perennial irrigation was expected to be more than 75 per cent of his total agricultural income;

(iii) Those whose default took place for the first time in a co-operative year prior to 1966-7;

(iv) Individual cases as may be classified by a District Committee where in the opinion of the Committee, the person should be asked to repay the entire overdue all at once before getting new agricultural credit either on account of his general economic condition or other reasons i.e., persons who could be classed as defaulters without justification.

B. *Eligibility for Facilities under the Rehabilitation Programme*

Such of the borrowers whose short-term overdues excluding overdue interest are more than Rs 350, pay in cash prior to their admission to the scheme of rehabilitation, all accumulated interest including penal interest payable on such overdues under the by-laws of the society.

In the case of defaulter borrowers whose overdues are less than Rs 350, they need pay only the accumulated overdue interest at normal rate prior to their admission to the scheme.

Before arriving at the figure of overdue amount, the paid-up share capital to the credit of the borrower which is in excess of 10 per cent of his existing level of borrowing to which he will be entitled under normal rules of the society shall be first adjusted against his actual overdue amount.

C. *Scheme of Rehabilitation*

In the case of those who satisfy the qualification of eligibility, the amount outstanding as on 31 March 1972 (after deducting up-to-date repayments, if any) would be converted into medium-term loan payable in 3 to 5 instalments, after January 1974 so that the repayment burden in any one year is not less than 1.33 and not more than 1.50 except in the last two years if necessary, of the 5 year programme. If during this 5 year period, there is unfortunately further year of drought condition which under normal rule entitles him for conversion of dues in that year, he will be entitled to the same benefits as others.

These converted loans shall carry the usual interest at the rate of 9.5 per cent. The borrower shall be expected to pay all interest only, along with the capital in accordance with the conversion scheme and not in advance as a condition prior to conversion. (pages 22-24)

2.4 It will be seen that the proposals of the Secretaries' Group envisage the exclusion of certain categories of defaulters viz., those who grow perennial crops, those whose default took place prior to 1966-7 i.e., those who were defaulters as on 30.6.66, those who pay agricultural or general income-tax and those who in the opinion of the District Committee suggested by the Group are considered capable of paying the dues. The first three criteria are objective and can be easily administered. The last one being subjective is capable of being administered differently in the different districts because each district will have a separate Committee. Considerable pressure will be exerted on these Committees not to include any person in this category and one is not certain that the members of the Committee will act without fear or favour. So far as the other three criteria are concerned, it is obvious that a very small percentage of the total number of defaulters will get excluded on this account and, therefore, it may be that out of the total amount of default of Rs 74 crores at the level of the societies, as much as Rs 60 crores or even more may have to be covered in the conversion operations recommended by the Group to rehabilitate the defaulters. The criteria will thus mean that most of the defaulters are 'responsible defaulters' and not wilful defaulters and deserve assistance.

Consideration for Relief

2.5 The criteria suggested for relief to defaulters should be such that the benefit accrues only to the really deserving category of cultivator-members. Relief to defaulters, if at all, will be justified if a large majority of them had been affected by frequent or successive droughts and that during such years they did not get the relief they then deserved. The Secretaries' Group has recommended that all those who had defaulted since 1966-7 should be given relief. The Group has not assigned any specific reasons for going as far back as to the defaulters of 1965-6 i.e., to those whose default is as old as 7 years. One of the causes of defaults which may deserve attention is the failure of crops in that year and repeated failures in the subsequent years. The table showing the number of villages affected by famine in the last 13 years given in Annexure 1 indicates that although 41 per cent of the villages were affected by famine in 1965-6, in the subsequent years the number affected was only 18 per cent in 1966-7, 10 per cent in 1967-8, 2 per cent in 1968-9 and 5 per cent in 1969-70. In 6 of the districts viz., Thana, Ratnagiri, Satara, Sholapur, Parbhani and Nanded not a single village was affected during any of the four years ended 1969-70 and in Kolhapur District only 5 villages were affected during this period. Four more districts were not affected at all in 1968-9 and 1969-70. Fifteen districts were free from famine in 1968-9. Obviously, natural factors alone could not have adversely affected the capacity of cultivators to repay in all these years to such an extent as to make it impossible for them to make even partial repayments. Thus the cultivators who were located in the 16,151 villages which were affected by widespread famine conditions in the year 1965-6 could have repaid their dues in the subsequent four years, the first two viz., 1966-7 and 1967-8 being fairly satisfactory and the latter two viz., 1968-9 and 1969-70 being very good years.

2.6 In the case of Bhir District, for example, only 7.5 per cent of the villages were affected even in 1965-6, 13 per cent in 1966-7 and 10 per cent in 1967-8. No village was affected in 1968-9 as well as in 1969-70. Despite this, the bulk of the overdues of members of societies in the district related to this period only i.e., between 1966-7 and 1969-70 as under:

Rupees lakhs

Overdues relating to the Years						Total Overdues as on 30.6.72	
1970-71 and 1971-2		1966-7 to 1969-70		Prior to 1966-7			
No.	Amount	No.	Amount	No.	Amount	No.	Amount
1*a*	1*b*	2*a*	2*b*	3*a*	3*b*	4*a*	4*b*
5152	36.00	14882	112.00	7997	39.00	28031	187.00

It will be seen that 60 per cent of the total overdues as on 30.6.72 related to the defaults committed between 1966-7 and 1969-70, although the failure of crops in these years was hardly significant. On the other hand, it will be noted that in 1970-71 and in 1971-2 when almost all the villages were affected (98 per cent and 99 per cent respectively), the defaults aggregated only Rs 36 lakhs forming 19 per cent of the total overdues.

2.7 It is also relevant to identify with reference to size of the holdings as to which category of the defaulters account for bulk of the long standing overdues. The data in this regard throw interesting light on this subject. The holding-wise status of the 28,000 defaulters to primary credit societies in Bhir district, for instance, is as under :

Rupees lakhs

Size of holding of the borrowers (In acres)		Outstandings as on 30.6.72		Demand for the year 1971-2		Overdues as on 30.6.72	
		No. of borrowers	Amount	No. of borrowers	Amount	No. of defaulters	Amount
1		2a	2b	3a	3b	4a	4b
Upto 3	...	4,621	7.38	3,656	6.18	1,780	3.60
3 to 5	...	6,712	10.77	6,038	15.01	2,835	7.26
6 to 10	...	12,012	29.08	12,884	45.52	6,406	22.52
11 to 15	...	10,767	32.59	10,738	45.62	4,646	23.42
16 to 20	...	9,468	31.98	8,503	45.92	3,490	24.74
Above 20	...	17,537	128.86	16,817	152.21	8,875	105.25
Total	...	61,117	240.66	58,636	308.46	28,031	186.79

Sixty per cent of the defaulters accounting for 82 per cent of the overdues are those having holdings above 10 acres. Those having more than 20 acres and forming 31.6 per cent of the total number of defaulters account for 56 per cent of the amount. This shows that the maximum amount in default is in respect of a relatively smaller number of persons who hold land above 20 acres.

2.8 The position in respect of 748 defaulters in 10 societies in five districts recently studied for the purpose is also similar. The holding-wise and period-wise distribution of the defaulters is given in Annexure XI. It will be seen therefrom, that of the total default of Rs 9.46 lakhs, cultivators having holdings above 20 acres (193 borrowers forming 26 per cent) account for about 46 per cent of the overdues (Rs 4.34 lakhs). It will also be noted that the bulk of the overdues of this category of members i.e., Rs 3.63 lakhs (about 84 per cent) was overdue for over 2 years i.e., defaults prior to 30 June 1970. If the defaulters prior to 30

June 1970 are also to be covered under the proposed scheme of rehabilitation, the beneficiaries, holding-wise, will be as under:

Rupees thousands

Size of holding (In acres)	Period of Overdues as on 30 June 1972					
	Below 2 years		Above 2 years		Grand Total	
	No.	Amount	No.	Amount	No.	Amount
Upto 7½ ...	72	66	161	113	233	179
7½ to 10 ...	31	34	91	70	122	104
10 to 20 ...	49	66	151	163	200	229
Above 20 ...	39	71	154	363	193	434
Total ...	191	237	557	709	748	946

2.9 If the agricultural conditions were not at all unfavourable for three or four successive years, there seems to be no justification for these more affluent and substantial among the cultivators for not having repaid their dues. If the proposals of the Secretaries' Group are endorsed fully, it cannot be said that the programme is for the benefit of a large number of small farmers. It will be a programme primarily for seeing that these more affluent cultivators who may be in a better position to join the high yielding varieties programmes are enabled to get the required credit facilities by removing them from the category of defaulters. It would, in the circumstances, give the impression that the rehabilitation measures are aimed at securing the participation of those who have the necessary potential in the state's agricultural development programmes and not necessarily to the deserving category of defaulters. The point for consideration is whether this class of cultivators will not get the feeling that the government may again condone their default in the future. The Group's proposals may thus put a premium on defaults and, therefore, one cannot ignore the adverse effects of the proposals on the recoveries of co-operative dues in the future. It may perhaps be, on the other hand, worthwhile to leave these defaulters alone and concentrate on the large majority of *khatedars* who have not borrowed at all from the societies although they are members (only about 43 per cent of the members were borrowing members) and those who are not even members and thus outside the purview of credit facilities from the co-operatives (the co-operative membership covered only 46 per cent of the rural families in the state). Many of those may be equally susbstantial cultivators as the defaulters. But most of them perhaps will be the medium and small farmers and if as a result of the exclusion of the defaulters, the government and the co-operatives pay more attention to their needs, both agricultural production and a large majority of the so far neglected category of cultivators will benefit in the process.

Implications of Large-scale Conversions

2.10 Apart from the fact that the years 1966-7 to 1969-70 were not particularly or significantly bad from an agricultural point of view and that a substantial portion of the default is accounted for by more affluent among the cultivators, there will be far reaching financial implications of the proposal of the Secretaries' Group to bring the large majority of defaulters within the purview of a programme of rehabilitation. The grant of conversions to the outstanding short-term overdues into medium-term loans cannot obviously be made out of the Stabilization Funds of the co-operative banks or the Reserve Bank of India. It may be contended that this should not matter because in any case the overdues have been absorbed within the internal resources of the central and state co-operative banks and, therefore, the conversions can be effected from these resources. As explained in greater detail in Section Three, this will make the medium-term investments out of all proportion to the short-term resources with the central banks. In some banks almost the entire disposable resources will be locked up in these conversions thereby creating a serious imbalance between the disposable medium-term resources and medium-term investments. It is a sound principle that banks should not borrow short and lend long. Secondly, it will also mean that the capacity of a central bank to involve its internal resources in short-term loans will stand reduced considerably and in some cases even to nil. On the other hand, all the defaulters whose loans are converted into term loans will immediately qualify for short-term loans and if their demands and the demands of the non-defaulting and new members have to be met, this will be possible only by resort to outside borrowings from the state co-operative bank and the Reserve Bank. Consquently, these latter banks will be left with little or no margin at all between their advances to the central banks and the advances of these banks to the societies. This is also not desirable because in the event of any overdues again cropping up – and this cannot be ruled out – these will be reflected immediately in the balance sheet of the state co-operative bank. Such a situation is not desirable in the larger interest of the co-operative credit structure and should be avoided.

Relief for Non-wilful Default

2.11 For all these reasons, therefore, we feel that there is hardly any justification for bringing within the purview of the rehabilitation programme all the persons who had defaulted since 1966-7 as suggested by the Secretaries' Group. Admittedly, there had been widespread failure of crops in 1970-71, 1971-2 and 1972-3. A person with a holding located in a village affected by famine in 1970-71 might not have been given the benefit of conversion facilities under the existing stabilization arrangements. He would continue to be a defaulter in 1971-2 and perhaps also in 1972-3. Similar might be the case of a person affected in 1971-2 and he might be a defaulter since 30 June 1972. Again, on the same analogy, a borrower in 1969-70 might have perhaps repaid his loan but for the crop failure during that year. Had his short-term loan been converted, he would have to pay the last instalment of the loan in 1972-3 if all the three years viz., 1970-71, 1971-2 and 1972-3 were not affected by famine. These are the cases which may deserve relief in the form of conversion loans for the overdue loans. Hence, we feel that the rehabilitation programme should be confined only to those members whose cultivated holdings were situated in villages affected by natural calamity in any one of the four years between 1969-70 and 1972-3 and who had defaulted to the societies on any date from 31 October 1969 to 30 June 1972, the intention being that defaults in respect of loans provided for raising crops in 1969-70 to 1971-2 should only be covered under the programme. Defaults committed prior to 31 October 1969 should be ignored for this purpose. Those who had defaulted or would be defaulting in 1972-3 do not deserve any sympathy if they were not affected by crop failure in that year ; if so affected, they would get the benefit of conversion facility under the normal stabilization arrangements discussed in Section One. The terms 'natural calamity,' 'famine' 'crop failure' and 'scarcity' used in this Report indicate a situation in which the *annewari* declared is 6 annas or below.

2.12 No distinction need be made between the small and the big cultivator for being considered eligible under the programme of rehabilitation in the villages affected by natural calamity during any of the four years viz., 1969-70, 1970-71, 1971-2 and 1972-3 because the conversion facility under the normal stabilization arrangement is available to all cultivators without any distinction.

We, therefore, recommend that all defaulters whose cultivated holdings, irrespective of their size, were in villages affected by natural calamity during any one or more years since 1969-70 and whose default is not older than 31 October 1969 need alone be included under the rehabilitation porgramme to the exclusion of the following categories : (i) Those who have taken a loan for sugarcane, banana cultivation, orchard or plantation crops in conjunction with other crops, provided the income from the former is at least 75 per cent of their total agricultural income ; (ii) those who are income-tax or agricultural income-tax assessees; and (iii) those who have deceived the society by showing fictitious acreage or crops. It follows, therefore, that the categories of defaults mentioned below may be treated as wilful and thus ineligible for any relief under the programme of rehabilitation: (i) those whose cultivated holdings were in villages not affected by natural calamity in the years 1969-70 to 1972-3, and (ii) those whose default subsisted as on 30-6-1969.

2.13 A point for consideration, however, is whether a person affected in 1969-70 but not in 1970-71 and another in 1970-71 but not in 1971-2 or yet another affected in 1971-2 but not in 1972-3 should also be assisted. In other words, whether relief is called for if any one or two years during the three years preceding 1972-3 had been normal years assuming that 1972-3 is a good year in his case. Ordinarily, no relief should be granted; but in view of the widespread nature of the calamity and also in view of the fact that the scarcity conditions of the affected villages were very acute (in 85 per cent of the villages affected in 1971-2 and all in 1970-71, the declared *annewari* was less than 4 annas), no discrimination perhaps need be made against the inclusion of such cultivators also in the rehabilitation programme as had one or two good years intervening the years of scarcity. The fact remains, however, that these cultivators had the benefit of one or two good years and, therefore, there will be sufficient justification to require them, as part of the rehabilitation programme, to make partial repayments towards the principal amount under default and repayment towards interest, depending on the number of normal years that intervened during this period. Our suggestions in this regard are as under :

(i) If 1972-3 is a normal year, the defaulter may be required to pay the interest in full and 25 per cent of the principal amount, if only one of the preceding three years was a normal year.

(ii) If two out of the three preceding years in addition to 1972-3 were normal, he should pay the interest in full and 50 per cent of the principal amount under default.

(iii) If all the three preceding years were bad years and if only 1972-3 is a normal year, the member need pay only the interest in full.

(iv) Care may, however, be taken to see that the partial payment recommended at 25 per cent or 50 per cent, as the case may be, together with the accumulated interest is within the repaying capacity assumed at 58.33 per cent of the value of gross produce.

(v) If, however, 1972-3 is a scarcity year, irrespective of the preceding three years being scarcity years or otherwise, the defaulter may not be required to pay any amount towards principal or interest. While the principal amount of the loan may be converted into a medium-term loan repayable in 3 or 5 years, interest may be collected in full in the year 1973-4.

2.14 The total overdues at the level of the central banks amounted to Rs 48.53 crores under short-term agricultural loans as on 30-6-1972. It is not possible to indicate the exact amount out of the above sum of Rs 48.53 crores that will qualify for inclusion within the purview of the rehabilitation programme for non-wilful defaulters. Rough estimates made with reference to the overdues up to 3 years as on 30-6-72 and the proportion of the villages affected by natural calamity to the total number of villages for each district in each of the three years 1969-70, 1970-71 and 1971-2, indicate a total sum of Rs 19.92 crores, the district-wise details of which have been given in column 3 of Annexure XIV. However, the actual burden of conversion of overdue loans under the proposed rehabilitation programme is likely to be somewhat less than this estimate as some amount of cash recoveries can be expected during 1972-3, as indicated in paragraph 2.13 above. The balance of Rs 28.61 crores can be taken as the overdues against wilful defaulters. That the recalcitrant defaulters will not receive any soft treatment from the government and the co-operatives must also be demonstrated effectively by launching coercive action vigorously against them in the year 1973-4 when the conditions may be better. A warning issued to them just at the beginning of the *kharif* 1973 operations will have the desired effect and create the appropriate climate for prompt repayments in the future.

2.15 The overdues of a member as on 31 March 1973, who is included in the programme of rehabilitation on the basis of paragraph 2.12, may be converted into a medium-term loan after recovery of principal and interest amounts to the extent indicated in paragraph 2.13 and adjustment of shareholdings in excess of 20 per cent as recommended in Section One (paragraph 39). As in the case of members affected by natural calamity, the annual debt burden in these cases also should not exceed 58.33 per cent of the value of gross produce. If on this basis a shorter period than 5 years would be adequate, the conversion facility should be confined to that period only. The cultivator covered by the scheme will be eligible for a short-term loan. As suggested by the Secretaries' Group, the scrutiny of the beneficiaries coming under the proposed rehabilitation programme should be done by a District Committee. But the cases should be decided on purely objective considerations and it should be ensured that the category of member-cultivators listed as not eligible earlier are fully eliminated from the benefits of the proposed scheme.

Recovery of Penal Interest

2.16 The Secretaries' Group has suggested that borrowers with overdues above Rs 350 should pay all accumulated interest including penal interest for being eligible for the proposed rehabilitation. In the case of defaulters with overdues less than Rs 350, the suggestion is that they need pay only interest at the normal rate. We suggest that besides waiving penal interest on the overdue loans of small borrowers i.e., those with overdues under principal below Rs 350, penal interest may be waived in respect of the other category of farmers also. This may serve as a sort of incentive to the defaulters to clear their overdues as the penal interest generally charged at 3 per cent above the normal rate might, over a period of time, have accumulated into a sizeable figure. Penal interest may also be waived in the case of defaulters not covered under the scheme of rehabilitation, if they paid the overdues under principal and interest in full by a stipulated period, say by 30 June 1974.

SECTION THREE

LENDING PROGRAMME FOR THE YEAR 1973-4 AND ITS FINANCIAL IMPLICATIONS

3.1 THIS section deals with the estimated lending programme of central co-operative banks, inclusive of the requirements of the special HVP in respect of cereals and cotton proposed by the state government, the extent of financial assistance required by the banks from outside, either by way of borrowings or otherwise for meeting this programme and also the implications of the conversion operations of overdue loans vis-a-vis the lending programme.

Estimate of Requirements

3.2 The Agriculture Department of the Government of Maharashtra has, in terms of their letter dated 19 February 1973, furnished an estimate aggregating Rs 120 crores in respect of the special programmes for cereals and cotton on the basis of scales of finance per hectare per crop. The cropwise programme for 1973-4, the credit requirements therefor and the achievements in the last three years are as under :

Crop	Area covered 1970-71 Lakh Hectares	1971-2	1972-3	Programme in 1973-4 Lakh Hectares	Scales of finance per hectare Rs	Credit requirements Rupees crores
1	2a	2b	2c	3	4	5
Cereals Programme						
Paddy (Kharif) ...	2.12 (2.43)	2.25 (2.83)	2.10 (3.15)	3.80	463 (K 363+C 100)	17.59
Jowar ... (Kharif) ...	4.87 (12.10)	3.20 (6.48)	3.25 (4.30)	5.00	437 (K 325+C 112)	21.85
Bajra ... ... (Kharif) ...	4.81 (7.08)	1.98 (7.28)	2.93 (8.00)	6.00	275 (K 200+C 75)	16.50
Jowar ... (Rabi) ...	0.14 (1.02)	0.08 (0.80)	N.A. (0.20)	0.25	513 (K 413+C 100)	1.28
Maize ... (Kharif) ...	0.05 (0.09)	0.03 (0.12)	0.02 (0.08)	0.08	375 (K 313+C 62)	0.30
Wheat... ... (Rabi) ...	2.11 (2.02)	2.07 (2.63)	N.A. (3.00)	3.60	500 (K 425+C 75)	18.00
Maize ... (Rabi) ...	0.008 (0.04)	0.007 (0.04)	N.A. (0.04)	0.04	475 (K 400+C 75)	0.19
Paddy ... (Summer) ...	0.05 (0.02)	0.07 (0.03)	N.A. (0.05)	0.09	500 (K 450+C 50)	0.45

1	2a	2b	2c	3	4	5
A. Total ...	14.158 (24.80)	9.687 (20.21)	8.30 (18.82)	18.86		76.16
Cotton programme						
H4 Cotton ...	Nil	Nil	0.20 (0.50)	2.66	1000* (K 875+C 125) 1750@ (K 1350+C 400)	29.68
Intensive cotton cultivation other than H4 ...	—	2.22	2.10	2.32	625 (K 400+C 225)	14.50
B. Total	—	2.22	2.30	4.98		44.18
Grand Total (A+B) ...	14.158 (24.80)	11.907 (20.21)	10.60	23.84		120.34

N.A.=Not available. * Rainfed. @ Irrigated.

Note : (1) Figures in bracket under col. nos. 2a to 2c indicate targets.
(2) Figures in bracket under col. no. 4 indicate bifurcation in kind and cash.
(3) Scales of finance are at half the recommended dose in respect of cereals.

3.3 It may be noted from the table that the achievements in respect of the cereals programme work out to 57 per cent and 48 per cent of the targets respectively for the years 1970-71 and 1971-2. As for H4 cotton the achievement was only 40 per cent of the planned area in the year 1972-3. If past performance is any indication, one may not be justified in assuming that the proposed target of about 24 lakh hectares under both cereals and cotton would fully be achieved. Secondly, experience shows that cultivators do not apply optimum doses of fertilizers as recommended by the Agriculture Department. Finally, difficulties may arise in making available the required quantities of fertilizers at the appropriate time. Taking all these factors into account, the credit requirements of the special programme may be estimated at Rs 100 crores as against Rs 120 crores proposed by the Department. The estimate of Rs 100 crores, however, may not be taken as a ceiling for the programme in the sense that if the difficulties referred to above do not arise and the response of the cultivators is very encouraging in any particular district, adequate credit would be made available by the banks beyond the estimated level.

Share of the Co-operatives in the Special Programme

3.4 The Agriculture Department has indicated that the special programmes would cover members of co-opeartive societies as well as non-members and that about 50 per cent of the estimated credit requirements would be met by the co-operatives, the balance being met by the state government or the cultivators themselves out of their own resources. However, it is felt that on account of successive droughts the co-operatives may be called upon to take care of a larger part of the credit needs of the special programmes.

3.5 The estimate of the share of the co-operatives in meeting the credit requirements of the special programme and the additional lendings by them in this behalf may be worked out. It may be assumed that 60 per cent of the total requirements of Rs. 100 crores i.e., Rs 60 crores will be in respect of the existing members of societies and the balance of Rs 40 crores in respect of non-members. Of the credit needs of non-members, about 50 per cent i.e., Rs 20 crores may represent the needs of non-members who may be enrolled as members in 1973-4. As for the credit needs of the existing members at Rs 60 crores, 50 per cent i.e., Rs 30 crores may be taken as pertaining to those members who are already growing HVP crops; the balance of Rs 30 crores being of those who are presently growing ordinary crops but would switch over to HVP in 1973-4. Thus the aggregate credit to be provided for the special programmes may be of the order of Rs 80 crores (Rs 60 crores for existing members plus Rs 20 crores for new members).

3.6 So far as the existing members of co-operatives who are already growing HVP crops are concerned, the central co-operative banks will not be called upon to make any additional advances as they can be taken to have provided their full requirements. Their additional lendings would be in respect of (i) existing members who are presently growing ordinary crops but would switch over to HVP crops and (ii) new members who may be admitted in 1973-4. The scales of finance for HVP crops adopted by the central banks and those recommended by the Agriculture Department are given in Annexure XII. Assuming that on an average the existing members will have to be financed additionally to the extent of the difference in the scales of finance between the ordinary and HVP crops and the new members to the extent of the full scale, the total requirements may be as under :

	Rupees crores
(*a*) Credit requirements of existing members who may switch over to HVP crops (50 per cent of Rs 30 crores)	15
(*b*) Credit requirements of new members (50 per cent of Rs 40 crores estimated for non-members)	20
	35

Thus while the aggregate of the finance from the co-operatives to members growing HVP crops may be of the order of Rs 80 crores as indicated in paragraph 3.5 above, the co-operatives may have to lend additionally only Rs 35 crores in 1973-4.

Lending Programme of Central Banks

3.7 The district-wise requirements of the special programme and also the central bank-wise lending programme in 1973-4 are given in Annexure XIII. The highest outstandings of central banks against primary credit societies in 1972-3 (up to December 1972) were of the order of Rs 118 crores. The annual increase in the outstandings has been ranging from 10 to 25 per cent. On the basis of the past performance and the fact that many central banks had not financed to the full extent of the scales of finance, the normal loans may increase by 10 to 25 per cent in December 1973 as compared to the position at the same time a year ago. The short-term loans for agricultural purposes outstanding against societies of all the central banks in the state may thus reach the maximum level of Rs 139 crores indicating an increase by Rs 21 crores over the position of 1972. If the additional lendings of Rs 35 crores on account of special programme are also taken into account, the maximum outstanding loans of the central banks against primary agricultural credit societies may reach Rs 174 crores. The central bank-wise break-up may be seen in column 7 of Annexure XIII. In arriving at this estimate, it may be mentioned that no allowance has been made of the advances by commercial banks to primary agricultural credit societies in 1973-4 under the proposed scheme of financing of societies by commercial banks in certain parts of the State. It may also be mentioned, in passing, that this level of lending in 1973-4 will take care of the credit needs of the special programme to the extent of Rs 80 crores i.e., 80 per cent of credit needs of the special programme estimated at Rs 100 crores.

Resources for Meeting the Lending Programme

3.8 The central co-operative banks will themselves meet a part of the lending programme. A substantial part of the resources of these banks is generally utilized in short-term loans for agricultural purposes. Further, it is desirable for the state co-operative bank to keep a margin between its advances to the central banks and the latters' advances to societies. Assuming that a margin of 25 per cent would be desirable, on the total outstandings of Rs 174 crores against the societies, Rs 44 crores would have to be found by the central banks from their own resources and the balance of Rs 130 crores may be met from borrowings from the state co-operative bank. It is true that the central banks' involvement in agricultural loans has been fairly high, as may be seen from column 5 of Annexure XIV, at about Rs 68 crores; but a major part of it is by way of overdue loans. In Section Two it has been proposed that certain categories of defaulter-members of societies may be rehabilitated by converting their overdue loans as term loans repayable over a period of 3 to 5 years. In effect it would mean that a large part of the net disposable resources of central banks which are presently invested in short-term loans (inclusive of overdues under such loans) will get locked up in overdues and term loans. It is in this context that the capacity of the central banks to maintain a margin of 25 per cent for the outstandings against societies in 1973-4 and the implications thereof have to be examined.

Financial Implications

3.9 If the defaults are converted into medium-term loans as a measure of rehabilitating non-wilful defaulters so that they may be enabled to receive fresh credit facilities from the co-operatives for participating in the high-yielding varieties programme, the medium-term investments of the banks will far exceed their medium-term and long-term resources. As mentioned in Section Two, it is a well-acknowledged and sound banking principle that short-term resources should not be locked up in medium-term or long-term investments. In fact, Section 22(3)(*a*) of the Banking Regulation Act (As Applicable to co-operative societies), 1949 requires that a co-operative bank should be in a position to pay its present or future depositors in full as their claims accrue, for being eligible for issue of a licence under the said Section. This will not be possible if there is a serious imbalance between the short-term deposit resources of the bank vis-a-vis its short-term investments and loans. Besides, as per the standard for audit classification, a bank would be disqualified for A class in audit if its short-term liabilities exceeded the short-term investments exclusive of overdues. In other words, a bank is expected to use its short-term liabilities only in short-term loans and investments. It may be contended that the existence of heavy overdues under short-term agricultural loans has already affected adversely the liquidity of the short-term resources and, therefore, the conversions will not materially alter the existing position. This contention cannot be accepted. The short-term loans which have become overdue are recoverable on demand and the societies and banks are free to take coercive action immediately for their recovery. When these are converted into term loans, the recovery is legally spread over three to five years.

3.10 Another implication of the conversion operation is a drastic reduction in the involvement of a central bank in short-term agricultural loans from its internal resources. If, for example, as in the case of the Bhir District Central Co-operative Bank, out of Rs 160 lakhs overdue which are at present covered by the bank's own net disposable resources of the order of Rs 170 lakhs, a bulk of the overdues say, Rs 155 lakhs is converted into term loans (which would have been the case if the suggestions made by the Secretaries' Group were accepted) the central bank's involvement in short-term loans will stand reduced to just Rs 15 lakhs in the total outstanding loans against societies amounting to Rs 368 lakhs. The percentage will come down from about 46 to 4, if those whose short-term overdue loans are converted into medium-term loans receive short-term loans even to the extent of their earlier outstanding loans and the funds at present provided by the central bank from its resources are substituted by outside borrowings from the state co-operative bank and the Reserve Bank. Such borrowings in November 1972 were only Rs 48 lakhs in the total outstandings of Rs 217 lakhs i.e., 22 per cent. These will rise to as much as Rs 353 lakhs i.e., to 96 per cent if the outstandings reach Rs 368 lakhs, as estimated, in December 1973. The cushion against overdues is very thin so far as the apex bank and the Reserve

Bank are concerned. If a margin of 25 per cent is to be provided to the higher financing agencies, the Bhir District Central Co-operative Bank's involvement from its own resources should be Rs 92 lakhs against the borrowings of Rs 276 lakhs in the total outstandings of Rs 368 lakhs. The margin thus will be short by Rs 77 lakhs, if the central bank's involvement gets reduced to only Rs 15 lakhs after the conversion operations to the extent envisaged by the Secretaries' Group are carried out.

3.11 Thus from the point of maintaining a reasonable balance between term resources and investments and a reasonable margin between the borrowings of a central co-operative bank from the higher financing agencies and its loans to primary credit societies, the conversion of overdue loans into medium-term loans cannot be undertaken on a wholesale basis. For the reasons given in Section Two, there is also no justification for such wholesale conversion. The estimated overdues from non-wilful defaulters are placed at Rs 19.92 crores (column 3 – Annexure XIV). It follows, therefore, that the balance of overdues under the short-term loans viz., Rs 28.61 crores plus the resources still available with a bank for granting such loans will provide the margin for the borrowings of that bank from the state co-operative bank. The points to be considered are : (i) what should be considered as a reasonable margin ; (ii) whether that margin could consist wholly of overdue short-term agricultural loans; and (iii) whether there should be a minimum prescribed for the margin to be provided in the form of current loans. Presently, the Maharashtra State Co-operative Bank does not reimburse a central bank to the full extent of non-overdue short-term agricultural loans. The margin prescribed by way of current loans is 25 per cent for the central banks in West Maharashtra and 10 per cent for the banks in Marathwada and Vidarbha regions. Although the apex bank has relaxed the condition in individual cases depending on the resources position of the central bank concerned, it is desirable to continue this wholesome practice to the extent possible. It is, therefore, suggested that a margin of at least 25 per cent between the borrowings of a central co-operative bank from the state co-operative bank and its loans outstanding against primary credit societies for short-term agricultural purposes may be maintained and of this margin not less than 10 per cent may be in the form of current loans.

3.12 It follows from the above stipulation that the disposable resources for short-term agricultural loans with a central bank should be sufficient for the overall margin of 25 per cent. If they are short, the deficit has to be made good. But the provision of a margin of 25 per cent against the total outstanding short-term loans inclusive of overdues is not sufficient. In fact, central banks in the Marathwada and Vidarbha regions which are having very heavy overdues will not have any difficulty in satisfying the condition. But the fact is that in their case the non-convertible overdues from recalcitrant defaulters and the medium-term loans granted to convert the overdues from the non-wilful defaulters absorb their disposable resources almost entirely leaving hardly any surplus to provide the suggested margin of 10 per cent in respect of the current short-term agricultural loans. Unless their resources are adequately strengthened, they cannot satisfy the second part of the condition. From Annexure XIV it will be seen that 6 central banks out of the total of 25 will not be able to satisfy the first part of the condition viz., providing a margin of 25 per cent against the total outstanding loans which are expected to reach the level of Rs 174 crores in December 1973 and the deficits add to Rs 172 lakhs. Twelve central banks from Marathwada and Vidarbha regions will not be able to find a margin of 10 per cent against the current loans and such deficits add to Rs 460 lakhs. The total deficit comes to Rs 632 lakhs.

Whether the Reserve Bank can extend Financial Assistance

3.13 The next question is whether the Reserve Bank can assist in improving the liquidity of the concerned central banks so that they may meet the deficit of Rs 6.32 crores and if so, how? Loans from the Agricultural Credit Stabilization Fund are given only to convert the short-term loans due to the Bank. Since the failure of crops, if any, is older than 1972-3, the loans drawn by the co-operative banks in the previous years from the Reserve Bank would have already been cleared. Hence the above Fund cannot be used to facilitate the conversion of the dues from non-wilful defaulters, thereby releasing the funds of the central banks that would otherwise be locked up in granting the conversions for providing the prescribed margins. Further, even if the Fund could be used for the conversions, the present balance in the Fund has to be conserved for granting conversion in the case of loans affected by famine which is widespread in many parts of the country. The only other source for assistance with the Reserve

Bank is the National Agricultural Credit (Long-term Operations) Fund which can be used for giving loans for more than 15 months up to 20 years to state co-operative banks and the state governments. In the former case the loans can be advanced for periods extending up to 5 years for medium-term agricultural purposes as approved by the Board of the Reserve Bank. Conversion of overdues arising out of natural calamities or otherwise is not one of the approved purposes. Nor can it be included in that list. In the second alternative the Bank can grant loans to the state government for participating further in the share capital of the central banks so that the additional funds so received can serve the purpose of providing the margin for the borrowings from the apex bank. Normally, loans for contribution to share capital are sanctioned for strengthening the borrowing power of the banks concerned. However, the Bank had recently sanctioned loans to two banks in Orissa on special terms i.e., for three years at 2 per cent below the Bank Rate. But the loans were not at all intended to facilitate the conversion of normal overdue loans into term loans. They were meant to improve the liquidity of the banks pending the recovery of dues from the defaulters who were not to be shown any mercy. The analogy is thus not wholly correct. In the present case it will amount to legalising the conversion of overdue short-term loans into medium-term loans.

3.14 The normal provisions of the Reserve Bank of India Act thus do not permit of assistance for such operations out of the Long-term Operations Fund and it will not be advisable to stretch them in such a way as to accommodate the proposal to rehabilitate certain categories of defaulters. As it is, the Bank is committed to providing accommodation out of the Long-term Operations Fund to the Agricultural Refinance Corporation to the extent of Rs 50 crores during the Fourth Plan and Rs 100 crores in the Fifth Plan, besides earmarking annually about Rs 50 crores by way of medium-term loans to state co-operative banks, contribution to the rural debentures of the land development banks and share capital loans to the state governments, all of which being developmental in character should receive priority. Unless, therefore, the Fund is augmented substantially for this purpose, the measure cannot be implemented because this purpose has not figured any time in calculating the size of the Fund that will be necessary for the purposes originally envisaged by the Rural Credit Survey Committee. The augmentation of the Fund is done every year out of annual profits of the Bank. If larger contributions become necessary and that too all in a single year, the net profits which are presently passed on to the Government of India will stand reduced appreciably. In any case the larger appropriations to the Fund than the normal cannot possibly be done without the concurrence of the Government of India.

Government Assistance

3.15 If the Reserve Bank cannot be expected to provide the funds needed to facilitate the conversions under the scheme for financing non-wilful defaulters, the other sources in this regard are the state co-operative bank and the government. The scope for the former source has, however, to be more or less ruled out as even now the term investments and commitments of the Maharashtra State Co-operative Bank in loans to co-operative sugar factories and other processing societies are disproportionate to its time and demand liabilities. As on 30 September 1972, the state co-operative bank's involvement in term loans to processing societies was 18 per cent as against the maximum of 10 per cent suggested by the Reserve Bank. The Reserve Bank has already put restrictions on the state co-operative bank's loans to the above categories. Thus the only other source left is the state government which is interested in financing the high-yielding varieties programme in 1973-4 and also in rehabilitating the non-wilful defaulters and as such they may have to step in to provide the required assistance. It may be mentioned in this connexion that, as part of the World Bank (International Development Association) Project, the Government of Maharashtra agreed and also paid a sum of Rs 3.42 crores as contribution to the share capital of district land development banks so that the percentage of overdues to demand in each case was brought down notionally to less than 25 per cent. The government have also agreed to make similar contributions in the future in case the percentage does not improve. It may be added that under the Master Plan drawn up by the Reserve Bank for accelerated development of agricultural production credit through the co-operatives in Uttar Pradesh, the Government of Uttar Pradesh provided loans in 1972-3 aggregating Rs 3 crores for enabling certain weak central co-operative banks to provide the required non-overdue cover for the borrowings from the Reserve Bank and take full advantage of the credit facilities available from the Bank. The budget for 1973-4 includes further provisions for the same purpose.

Alternative Methods

3.16 In the light of what is stated earlier and in view of the financial stringency through which the state will have to pass in 1973-4, the Team considered other ways for solving the problem. It is recognised that to some extent the central banks may be able to find the resources needed for providing the margin by reducing the present level of their loans, other than for short-term agricultural purposes. The Ahmednagar District Central Bank provides working capital finance to co-operative sugar factories and some other processing societies. The deficit of Rs 11 lakhs estimated in its case can easily be met if it surrenders the financing of say, one sugar factory to other financing agencies. The scope for augmenting the disposable resources for short-term agricultural loans by diverting a part of the other loans portfolio to other banks is obviously limited because in the central banks in the Marathwada and Vidarbha regions of the state, the involvement in other types of loans is not significant. The disposable resources available for short-term agricultural loans have been estimated with reference to a normal deposit growth. Perhaps, with special efforts, the growth can be accelerated. In that case also the banks will have more resources for investment in short-term loans and the deficit will stand reduced further. While the scope for narrowing the deficits in the above two ways may not be large, it will be useful if the Commissioner for Co-operation, the Managing Director of the Maharashtra State Co-operative Bank and a representative of the Agricultural Credit Department of the Reserve Bank discuss with the Chairman of the concerned central co-operative bank the possibility of improving the liquidity of the bank by resorting to either or both the methods suggested above.

State Government's Responsibility

3.17 It is clear, however, to the Team that the deficits being very large, in most cases not much relief can be provided by adopting either or both the methods suggested above. One view was that the state government might not find it very difficult to allocate a sum of Rs 6.32 crores in the next years' budget by suitable readjustment to enable the central banks to provide the margin money required to sustain a very large lending programme. The government may have to provide the funds to the central banks only perhaps till 31 March 1974. It will be seen from Annexure XIV that the deficit in most cases is not in respect of the overall margin of 25 per cent but in the margin of 10 per cent against current loans.

If the recovery performance of the banks shows substantial improvement, the need for supplementing the resources of the central banks for providing the latter margin will disappear as the banks would have effected substantial recoveries against overdues from the wilful defaulters and the instalments of term loans granted to non-wilful defaulters. If the state government cannot possibly find the money, they may explore also the possibility of receiving loans for the purpose from the Government of India.

Government Guarantee in lieu of Cash Assistance

3.18 Another view was that the state government or the Government of India might not be in a position to find the required resources for improving the capacity of the central banks to provide the prescribed margins. The purpose for which a margin is insisted upon by a bank that the risk to it is minimized can as well be served by the state government extending their guarantee to the Maharashtra State Co-operative Bank in lieu of the prescribed margin. The guarantee will obviate the necessity for the government finding large cash resources immediately. The effect of this suggestion is that the state co-operative bank will be called upon to provide upto Rs 6.32 crores in addition to what it would have provided with the prescribed margins and if it cannot do so, the funds will have to come from the Reserve Bank of India.

Burden of the Programme for 1973-4

3.19 The Maharashtra State Co-operative Bank has been accommodating the central co-operative banks for short-term agricultural purposes from its own resources and obtaining refinance as and when necessary against the credit limits sanctioned by the Reserve Bank on behalf of the banks. It should not be difficult, therefore, for the apex bank to contribute to the programme to the extent of Rs 12 crores from its own resources. This may not, however, be taken as the minimum involvement of the bank irrespective of the loans outstanding against the central banks for short-term agricultural purposes. The short-term agricultural production credit programme for 1973-4 with the central banks providing the prescribed margins and with the apex bank accommodating them to the extent necessary without the prescribed margins but on the basis of a government guarantee for the margin is summarized as under :

		Rupees crores
1.	Maximum level of short-term loans that may be reached in December 1973	174.30
2.	Of which overdue	28.61
3.	Fresh short-term loans that may be issued for financing normal as well as high-yielding variety programmes	145.69
4.	Contribution to the programme from the state co-operative bank's resources	12.00
5.	Contribution to the programme from the state co-operative bank's resources, if the central banks have to be accommodated regardless of the margins prescribed normally but on the basis of Government guarantee for the margin	18.32
6.	Contribution to the programme of the central co-operative banks with the prescribed margins ..	56.02
7.	Contribution to the programme of the central banks without the prescribed margins	49.70
8.	Borrowings from the Reserve Bank to sustain the programme if the apex bank lends with the prescribed margins	106.28
9.	Borrowings from the Reserve Bank to sustain the programme if the apex bank does not insist on the margins and also does not provide more than Rs 12 crores from its own resources	112.60

The bank-wise details are given in Annexure XV.

3.20 The Reserve Bank had sanctioned short-term credit limits aggregating Rs 62.20 crores to the Maharashtra State Co-operative Bank on behalf of the central banks in the state for 1972-3 for financing seasonal agricultural operations. The limits would have to go up to Rs 106.28 crores if the prescribed margins are provided by the central banks or waived by the state co-operative bank and substituted by its own resources or Rs 112.60 crores if the margins are waived but not substituted by the state co-operative bank.

The share capital of Jalgaon Central Bank only may have to be strengthened to the extent of Rs 18 lakhs so that it may get the necessary borrowing power from the Reserve Bank. The government may approach the Reserve Bank for loans for contribution to the share capital of the above bank from out of its Long-term Operations Fund. The credit limits from the Bank have been calculated at 4 times the owned funds, which are sanctioned to central banks with audit classification A or aganist the guarantee of the state government. Of the 25 central banks in the state, 6 are in A class, 13 in B class and 6 in C class. B class banks are no doubt eligible for limits up to 4 times the owned funds under certain conditions. It is unlikely that these banks will be able to satisfy them. We, therefore, recommend that the state government may agree to provide a guarantee to the Reserve Bank in all cases where the banks are not likely to be sanctioned credit limits at 4 times the owned funds which have been assumed necessary for implementing the programme of 1973-4.

Short-term Loans to Individuals in 1973-74

3.21 Reference has been made in Section One to the instructions issued by the Maharashtra State Co-operative Bank and the policy adopted by the central co-operative banks in the state in providing not the full but substantially reduced fresh short-term loans to those who were extended conversion facilities or even to others during the years 1970-71, 1971-2 and 1972-3. If a similar policy is pursued next year also, the farmers will be denied adequate credit facilities. The need for credit is going to be greater not only because of the prevailing drought conditions which may have wiped out the past savings in most cases, but primarily because of the high-yielding varieties programmes which the government are determined to launch vigorously during 1973-4. Further, if a policy of restraint is pursued, the credit requirements of the banks as calculated here will also be correspondingly lower. Consequently, the need for assistance from the government and the borrowings from the Reserve Bank will also be reduced. The government may have, therefore, to impress upon the banks the need for providing adequate credit to farmers and adopting appropriate scales of finance for the different crops.

SECTION FOUR

Operational Aspects of the Proposed Programme

4.1 WHETHER it be a programme for the conversion of current loans as in Section One of the report or for the rehabilitation of non-wilful defaulters as in Section Two, the scale of operations would be of a high order and hence it is essential to set up an appropriate machinery to ensure the success of the schemes. Under both the schemes there will have to be a case by case examination on the basis of which re-scheduling or rephasing of the outstanding loans will have to be done in the context of the repaying capacity of the borrower. The accounting part of the programme may have to be executed by the banks themselves with proper appraisal of each case, even if it means strengthening of staff for the purpose. One will have to ensure side by side proper atmosphere and machinery for the recovery of the instalments in due course, once they are fixed.

Committees

4.2 Under the scheme of rehabilitation prepared in Section Two, the Secretaries' Group has envisaged the appointment of committees at the taluka levels for examining the loan eligibility of the borrower as also for taking appropriate action against those borrowers who are not covered by the scheme. It is suggested by the Group that the committees may be constituted as under : (i) The Assistant Registrar (Chairman); (ii) a representative of the district central co-operative bank (bank inspector for the taluka); and (iii) one representative of good co-operative societies in the taluka, to be nominated by the District Deputy Registrar. We are generally in agreement with the appointment of such committees, the functions assigned to them and the procedural details worked out for the defaulters taking advantage of the programme. In the scrutiny and assessment of cases, however, the committees' decisions may be governed by the norms which we have laid down for considering defaulters as eligible for relief under the scheme of rehabilitation, namely those who have defaulted on any date from 31 October 1969 to 30 June 1972, whose holdings are in the villages which have been affected by scarcity conditions in any of the four years between 1969-70 and 1972-3 and who are not growers of crops like sugarcane and banana. It may also have to be impressed on the committees that they have to act without fear or favour and that they should not succumb to any pressures in discharging their duties.

Staff

4.3 The financial implications of the scheme of rehabilitation have been worked out in Section Three. It is envisaged that the provision of short-term loans should form part and parcel of the overall programme of rehabilitation for which resources of the order of as much as Rs 20 crores are estimated as necessary for giving loans to those borrowers whose loans have been rephased. Though the number of borrowers may not increase as a result of these rephasing operations, the number of accounts will be nearly double in their case. Besides, the expansion in the overall business of the banks estimated at Rs 56 crores in the context of promoting special programmes for the high-yielding varieties of crops etc., may result in an increase in the size of operations as also in the number of *khatedar* borrowers. All this may need further strengthening of the clerical, supervisory and administrative machinery at all levels of the three-tier co-operative credit structure, particularly at the level of the central banks and the state co-operative bank. The manner in which and the extent to which this may be necessary in each district could not be examined by us at this stage because the details of the programme had to be worked out quickly so that action under it is initiated in time to enable the farmers to take advantage of it before the commencement of the *kharif* 1973. We propose to revert to this subject later while considering matters pertaining to our other terms of reference.

Climate for Prompt Repayment

4.4 The success of the rehabilitation programme as well as the programme of financing the high-yielding variety of crops will depend on creating not only a favourable climate but also conditions for prompt repayment. It should be made clear to the borrowers that the programme of rehabilitation will not be repeated in future so that there should not be any feeling amongst the members of the co-operative credit societies that they need not repay promptly as later on the state government will come out with another scheme of rehabilitation or even write off. In fact, the government should extend their unstinted co-operation and whole-hearted support to the action initiated by the taluka level committees for effecting recoveries, for which purpose even the recovery machinery of the Revenue Department may be made available to the banks. They should step up the coercive measures against those defaulters who have not been brought under the rehabilitation programme and who thus can be termed wilful or recalcitrant. No leniency should be shown to them. The recovery of loans from these defaulters should be the special responsibility of the committees appointed at the taluka level. The recovery of dues under the conversion loans coming under the purview of normal stabilization arrangements and also under the scheme for financing non-wilful defaulters as well as the short-term loans issued during 1973-4, through the sale proceeds of cotton, sugarcane, wheat and paddy, whose purchases are or will be under government control, should be intensified and the loop-holes noticed this year should be plugged so that the borrowers from the co-operatives do not escape deductions out of the sale proceeds towards repayment of the dues. Since there will be still imbalance between term resources and investments which may continue until the overdues and converted loans are recovered, there will have to be no slackness on the part of anybody in the matter of recovery of co-operative dues.

Recovery

4.5 Disbursement of loans is relatively easy. What is difficult and important is the recovery. The government and the institutions have by their own experience learnt how difficult are the problems to be solved particularly when the magnitude of the overdues both in terms of numbers and amounts is very large and, therefore, they have to be alert in seeing that the situation is not repeated. The arrangements for supervision and recovery have to be tightened and where these are inadequate or unsatisfactory, remedial action will be necessary for the purpose through coercive measures if necessary. The managements of the central co-operative banks and the societies have to involve themselves actively in the whole programme not for one year but for many more years to come and if it is found that any of the managements are not sufficiently responsive there should be no hesitation in superseding them. In fact these managements should themselves vacate voluntarily for their failures and make room for others who can pursue action under the programme vigorously. It is suggested that the government and the state co-operative bank should undertake, from time to time, district by district review of the recovery position and suggest as well as implement the measures necessary for remedying the situation where there is evidence of slackness.

4.6 A committee may also be appointed at the state level consisting of the representatives of the state co-operative bank and the state government who will not only keep a watch on recoveries but will assist as well in the implementation of the conversion and rehabilitation programmes. One or two representatives of the concerned central co-operative banks may be associated with this committee.

Fresh Loans

4.7 A very substantial increase in fresh loans is envisaged during 1973-4 both under the normal as well as the special programmes. Banks have been advised to lend to the full extent of the scales of finance for the different crops and not practice undue restraints particularly in regard to the high-yielding varieties programmes. Special care is, therefore, necessary to eliminate from the normal credit statements fictitious acreages and crops. The tendency to show higher acreage under crops like sugarcane and banana which carry high scales of finance must be put down firmly. Similarly, the financing of high-yielding varieties of crops should as far as possible be done in respect of farmers who have been identified as having joined the programme by the Agriculture Department. The Department should also see that arrangements have been made for supplying the high yielding and hybrid seeds, fertilizers and insecticides to farmers through the marketing societies or other approved agencies so that the societies will be able to provide loans for the purchase of these inputs in kind. There is no room for slackness or inefficiency in this respect because if as a result loans are advanced in cash and the inputs are not purchased, there will be hardly any chance to recover the loans advanced this year and instalments of the normal or special conversion loans.

Last Chance

4.8 *The co-operative credit structure in Maharashtra has now reached a stage in which it is incapable of bearing any further load of overdues. It must be realized by all concerned that this is more or less the last chance for the structure to revive and survive. If the machinery at the command of the government in the Agriculture and Co-operation Departments as well as of the co-operative banks is diffident of rising to the occasion and closely supervising the end use of credit, it will be advisable to proceed cautiously and keep the targets within manageable limits.*

SECTION FIVE

Summary of Recommendations

5.1 On the assumption that the maximum repaying capacity of a cultivator is 58.33 per cent of the value of gross produce raised by him, relief in the manner indicated below is recommended as an immediate solution for financing the crop programme for 1973-4, in respect of such cultivators as are affected by natural calamities and have been granted conversion loans and/or are eligible for such loans during 1972-3:

(i) Where natural calamity has occurred during the year 1972-3 only, the short-term loan advanced for the crop season of the same year may be converted into a medium-term loan repayable in three equal annual instalments.

(ii) If the crop failure is for two consecutive years namely 1971-2 and 1972-3, the existing procedure followed by the Reserve Bank in re-scheduling the conversion loan granted in 1971-2 into a loan repayable in 4 years from the date of re-scheduling and granting of new conversion loan in respect of the short-term loan advanced for the crop season 1972-3 for a period of 3 years may be modified in such a way that while the first conversion loan may be re-scheduled into a medium-term loan of 4 equal annual instalments, the second conversion loan may be granted as a medium-term loan repayable in 5 equal instalments instead of 3 as at present. The conversion of the second loan into a term loan for 5 years may not, however, be necessary in all cases, because members of co-operative societies in many districts were not accommodated to the full extent of their requirements in the years 1971-2 and 1972-3. In these cases it may be adequate even if the existing procedure followed by the Reserve Bank of granting the second conversion loan for a period of 3 years only is retained.

(iii) If the failure of crops has occurred for three consecutive years namely 1970-71, 1971-2 and 1972-3 and if the period of none of the conversion loans is to exceed five years from the date of the first advance, a member may not be able to bear the burden of repaying the instalments of the three conversion loans, the short-term loan advanced for the year 1973-4 and interest on these loans. Since, however, the Maharashtra State Co-operative Bank and the central co-operative banks in the state followed a cautious policy and provided short-term loans to all those who were granted conversion facility on substantially reduced scales of finance and also required them to repay at least 25 per cent of the outstanding loan, the need for writing off a portion of the conversion loan burden as envisaged by the Rural Credit Survey Committee may not arise. For the same reasons it may not be necessary in most cases to extend the period of conversion loans beyond the period of five years.

(iv) There may, however, be a few cases where the burden of the annual instalment of three conversion loans together with the short-term loan and interest thereon cannot be accommodated within the repaying capacity assumed at 58.33 per cent of the value of gross produce if the period of loans is limited to five years. In such cases the period could be extended to seven years. For this purpose the Reserve Bank may sanction a five-year medium-term loan from its Stabilization Fund for 5/7th of the amount and the state/central co-operative banks may sanction a seven-year loan for the balance. The recoveries in the first five years will be utilized for repaying the loans due to the Reserve Bank. The state and central co-operative banks will adjust the sixth and the seventh instalments towards the loans advanced out of their own resources including their Stabilization Funds. It will thus not be necessary to amend the Reserve Bank of India Act to enable the Bank to grant loans out of the National Agricultural Credit [Stabilization] Fund for periods extending beyond five years. The rules governing the Stabilization Funds with the state and central co-operative banks should, however, be modified by administrative orders to permit the banks to grant loans out of these Funds for periods extending upto seven years.

5.2 The need for write off would have arisen had the central co-operative banks given full finance during the three years of natural calamity including the current year viz., 1972-3. Since the banks are being advised to provide finance to meet the full requirements of cultivators and there is possibility of scarcity conditions occurring consecutively for three years in the future, relief in the form of write off cannot be ruled out altogether. Besides, the need for write off may also arise in cases where conversion loans have been re-scheduled already for seven years and where because of recurrence of scarcity conditions during the currency of the loans further extension may be advisable but may not be a practicable proposition. In both the situations, write off of a part of the loan to keep the repayment burden within the assumed capacity of 58.33 per cent of the value of gross produce may be necessary. It is to meet such a contingency that it may be desirable for the Government of Maharashtra to make contributions on a regular basis to the Relief and Guarantee Fund. The extent to which the said Fund may be built up, the manner in which assistance may be provided by the Government of India for facilitating write off and whether the Fund should be maintained by the state government or the state co-operative bank are some of the questions which may be examined further.

5.3 Where a member affected by natural calamity for three years successively is unable to pay interest due in the year 1972-3, he may be granted the facility to repay the same over a period of three years. Such a member may not be denied credit for the cultivation season 1973-4 or a conversion facility in respect of the loan advanced to him for the season 1972-3 merely on the ground that he had not paid the interest due in 1972-3.

5.4 In the context of repeated natural calamities it would be desirable to reduce the burden of debt of a cultivator. One of the methods by which this may be done is to adjust a portion of his share capital in the society towards his dues to it. A member may not hold by way of share capital more than 20 per cent of his loans from the society and allow the excess to be adjusted to the loan which he has to repay. Similarly, between the central bank and societies, the latter may be called upon to contribute not more than 10 per cent of their borrowings from the bank to its share capital. The shareholdings in excess of 20 per cent and 10 per cent of the borrowings from the societies and central co-operative banks respectively may be adjusted to the outstandings under the conversion loans and also to the overdues in respect of members who are included in the programme of rehabilitation.

5.5 The urgency and the need for enabling a large number of defaulters to take advantage of credit provided by the co-operatives may not be disputed against the background of three successive crop failures and the importance to step up agricultural production as part of economic revival in the rural areas. A scheme of rehabilitation, therefore, appears necessary in the case of those cultivators where the default has been, by and large, non-wilful in nature. Under the scheme the defaulted amount may be converted, partly or wholly, into a medium-term loan repayable in three or five years and the cultivator will be eligible for a fresh short-term loan.

5.6 The non-wilful defaulters may be defined as those members whose cultivated holdings were in villages affected by natural calamity during any one of the four years between 1969-70 and

1972-3 and who had defaulted to the societies on any date from 31 October 1969 to 30 June 1972. All defaulters whose holdings were in villages affected by natural calamity during any one of these years and whose default was not older than 31 October 1969 might be included in the programme of rehabilitation to the exclusion of the following categories, namely:

(i) Those who have taken a loan for sugarcane, banana, orchard or plantation crops in conjunction with other crops provided the income from the former is 75 per cent of their total agricultural income.

(ii) Those who are income-tax or agricultural income-tax assessees.

(iii) Those who have deceived the societies by showing fictitious acreage or crops.

5.7 The categories of defaulters mentioned below may be treated as wilful and thus not eligible for any relief under the programme of rehabilitation:

(i) Those whose cultivated holdings were in villages not affected by natural calamity in the years 1969-70 to 1972-3.

(ii) Those whose default subsisted as on 30 June 1969.

5.8 There will be sufficient justification to require those defaulters included in the programme of rehabilitation who had one or two good agricultural seasons during the years 1969-70 to 1972-3 to make partial repayments towards the principal amounts in default and towards interest depending upon the number of normal years that intervened during this period.

(i) If 1972-3 is a normal year, the defaulter may be required to pay the interest in full and 25 per cent of the principal amount, if only one of the preceding three years was a normal year.

(ii) If two out of three preceding years in addition to 1972-3 were normal, he should pay the interest in full and 50 per cent of the principal amount in default.

(iii) If all the three preceding years were bad years and if only 1972-3 is a normal year, the member need pay only the interest in full.

(iv) Care may, however, be taken to see that partial repayment at 25 per cent or 50 per cent, as the case may be, together with accumulated interest is within the repaying capacity assumed at 58.33 per cent of the value of gross produce.

(v) If, however, 1972-3 is a scarcity year, irrespective of whether the preceding three years were scarcity years or otherwise, the defaulter may not be required to pay any amount towards the principal or interest. While the principal amount of the loan may be converted into a medium-term loan repayable in three years or five years, interest may be recovered in full in the year 1973-4.

5.9 Penal interest may be waived in respect of all non-wilful defaulters included in the programme of rehabilitation as it may serve as a sort of incentive to the defaulters to clear their overdues. Penal interest may also be waived in the case of defaulters not covered under the programme if they paid the overdues under principal and interest in full by a stipulated period say, by 30 June 1974.

5.10 The Agriculture Department of the Government of Maharashtra has proposed special programmes under cereals and cotton covering 24 lakh hectares, the estimated financial requirements of which are Rs 120 crores. Taking various factors into account, the requirement of the special programmes may be placed at Rs 100 crores. This estimate may not, however, be taken as a ceiling for the programme in the sense that if the various apprehended difficulties do not arise and the response of the cultivators is very encouraging in any particular district, the central bank would provide adequate credit beyond the estimated level.

5.11 The short-term loan for agricultural purposes outstanding against societies of all the central co-operative banks may reach the level of Rs 139 crores by the end of December 1973. If the additional lendings of Rs 35 crores on account of the special programme are also taken into account, the maximum loans of the central co-operative banks outstanding against primary credit societies may reach Rs 174 crores.

5.12 It may be desirable for the state co-operative bank to keep a margin between its advances to central co-operative banks and the latters' advances to societies. The Maharashtra State Co-operative Bank has prescribed a margin by way of current loans at 25 per cent for central banks in West Maharashtra and 10 per cent for banks in Marathwada and Vidarbha regions. Although the state co-operative bank has relaxed these margins in individual cases, it is desirable to continue this wholesome practice to the extent possible. A margin of at least 25 per cent between the borrowings of a central bank from the state co-operative bank and its loans outstanding against primary credit societies for short-term agricultural purposes may be maintained and of this margin not less than 10 per cent may be in the form of current loans. The disposable resources available to central banks particularly in Marathwada and Vidarbha regions being limited, the banks will have difficulty in providing these margins. The shortfall is estimated at Rs 6.32 crores.

5.13 It will be useful if the Commissioner for Co-operation, the Managing Director of the Maharashtra State Co-operative Bank and a representative of the Agricultural Credit Department of the Reserve Bank of India discuss with the Chairman of each central co-operative bank the possibility of improving the liquidity of the bank by resorting to diversion of a part of the loans portfolio to other financing agencies and/or by having an accelerated rate of growth of deposits.

5.14 The scope for improving the liquidity of the banks by any of these two methods is, however, limited. One view is that the state government might not find it very difficult to allocate a sum of Rs 6.32 crores in the next year's budget by suitable readjustment to enable the central banks to provide the margin money to sustain their lending programme. Another view is that the state government might not be in a position to find the required resources for the above purpose. The need for the margin may as well be served by the state government extending their guarantee to the Maharashtra State Co-operative Bank in lieu of the prescribed margins.

5.15 It should not be difficult for the Maharashtra State Co-operative Bank to contribute Rs 12 crores from its own resources to the lending programme for 1973-4. This may not, however, be taken as the minimum desirable involvement of the bank.

5.16 The credit limits sanctioned by the Reserve Bank for 1972-3 amounted to Rs 62.20 crores. For implementing the programme during 1973-4 the limits may have to be stepped up to Rs 106.28 crores. There are many central banks in the state which are in audit class B and C and it may, therefore, be necessary for the government to stand guarantee to the Reserve Bank on their behalf so that all the central banks are enabled to borrow at least up to four itmes their owned funds.

5.17 The government may approach the Reserve Bank of India for loans from the Long-term Operations Fund for making additional contributions to the share capital of central co-operative banks in the State.

5.18 The central co-operative banks and primary agricultural credit societies should meet the full requirements of the cultivators, particularly in respect of the high-yielding variety programmes as per accepted scales of finance per crop per acre.

5.19 For properly implementing the rehabilitation programme, a Taluka Committee may be appointed as recommended by the Secretaries' Group appointed by the Government of Maharashtra. It may have to be impressed upon the committees that they have to act without fear or favour.

5.20 The expansion in the overall business of the banks in the context of the special programmes, the conversion of loans in the case of cultivators affected by natural calamity and the conversion of the overdue loans in respect of cultivators under the programme of rehabilitation, will result in an increase in the size of operations of all the central banks and societies. This may require further strengthening of the supervisory and administrative machinery at all levels of the three-tier structure of co-operative credit. The manner in which and the extent to which this may be necessary in each district should be examined further.

5.21 The success of the rehabilitation programme as well as the programme of financing of high-yielding variety of crops will depend on creating not only a favourable climate but also conditions for prompt repayment. It should be made clear to the borrowers that the programme of rehabilitation would not be repeated in future. The government should step up coercive measures against wilful defaulters without any mercy. For this purpose it may be necessary for the government to make available the services of the recovery machinery of the Revenue Department.

5.22 The recovery of dues under the conversion loans as well as the short-term loans issued for 1973-4 through the sale proceeds of cotton, sugarcane, wheat and paddy, which are under government control, should be intensified and the loopholes noticed this year plugged so that borrowers from the co-operatives do not escape deduction out of the sale proceeds towards the repayment of their dues to the societies.

5.23 The government and the state co-operative bank should undertake, from time to time, district by district review of the recovery position and suggest measures necessary for remedying the situation where there is evidence of slackness.

5.24 A committee may be appointed at the state level consisting of representatives of the state government and the state co-operative bank to keep a watch over recoveries and assist in the implementation of the conversion and rehabilitation programmes.

5.25 The Government of Maharashtra should see that arrangements are made for supplying the high-yielding and hybrid seeds, fertilisers and insecticides to farmers through the marketing societies or other approved agencies so that the societies are able to provide loans for the purchase of these inputs in kind.

Chairman : C. D. Datey

Members : N. S. Sapkal, K. S. Bawa, L. N. Bongirwar, L. S. Lulla, H. Nanjundiah, A. K. Dutt, P. R. Kulkarni

Member-Secretary : M. V. Hate

Bombay

24 March 1973

ANNEXURE I

Number of Villages where Annewari was declared as below 6 Annas

Sr. No.	District	No. of villages (1961 census)	1960–61	1961-2	1962-3	1963-4	1964-5	1965-6	1966-7	1967-8	1968-9	1969–70	No. of villages (1971 census)	1970–71	1971-2	1972-3
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.	Thana ...	1629	—	—	—	—	—	—	—	—	—	—	1654	— (—)	3 (—)	1497 (—)
2.	Kolaba ...	1957	18	9	12	10	13	45	4	102	39	184	1814	38 (38)	219 (96)	969 (—)
3.	Ratnagiri ...	1520	—	—	—	—	—	—	—	—	—	—	1544	— (—)	— (—)	475 (351)
4.	Nasik ...	1659	98	99	10	76	49	716	214	38	25	258	1658	211 (211)	701 (663)	1366 (—)
5.	Dhulia ...	1381	7	125	37	24	3	877	616	191	70	59	1243	443 (443)	576 (394)	832 (777)
6.	Jalgaon ...	1478	—	15	—	2	—	1323	563	172	15	24	1414	1414 (1414)	883 (843)	802 (10)
7.	Ahmednagar...	1323	—	492	214	317	—	653	204	214	249	42	1321	666 (666)	990 (878)	459 (314)
8.	Poona ...	1516	—	—	2	100	40	1236	109	184	334	393	1529	386 (386)	382 (337)	1124 (—)
9.	Satara ...	1174	—	153	—	—	—	959	—	—	—	—	1178	279 (279)	160 (158)	797 (—)
10.	Sangli	530	—	15	—	12	23	387	—	16	119	—	546	182 (182)	121 (97)	483 (475)
11.	Sholapur	952	—	180	—	—	—	469	—	—	—	—	955	995 (995)	453 (453)	— (—)
12.	Kolhapur ...	1093	—	—	—	—	—	236	—	—	5	—	1098	— (—)	— (—)	912 (330)

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
13.	Aurangabad ...	1976	—	—	—	—	129	1205	184	77	105	—	2000	1998 (1998)	1971 (1971)	1057 (1057)
14.	Parbhani ...	1577	—	—	—	—	—	227	—	—	—	—	1587	1587 (1587)	1099 (118)	940 (—)
15.	Bhir ...	1043	84	123	—	—	—	79	136	108	—	—	1043	1021 (1021)	1031 (1031)	530 (530)
16.	Nanded	1386	—	—	—	72	—	84	—	—	—	—	1399	1399 (1399)	575 (467)	1161 (—)
17.	Osmanabad ...	1411	—	—	—	—	—	312	149	292	—	—	1423	1376 (1376)	1423 (1422)	1010 (—)
18.	Buldhana ...	1371	—	321	—	63	145	1291	108	200	—	151	1363	1363 (1363)	907 (655)	1250 (—)
19.	Akola ...	1713	—	780	—	479	348	1537	1039	231	—	144	1731	1725 (1725)	116 (—)	1315 (—)
20.	Amravati ...	1968	—	—	—	—	—	253	478	299	—	400	2572	1837 (1837)	574 (560)	1442 (—)
21.	Yeotmal ...	1924	—	230	—	110	388	483	881	302	—	—	2032	1783 (1783)	78 (42)	1799 (—)
22.	Wardha ...	1373	—	1266	153	—	—	833	606	679	—	173	1369	1360 (1360)	— (—)	1263 (—)
23.	Nagpur ...	1897	—	1087	241	—	—	711	915	885	—	181	1929	1829 (1829)	1434 (1212)	1228 (—)
24.	Bhandara ...	1648	1	65	115	10	6	1135	458	66	1	17	1921	— (—)	25 (—)	722 (—)
25.	Chandrapur ...	3368	—	—	—	—	—	1100	376	27	—	—	3288	1200 (1200)	471 (440)	1364 (—)
	Total ...	38867	208	4960	784	1275	1144	16151	7040	4083	962	2026	39611	23052 (23052)	14192 (11837)	24797 (3844)
	Percentage to total villages		0.53	12.76	2.02	3.28	2.94	41.55	18.11	10.51	2.48	5.21		58.19 (58.19)	35.83 (29.88)	62.60 (9.70)

Figures in brackets in columns 15, 16 and 17 indicate number of villages declared as ' scarcity villages ' i.e., yield below 4 annas

ANNEXURE II

Annual Debt Burden of Crop Failure for One Year

Particulars of loans issued	Year of natural calamity	Short-term loans converted/rephased/re-scheduled		Due dates and instalments of converted/rephased loans		
				1973-4 [March 74]	1974-5 [March 75]	1975-6 [March 76]
1	2	3		*4a*	*4b*	*4c*
Short-term of Rs 100 issued in 1972-3 (June-July 1972).	1972–3	Short-term loan converted into 3 year medium-term loan	Rs	33⅓	33⅓	33⅓
		Annual repayments of conversion loan (Principal only)	Rs	33⅓	33⅓	33⅓
		Expressed as a percentage of gross produce ...	%	11.11	11.11	11.11
		Burden of interest @ 10 per cent per annum ...	Rs	10	6⅔	3⅓
		Annual instalments including interest	Rs	43⅓	40	36⅔
		Annual burden of conversion loan including interest expressed as a percentage to gross produce ...	%	14.44	13.33	12.22
		Annual repayments of fresh short-term loans and interest	Rs	110	110	110
		Total annual repayments of all loans and interest...	Rs	153⅓	150	146⅔
		Total annual burden as a percentage to gross produce	%	51.11	50.00	48.89

ANNEXURE III

Annual Debt Burden of Crop Failures for Two Successive Years

Particulars of loans issued	Year of natural calamity	Short-term loans converted/rephased		Due dates and instalments of converted/rephased loans			
				1973–4 [March 74]	1974–5 [March 75]	1975-6 [March 76]	1976-7 [March 77]
1	2	3		*4a*	*4b*	*4c*	*4d*
1. Short-term of Rs 100 issued in 1971-2 (June-July 1971).	1971–2 First year	3 years medium-term conversion loan rephased into 4 years medium-term loan	Rs	25	25	25	25
2. Short-term of Rs 100 issued in 1972-3 (June-July 1972).	1972-3 Second year	Short-term loan converted into 3 years medium-term loan	Rs	33⅓	33⅓	33⅓	
		Annual repayments of conversion loans (Principal only)	Rs	58⅓	58⅓	58⅓	25
		Expressed as a percentage to gross produce	%	19.44	19.44	19.44	8.33
		Burden of interest @ 10 per cent per annum	Rs	20	14⅙	8⅓	2½
		Annual instalments including interest ...	Rs	78⅓	72½	66⅔	27½
		Annual burden of conversion loans including interest expressed as a percentage to gross produce	%	26.11	24.16	22.22	9.16
		Annual repayments of short-term loans and interest	Rs	110	110	110	110
		Total annual repayments of all loans and interest	Rs	188⅓	182½	176⅔	137½
		Total annual burden as a percentage to gross produce	%	62.78	60.83	58.89	45.83

ANNEXURE IV

Annual Debt Burden of Crop Failure for Two Successive Years: Alternative Method

Particulars of loans issued	Year of natural calamity	Short-term loans converted/rephased/re-scheduled		Due dates and instalments of converted/rephased loans				
				1973–4 [March 1974]	1974–5 [March 1975]	1975–6 [March 1976]	1976–7 [March 1977]	1977–8 [March 1978]
1	2	3		4a	4b	4c	4d	4e
1. Short-term of Rs 100 issued in 1971-2 (June-July 1971).	1971–2 First year	3 years medium-term conversion loan rephased into 4 years medium-term loan .	Rs	25	25	25	25	—
2. Short-term of Rs 100 issued in 1972-3 (June-July 1972).	1972–3 Second year	Short-term loan converted into 5 years medium-term loan	Rs	20	20	20	20	20
		Annual repayments of conversion loans (Principal only)	Rs	45	45	45	45	20
		Expressed as a percentage to gross produce	%	15.00	15.00	15.00	15.00	6.67
		Burden of interest @ 10 per cent per annum	Rs	20	15½	11	6½	2
		Annual instalments including interest ...	Rs	65	60½	56	51½	22
		Annual burden of conversion loans including interest expressed as a percentage to gross produce	%	21.67	20.16	18.67	17.16	7.33
		Annual repayments of short-term loans and interest	Rs	110	110	110	110	110
		Total annual repayments of all loans and interest	Rs	175	170½	166	161½	132
		Total annual burden as a percentage to gross produce	%	58.33	56.83	55.33	53.83	44.00

ANNEXURE V

Annual Debt Burden of Crop Failure for Three Successive Years

Particulars of loans issued	Year of natural calamity	Short-term loans converted/rephased/re-scheduled		Due dates and instalments of converted/rephased loans						
				1971–2 (March 1972)	1972–3 (March 1973)	1973–4 (March 1974)	1974–5 (March 1975)	1975–6 (March 1976)	1976–7 (March 1977)	1977–8 (March 1978)
1	2	3		*4a*	*4b*	*4c*	*4d*	*4e*	*4f*	*4g*
1. Short-term of Rs 100 issued in 1969-70 (June-July 1970).	1970-71 First year	First converted into 3 year medium-term loan	Rs	$33\frac{1}{3}$	$33\frac{1}{3}$	$33\frac{1}{3}$				
2. Short-term of Rs 100 issued in 1970-71 (June-July 1971).	1971–2 Second year	First conversion loan rephased into a 4 year medium-term loan	Rs		25	25	25	25		
		Second conversion granted for short-term loan as a 3 year medium-term loan	Rs		$33\frac{1}{3}$	$33\frac{1}{3}$	$33\frac{1}{3}$			
3. Short-term of Rs 100 issued in 1971-2 (June-July 1972).	1972–3 Third year	First conversion loan re-scheduled	Rs			$33\frac{1}{3}$	$33\frac{1}{3}$	$33\frac{1}{3}$		
		Second conversion loan re-phased...	Rs			25	25	25	25	

1	2	3		4a	4b	4c	4d	4e	4f	4g
		Third conversion loan granted as a 5 year medium-term loan	Rs			—	—	—	40	60
		Annual repayments of conversion loans (Principal only)	Rs			58⅓	58⅓	58⅓	65	60
		Expressed as a percentage of gross produce	%			19.44	19.44	19.44	21.67	20.00
		Burden of interest @ 10 per cent per annum	Rs			30	24⅙	18⅓	12½	6
		Annual instalments including interest	Rs			88⅓	88½	76⅔	77½	66
		Annual burden of conversion loans including interest expressed as a percentage to gross produce	%			29.44	27.50	25.56	25.83	22.00
		Annual repayments of short-term loans and interest ...	Rs			110	110	110	110	110
		Total annual repayments of all loans and interest	Rs			198⅓	192½	186⅔	187½	176
		Total annual burden as a percentage to gross produce ...	%			66.11	64.16	62.22	62.50	58.66

ANNEXURE VI

Annual Debt Burden of Crop Failure for Three Successive Years: by stretching the Period of Repayment

Particulars of loans issued	Years of natural calamity	Short-term loans converted/ re-scheduled		Due dates and instalments of converted/rephased/ re-scheduled loans						
				1973-4 (March 1974)	1974-5 (March 1975)	1975-6 (March 1976)	1976-7 (March 1977)	1977-8 (March 1978)	1978-9 (March 1979)	1979-80 (March 1980)
1	2	3		*4a*	*4b*	*4c*	*4d*	*4e*	*4f*	*4g*
1. Short-term of Rs 100 issued in 1970-71 (June-July 1970) 2. Short-term of Rs 100 issued in 1971-2 (June-July 1971) 3. Short-term of Rs 100 issued in 1972-3 (June-July 1972)	1970-71 First year 1971-2 Second year 1972-3 Third year	Third conversion loan granted and together with the two medium-term conversion loans granted during earlier years, re-scheduled as a 7 year loan	Rs	45	45	45	45	45	45	30
		Annual repayments of re-scheduled loans (Principal only)	Rs	45	45	45	45	45	45	30
		Expressed as a percentage to gross produce	%	15.00	15.00	15.00	15.00	15.00	15.00	10.00

1	2	3		4a	4b	4c	4d	4e	4f	4g
		Burden of interest @ 10 per cent per annum	Rs	30	25½	21	16½	12	7½	3
		Annual instalments including interest	Rs	75	70½	66	61½	57	52½	33
		Annual burden of conversion loans including interest expressed as a percentage to gross produce ...	%	25.00	23.50	22.00	20.50	19.00	17.50	11.00
		Annual repayments of short-term loans and interest	Rs	110	110	110	110	110	110	110
		Total annual repayments of all loan and interest	Rs	185	180½	176	171½	167	162½	143
		Total annual burden as a percentage to gross produce	%	61.67	60.16	58.67	57.16	55.67	54.16	47.67
		If interest on re-scheduled loans is reduced by half i.e, @ 5 per cent per annum	Rs	15	12¾	10½	5¼	6	3¾	1½
		Annual instalments including interest	Rs	60	57¾	55½	53¼	51	48¾	31½
		Annual repayments of short-term loans and interest	Rs	110	110	110	110	110	110	110
		Total annual repayments of all loans and interest	Rs	170	167¾	165½	163¼	161	158¾	141½
		Total annual burden as a percentage to gross produce	%	56.67	55.92	55.16	54.42	53.67	52.92	47.16

ANNEXURE VII

Annual Debt Burden of Crop Failure for Three Successive Years: Repayment in 7 Equated Instalments

Year	Medium-term			Short-term (Prin.+ Int.)	Grand total of re-payments	Percent-age to gross produce
	Prin.	Int.	Total			
	Rs	Rs	Rs	Rs	Rs	%
1	2*a*	2*b*	2*c*	3	4	5
1973-4...	... 31.62	30.00	61.62	110.00	171.62	57.21
1974-5...	... 34.78	26.84	61.62	110.00	171.62	57.21
1975-6...	... 38.26	23.36	61.62	110.00	171.62	57.21
1976-7...	... 42.09	19.53	61.62	110.00	171.62	57.21
1977-8...	... 46.30	15.32	61.62	110.00	171.62	57.21
1978-9...	... 50.93	10.69	61.62	110.00	171.62	57.21
1979-80	... 56.02	5.60	61.62	110.00	171.62	57.21

ANNEXURE VIII

Conversion and Rephasement of Loans by Bhir Central Co-operative Bank (Maharashtra)

1970-71		Medium-term Conversion Instalments	
100	Outstanding 1970-71		
—30	Recoveries ...	23	1972
70	M.T. Conversion	23	1973
+45	S.T.C. Advance (15 per cent of gross produce)	24	1974
		70	

(Rs 70+45=Rs 115=38 per cent of gross produce)

1971-72

Rephasement instalments		M.T. Conversion instalments		Fresh Advance
18	1973	15	1973	Rs 20 (7 per cent of gross produce)
18	1974	15	1974	
18	1975	15	1975	
16	1976			
70		45		

(Rs 70+45+20=Rs 135=45 per cent of gross produce)

1972-3

Rephasement No. II		Rephasement No. I		Medium-term Conversion Rephasement No. III		Fresh Advance
23	1974	11	1974	—	1974	Rs 35 (12 per cent of gross produce)
23	1975	11	1975	—	1975	
24	1976	11	1976	—	1976	
		12	1977	10	1977	
				10	1978	
70		45		20		

(Rs 70+45+20+35=Rs 170=57 per cent of gross produce)

ANNEXURE IX

Statement showing Member-wise Details of Three Medium-term Conversion Loans Outstanding, Annual Debt Burden in regard thereto, etc.

Name of the Member	Out-standings under MTC/R loans	Hold-ings in acres	Value of gross pro-duce	Annual burden of repayment expressed as a percentage to the gross produce in respect of three medium-term conversion loans rephased/re-scheduled within a period of 5 years					Short-term loans issued during the last 3 years expressed as a percentage to gross produce			Interest burden on 3 medium-term conversion loans @ 10% payable in 1972-3	
				1973–4	1974–5	1975–6	1976–7	1977–8	1970–71	1971–2	1972–3	Amount	Percentage to gross produce
	Rs		Rs	%	%	%	%	%	%	%	%	Rs	
1	2	3*a*	3*b*	4*a*	4*b*	4*c*	4*d*	4*e*	5*a*	5*b*	5*c*	6*a*	6*b*
				District Bhir									
Lokhandi Savargaon Service Society													
1. Vithal Kashiram	390	6	2,700	5.25	4.85	4.48	2.18	1.11	7.77	4.98	1.66	39	1.41
2. Kashiram Pandurang ...	650	9	4,225	5.63	5.20	4.80	2.34	1.15	8.28	5.21	1.77	65	1.53
3. Kishan Balasaheb	3,770	61	33,600	4.10	3.80	3.50	1.71	0.85	6.04	3.87	1.29	377	1.12
4. Kishan Shankar	1,170	10	5,025	8.51	7.88	7.27	3.54	1.77	12.53	8.04	2.68	117	2.32
5. Govindrao Hari	1,173	19	6,975	5.90	5.47	5.09	3.28	1.54	7.35	7.08	2.36	117	1.69
6. Govinda Dada	390	6	5,125	2.77	2.55	2.35	1.15	0.57	4.09	2.61	0.87	39	0.76
7. Tubiram Erappa	650	8	3,525	6.75	6.24	5.75	2.80	1.38	9.92	6.36	2.12	65	1.84
8. Dattatraya Rustum	260	3	1,575	5.97	5.52	5.07	2.54	1.26	8.88	5.70	1.90	26	1.63
9. Dagdu Dhondiba	650	6	3,150	7.55	6.98	6.44	3.14	1.55	11.11	7.14	2.38	65	2.06
10. Dajisaheba Balasaheb ...	5,850	68	63,250	3.38	3.18	2.89	1.41	0.60	4.98	3.18	1.06	585	0.92
11. Digambar Ramrao	650	19	9,750	2.44	2.25	2.08	1.01	0.50	3.58	2.28	0.76	65	0.66
12. Nivatri Sharma	2,540	32	15,975	5.81	5.38	4.96	2.45	1.19	8.43	5.63	1.81	254	1.59

1	2	3a	3b	4a	4b	4c	4d	4e	5a	5b	5c	6a	6b
13. Pratap Venkatrao	1,950	25	24,875	2.86	2.65	2.44	1.19	0.59	4.22	2.70	0.90	195	0.78
14. Balasaheba Achutrao ...	390	6	2,925	4.85	4.47	4.13	2.01	1.02	7.17	4.59	1.53	39	1.33
15. Baburao Madhave	1,110	19	7,275	5.56	5.15	4.75	2.37	1.12	7.97	5.56	1.71	111	1.52
16. Bhagirathibai Apparao ...	520	6	2,700	7.03	6.51	6.00	2.92	1.44	10.37	6.66	2.22	52	1.92
Kurla Service Society													
1. Digambar Vishwanath ...	3,477	35	15,000	8.48	7.86	7.24	3.54	1.76	12.48	8.03	2.66	347	2.31
2. Asaram Tatya	1,512	16	6,600	8.37	7.77	7.14	3.49	1.74	12.30	7.95	2.65	151	2.28
3. Sahebrao Tatya	4,320	86	30,300	5.25	4.87	4.48	2.15	0.94	7.62	5.14	1.48	432	1.42
4. Ashruba Rana	1,945	21	8,550	8.31	7.70	7.11	3.46	1.73	12.22	7.89	2.63	194	2.26
5. Durgadas Madhorao ...	1,112	15	5,625	7.25	6.72	6.18	2.97	1.45	10.70	6.84	2.22	111	1.97
6. Kondan Lalbhai	559	6	2,475	8.28	7.67	7.07	3.38	0.16	12.28	7.87	2.42	55	2.22
7. Babruiya Gulabkhan ...	2,485	39	13,950	6.48	6.00	5.54	2.75	1.41	9.53	6.12	2.15	248	1.77
8. Bhagwan Mahadev ...	932	11	4,425	7.75	7.18	6.62	3.13	1.48	11.45	7.34	2.25	93	2.10
9. Pandurang Patilbuwa ...	1,220	24	8,325	5.40	5.00	4.61	2.17	1.02	7.98	5.10	1.56	122	1.46
10. Bhimrao Laxman	2,367	41	14,550	5.95	5.50	5.07	2.55	1.22	8.50	5.91	1.85	236	1.62
11. Narayan Gyanba	1,025	11	4,425	8.42	7.81	7.20	3.59	1.78	12.31	8.13	2.71	102	2.30
12. Prabhakar Panditrao ...	1,119	12	4,950	8.31	7.69	7.08	3.35	1.58	12.30	7.87	2.42	111	2.24
13. Prabhakar Ramachandra ...	545	7	2,550	7.84	7.26	6.70	3.13	1.52	11.76	7.25	2.35	54	2.11
14. Murlidhar Genaba	625	7	2,775	8.18	7.60	6.99	3.49	1.76	12.07	7.74	2.70	62	2.23
15. Madheo Keshavrao	1,865	25	9,750	7.03	6.52	6.01	2.85	1.35	10.41	6.66	2.05	186	1.90
16. Mandohari Dadarao ...	3,269	36	14,175	8.43	7.82	7.20	3.55	1.74	12.44	7.97	2.64	326	2.29
17. Uttam Ravsaheb	2,630	19	7,950	12.11	11.23	10.35	5.03	2.49	17.86	9.33	3.77	263	3.30
District Akola													
Mhatadi-Lokhanda S. S. Society Ltd.													
1. G. P. Khodke	270	8	1,492	5.49	5.09	4.75	4.49	3.48	6.03	6.70	5.36	27	1.81
District Osmanabad													
Harangal Budruk V.K.S. Society													
1. Muktabai Sopan	2,050	30	11,100	6.45	5.99	5.53	3.04	2.22	10.13	4.95	3.37	205	1.85

ANNEXURE X

Statement showing Member-wise Details of One or Two Medium-term Conversion Loans Outstanding, Annual Debt Burden in regard thereto, etc.

Name of the Member	Out-standings under MTC/R loans	Holdings in acres	Value of gross produce	Annual burden of repayment expressed as a percentage to the gross produce in respect of one/two medium-term conversion loans rephased/rescheduled within a period of five-years					Short-term loans issued during the last 3 years expressed as a percentage to gross produce			Interest burden on medium-term conversion loans @ 10% payable in 1972-3	
	Rs		Rs	1973-4 %	1974-5 %	1975-6 %	1976-7 %	1977-8 %	1970-71 %	1971-2 %	1972-3 %	Amount Rs	Percentage to gross produce
1	2	3*a*	3*b*	4*a*	4*b*	4*c*	4*d*	4*e*	5*a*	5*b*	5*c*	6*a*	6*b*
District Akola													
Mhatadi-Lokhanda S.S. Society Ltd													
1. M. P. Olambe	463	5	1,656	7.12	6.70	6.21	7.36	9.72	13.16	—	14.79	46	2.78
2. M. R. Bobde	160	2	420	10.95	10.23	9.52	8.33	10.95	21.49	—	16.66	16	3.81
3. N. H. Pimpalkar	527	11	2,216	6.22	5.86	5.46	8.34	5.37	—	15.65	8.12	53	2.39
4. K. S. Bhagat	280	10	1,630	4.35	4.04	3.80	4.60	6.07	7.97	—	9.20	28	1.72
5. M. L. Garle	856	21	4,316	4.56	4.30	4.05	6.02	7.94	7.78	—	12.04	86	1.99
6. N. S. Sirsat	1,007	13	2,448	11.31	10.62	9.88	14.05	8.08	—	28.88	12.25	101	4.13
7. Mrs. D. R. Bhise	2,044	14	2,564	20.78	19.50	18.21	28.31	18.72	—	51.28	28.43	204	7.96

1	2	3*a*	3*b*	4*a*	4*b*	4*c*	4*d*	4*e*	5*a*	5*b*	5*c*	6*a*	6*b*
8. G. R. Khodke	1,669	30	5,830	7.42	6.98	6.51	10.17	6.79	—	18.33	10.29	167	2.86
9. Mrs. D. B. Garle	525	5	956	13.17	12.44	11.61	20.50	15.79	—	30.85	24.05	52	5.44
10. H. G. Dhani	2,216	17	3,382	14.72	13.89	13.09	25.36	21.61	—	32.76	32.76	222	6.56
11. D. L. Dhani	750	15	2,680	6.26	5.89	5.55	10.82	9.21	—	13.99	13.99	75	2.80
12. R. A. Khodke	240	4	840	6.07	5.71	5.35	11.30	10.23	—	13.09	15.47	24	2.86
13. Mrs. S. G. Khodke	810	15	2,680	8.32	7.76	7.23	10.29	5.89	—	21.26	8.95	81	3.02
Tamsi S. S. Society													
1. B. N. Kale	95	5	1,600	2.56	2.37	2.18	—	—	—	—	5.93	9	0.56
2. S. S. Ramchhare ...	190	5	1,318	6.22	5.69	5.23	—	—	—	—	14.41	19	1.44
3. K. T. Appa	526	7	1,807	12.56	11.62	10.62	—	—	—	—	29.10	53	2.93
4. M. P. Gulhe	334	7	1,807	7.96	7.36	6.75	—	—	—	—	18.48	33	1.83
5. S. S. Kale	2,093	42	10,833	8.36	7.71	7.08	—	—	—	—	19.32	209	1.93
6. U. M. Fakir	2,457	32	8,720	12.20	11.26	10.32	—	—	—	—	28.17	246	2.82
7. S. G. Mahomkar ...	1,648	12	3,780	18.86	17.43	15.95	—	—	—	—	43.59	165	4.37
8. G. T. Mattangi ...	1,062	17	4,700	9.78	9.02	8.27	—	—	—	—	22.59	106	2.26
District Yeotmal													
Sawargaon Bangla G.V.K. Society													
1. Jeta Purya	599	12	1,380	9.42	8.91	8.40	17.17	15.29	—	20.01	23.18	60	4.35
2. Parashram Bhanu	879	11	1,260	10.23	9.92	9.52	31.90	37.78	—	13.01	56.74	88	6.98
3. Roda Balu	1,660	18	2,070	17.43	16.47	15.55	26.76	28.01	—	37.68	42.50	166	8.02
4. Kisan Haribhau	220	10	1,150	4.08	3.82	3.65	7.56	6.86	—	8.69	10.43	22	1.91
5. Maroti Suryabhan	2,170	30	3,450	13.01	12.31	11.65	25.36	23.76	—	26.95	35.94	217	6.29
6. Govinda Gyanu	1,800	24	2,760	13.40	12.71	12.02	26.41	24.85	—	27.53	37.68	180	6.52
7. Kaniram Kisan	320	29	3,340	4.16	3.83	3.50	—	—	—	—	9.58	32	0.96
8. Jeshya Bhanu	260	4	460	24.34	22.39	20.43	—	—	—	—	56.52	26	5.65
9. Narayan Maroti	800	13	1,500	23.06	21.26	19.46	—	—	—	—	53.33	80	5.33

1	2	3a	3b	4a	4b	4c	4d	4e	5a	5b	5c	6a	6b
Watfali G.V.K. Society													
1. Namdeo Undraji	516	15	2,566	7.01	6.50	6.00	5.49	—	—	20.10	—	52	2.03
2. Damodar Abarao	1,198	10	1,760	23.75	22.04	20.39	18.69	—	—	68.68	—	120	6.82
3. Mansaram Shravan	1,490	100	17,600	2.96	2.74	2.53	2.32	—	—	8.46	—	149	0.85
4. Narayan Shivram	200	10	1,760	3.98	3.69	3.40	3.12	—	—	11.36	—	20	1.14
5. Laxman Suryabhan	895	15	2,714	11.53	10.72	9.87	9.06	—	—	32.97	—	89	3.28
6. Amrut Sitaram	300	12	2,112	4.97	4.59	4.26	3.88	—	—	14.20	—	30	1.42
7. Undraji Saduji	336	15	2,714	4.31	4.01	3.69	3.38	—	—	12.38	—	34	1.25
8. Vishnu Maruti	320	9	1,658	6.75	6.27	5.79	5.30	—	—	19.30	—	32	1.93
9. Chokhoba Maruti	400	12	2,112	8.19	7.52	6.96	—	—	—	—	18.94	40	1.89
10. Ganu Langdu...	300	15	2,566	5.06	4.67	4.28	—	—	—	—	11.69	30	1.17
11. Bhagwan Mansaram ...	1,250	50	8,800	6.15	5.68	5.19	—	—	—	—	14.20	125	1.42
District Osmanabad													
Harangal Budruk V.K. Society													
1. Vilhal Yelba	1,312	16	4,200	8.47	7.92	7.40	10.78	6.45	—	21.42	9.80	131	3.12
2. Nivruti Vithoba	560	19	10,250	1.63	1.52	1.41	1.73	0.70	—	4.39	1.07	56	0.55
3. Shivmurti Mahadu	750	22	7,500	3.00	2.80	2.60	3.20	1.20	—	8.00	2.00	75	1.00
4. Nivruti Nama	1,875	50	16,500	3.40	3.18	2.95	3.63	1.49	—	9.08	2.27	187	1.13
5. Maruti Nivruti	2,000	50	15,600	2.88	2.72	2.56	4.96	4.23	—	6.41	6.41	200	1.28
6. Baswant Yeknath	650	80	26,400	0.62	0.58	0.54	0.89	0.62	—	1.51	0.95	65	0.25
7. Martand Ramachandra ...	3,100	41	30,000	1.70	1.63	1.56	4.56	5.06	—	0.26	7.66	310	1.03
8. Tukaram Hariba	750	32	13,850	1.62	1.51	1.40	1.73	0.71	—	4.32	1.08	75	0.54
9. Ramachandra Yeknath ...	1,875	9	6,050	9.28	8.67	8.04	9.91	4.08	—	24.76	6.19	187	3.09
10. Gyana Shrirang	3,125	65	25,450	3.68	3.43	3.19	3.92	1.61	—	9.80	2.45	312	1.23
Bhatangali V.K.S. Society													
1. P. R. Kulwat	1,300	18	5,520	7.33	6.82	6.34	7.28	2.39	—	19.92	3.62	130	2.35
2. G. S. Magime	1,200	17	4,500	8.22	7.66	7.11	8.33	2.93	—	22.22	4.44	120	2.67

1	2	3a	3b	4a	4b	4c	4d	4e	5a	5b	5c	6a	6b
3. S. Ismail	500	9	2,400	6.25	5.83	5.41	6.66	2.75	—	16.67	4.16	50	2.08
4. N. Bhaghuram ...	1,000	25	7,740	3.87	3.61	3.35	4.13	1.70	—	10.32	2.58	100	1.29
				District Nanded									
Shalegaon Dhanora S.S. Society													
1. Tukaram Sambu	2,075	12	3,616	22.62	20.93	19.27	7.41	—	30.42	26.96	—	207	5.72
2. Bhimrao Chimnaji	4,880	20	5,685	34.77	32.15	29.53	7.96	—	56.81	29.02	—	488	8.58
3. Sheshrao Cobhaji	4,020	39	12,506	13.02	12.04	11.05	2.96	—	21.34	10.79	—	402	3.21
4. Shriram Munjaji	4,805	11	3,504	55.47	51.31	47.14	12.92	—	90.03	47.08	—	480	13.70
5. Gyanoba Sambhoji	6,175	31	10,965	23.02	21.29	19.55	4.51	—	39.89	16.41	—	617	5.63
6. Uttam Ganapati	950	17	4,746	8.04	7.43	6.84	2.02	—	12.64	7.37	—	95	2.00
7. Bali Jaivanta	4,691	19	7,946	22.75	21.06	19.38	9.35	—	25.05	33.97	—	469	5.90
8. Pandurang Mahadu	3,120	12	3,616	34.95	32.32	29.67	7.96	—	57.24	29.03	—	312	8.63
9. Kondiba Datta	1,115	19	5,372	8.43	7.76	7.12	1.91	—	13.77	6.98	—	111	2.07
10. Trimbak Shetiba	1,690	16	4,578	14.96	13.82	12.71	3.40	—	24.46	12.45	—	169	3.69
Malegaon S.S. Society Ltd													
1. Ambadasrao Govindrao ...	3,775	14	5,324	28.73	26.57	24.41	6.51	—	47.23	23.66	—	377	7.08
2. Kashinath Krishnarao ...	1,125	19	10,102	4.52	4.18	3.84	1.01	—	7.42	3.71	—	112	1.11
3. Ganapati Laxman	900	16	9,278	4.20	3.88	3.55	—	—	—	—	9.70	90	0.97
4. Ganapati Sambhaji	750	5	4,158	7.81	7.21	6.61	—	—	—	—	18.03	75	1.80
5. Narayan Namaji	650	23	8,950	3.15	2.90	2.67	—	—	—	—	7.26	65	0.73
6. Bapurao Dattatraya	2,000	26	10,966	7.90	7.29	6.69	—	—	—	—	18.23	200	1.82
7. Kondiba Revnappa	1,800	10	7,470	9.76	9.03	8.29	2.20	—	16.06	8.03	—	180	2.41
8. Malkarjun Guruling ...	845	5	1,480	23.17	21.41	19.66	5.27	—	37.83	19.25	—	84	5.68
9. Munjaji Kamji	850	9	6,814	5.40	4.98	4.56	—	—	—	—	12.47	85	1.25
10. Munjaji Jalba	500	17	9,606	2.25	2.08	1.91	—	—	—	—	5.20	50	0.52
11. Manorama Pandurang ...	1,150	14	6,870	7.24	6.69	6.12	—	—	—	—	16.73	115	1.67

ANNEXURE XI

Holding-wise and Period-wise Classification of Overdues as on 30-6-1972 in respect of Ten Societies in the Districts of Osmanabad, Nanded, Yeotmal, Bhir and Akola

Rupees thousands

Size of holding (acres)	Below 1 year		Between 1 and 2 years		Total of 2 years and below		Between 2 to 3 years		Between 3 to 5 years		Above 5 years		Total of above 2 years		Grand Total	
	No. of defaulers	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No. of defaulters	Amount
1	2*a*	2*b*	3*a*	3*b*	4*a*	4*b*	5*a*	5*b*	6*a*	6*b*	7*a*	7*b*	8*a*	8*b*	9*a*	9*b*
Up to 7½	25	16	47	50	72	66	68	48	60	55	33	10	161	113	233	179
7½-10 ...	15	8	16	26	31	34	32	26	34	31	25	13	91	70	122	104
10 -20 ...	31	26	18	40	49	66	66	81	44	55	41	27	151	163	200	229
Above 20	29	41	10	30	39	71	67	182	47	132	40	49	154	363	193	434
Total ...	100	91	91	146	191	237	233	337	185	273	139	99	557	709	748	946

ANNEXURE XII

Statement showing Scales of Finance per Acre provided by Central Banks and recommended by State Government

Rupees

	Ordinary						H.V.P.						
	Paddy	Jowar	Bajra	Maize	Wheat	Cotton	Paddy	Jowar	Bajra	Maize	Wheat	Cotton	
												H4	Intensive
1. Central banks in Western Maharashtra...	350-135 (270-60)	300-50 (250-50)	250-70 (60-50)	375 —	300-140 (175-30)	600-100 (125-50)	385-120 (385-125)	375-300 (295-110)	175-170 (175-70)	375-280 (280)	380-300 (110)		
2. Central banks in Marathwada	160-90 (150-50)	180-85 (80-50)	60 (50)	— —	160-90 (160-60)	300 (200-50)	— —	420 (375-185)	150 (175-60)	240 (280-130)	320 (380-180)		
3. Central banks in Vidarbha ...	250-225 (190-105)	125 (85-75)	— —	— —	225-160 (140-80)	250-150 (140-85)	355-335 (290-175)	375-200 (340-150)	155 (120)	330-90 (330-145)	390-200 (385-140)		
4. Scales recommended by Agriculture Department ...							200-185	205-175	110	190-150	200	700-400	250

N.B. (1) Under scales of finance by central banks the maximum and minimum range is indicated.

(2) The scales of finance in brackets against item Nos. 1 to 3 are for unirrigated crops.

ANNEXURE XIII

Estimates of Credit Requirements for the Special Programmes in 1973-4 *and the Lendings of Central Banks in this behalf*

Rupees lakhs

Name of the District/Bank	Special Programme as given by State Govt				Realistic estimate of the special programme	Estimate of lendings by co-operatives for the special programme	Of col. no. 4*b* by way of additional lendings by the co-operative central bank	Highest outstandings in 1972-3 (July-December 72)	Expected maximum outstandings in 1973-4 in normal programme	Expected maximum outstanding including special programme for 1973-4 (6 + 4*c*)
	Cereals programme (Half Dose)	H4 commercial cotton	Intensive cotton other than H4	Total credit needs for the special programme						
1	2*a*	2*b*	2*c*	3	4*a*	4*b*	4*c*	5	6	7
1. Ahmednagar	385	70	—	455	379	303	133	1,248	1,400	1,533
2. Dhulia	554	85	75	714	595	476	208	518	600	808
3. Jalgaon	592	455	225	1,272	1,060	848	371	703	850	1,221
4. Kolaba	363	—	—	363	303	242	106	193	240	346
5. Kolhapur ...	137	2	—	139	116	93	41	1,059	1,150	1,191
6. Nasik	722	35	—	757	631	505	220	865	950	1,170
7. Poona	288	52	—	340	283	227	99	403	500	599

1	2a	2b	2c	3	4a	4b	4c	5	6	7
8. Ratnagiri ...	222	—	—	222	185	148	65	81	100	165
9. Sangli ...	242	7	—	249	207	166	72	800	900	972
10. Satara	188	53	—	241	201	161	70	590	700	770
11. Sholapur ...	131	70	—	201	168	134	58	576	650	708
12. Thana	338	—	—	338	282	226	99	132	160	259
13. Akola	238	317	200	755	629	503	220	448	525	745
14. Amravati ...	210	335	150	695	579	463	202	436	540	742
15. Bhandara ...	301	—	—	301	251	201	88	284	350	438
16. Buldana	356	344	75	775	646	517	226	378	470	696
17. Chanda	309	30	—	339	283	226	99	267	325	424
18. Nagpur	128	68	75	271	226	181	79	217	260	339
19. Wardha	96	146	75	317	264	211	92	192	240	332
20. Yeotmal ...	223	346	200	769	641	513	224	543	650	874
21. Aurangabad	454	135	75	664	553	442	194	460	575	769
22. Bhir	296	37	—	333	278	222	98	217	270	368
23. Nanded ...	272	155	225	652	543	434	190	432	540	730
24. Osmanabad ...	305	23	—	328	273	218	96	447	550	646
25. Parbhani	270	202	75	547	456	365	160	340	425	585
Total ...	7,620	2,967	1,450	12,037	10,032	8,025	3,510	11,829	13,920	17,430

ANNEXURE XIV

Estimate of Conversion of Overdue Loans vis-a-vis *Lending Programme in* 1973-4 *and Assistance Required for Maintaining Margin by Central Co-operative Banks*

Rupees lakhs

Name of the bank	Short-term over-dues as on 30-6-1972	Over-dues eli-gible for con-ver-sion	Non-con-verti-ble over-dues (col. 2-col. 3)	Dispo-sable re-sources for short-term loans (assum-ed as equal to in-volve-ment in No-vem-ber 1972)	Maxi-mum out-stand-ings during 1973-4	Fresh loans (col. 6-col. 4)	Mar-gin at 10% on fresh loans in col. 7	Sur-plus dispo-sable re-sour-ces avail-able for mar-gin in col. 8 (col. 5-col. 2)	Deficit (—)/ surplus (+) (col. 9-col. 8)	Mar-gin requir-ed for maxi-mum out-stand-ings at 25% of col. 6	Amount reckoned as available for col. 11				Deficit (—)/ Surplus (+) in 25% margin (col. 15-col. 11)	Net deficit (—)/ Sur-plus (+) in mar-gin	Outside borrow-ings (col. 6-Total of col. 11 and surplus in col. 16)
											Mar-gin for fresh loans (col. 8)	Sur-plus as in col. 10	Non-con-verti-ble over-dues (col. 4)	Total (cols. 12+13+14)			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Ahmednagar ...	372	275	97	647	1,533	1,436	144	275	+131	383	144	131	97	372	— 11	— 11	1,150
Dhulia ...	165	57	108	310	808	700	70	145	+ 75	202	70	75	108	253	+ 51	+ 51	555
Jalgaon ...	324	204	120	538	1,221	1,101	110	214	+104	305	110	104	120	334	+ 29	+ 29	887
Kolaba ...	79	6	73	106	346	273	27	27	—	86	27	—	73	100	+ 14	+ 14	246
Kolhapur ...	113	—	113	415	1,191	1,078	108	302	+194	298	108	194	113	415	+ 117	+117	776

1		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Nasik	...	261	81	180	467	1,170	990	99	206	+ 107	292	99	107	180	386	+ 94	+ 94	784
Poona	...	152	29	123	403	599	476	48	251	+ 203	150	48	203	123	374	+ 224	+224	225
Ratnagiri	...	27	—	27	66	165	138	14	39	+ 25	41	14	25	27	66	+ 25	+ 25	99
Sangli	...	147	37	110	353	972	862	86	206	+ 120	243	86	120	110	316	+ 73	+ 73	656
Satara	...	169	26	143	254	770	627	63	85	+ 22	192	63	22	143	228	+ 36	+ 36	542
Sholapur	...	183	81	102	371	708	606	61	188	+ 127	177	61	127	102	290	+ 113	+113	418
Thana	...	69	—	69	89	259	190	19	20	+ 1	65	19	1	69	89	+ 24	+ 24	170
Akola	...	230	50	180	269	745	565	56	39	— 17	186	56	—	180	236	+ 50	— 17	509
Amravati	...	276	91	185	232	742	557	56	—	— 56	185	56	—	185	241	+ 56	— 56	501
Bhandara	...	144	2	142	138	438	296	30	—	— 30	109	30	—	142	172	+ 63	— 30	266
Buldana	...	279	225	54	252	696	642	64	—	— 64	174	64	—	54	118	— 56	—120	522
Chanda	...	166	29	137	131	424	287	29	—	— 29	106	29	—	137	166	+ 60	— 29	258
Nagpur	...	49	24	25	82	339	314	31	33	+ 2	85	31	2	25	58	— 27	— 27	254
Wardha	...	106	15	91	102	332	241	24	—	— 24	83	24	—	91	115	+ 32	— 24	217
Yeotmal	...	288	35	253	297	874	621	62	9	— 53	218	62	—	253	315	+ 97	— 53	559
Aurangabad	...	247	186	61	277	769	708	71	30	— 41	192	71	—	61	132	— 60	—101	577
Bhir	...	160	89	71	170	368	297	30	10	— 20	92	30	—	71	101	+ 9	— 20	267
Nanded	...	379	167	212	381	730	518	52	2	— 50	182	52	—	212	264	+ 82	— 50	466
Osmanabad	...	258	156	102	284	646	544	54	26	— 28	161	54	—	102	156	— 5	— 33	485
Parbhani	...	210	127	83	212	585	502	50	2	— 48	146	50	—	83	133	— 13	— 61	439
Total	...	4,853	1,992	2,861	6,846	17,430	14,569	1,458	2,109	+1,111 — 460	4,353	1,458	1,111	2,861	5,430	+1,249 — 172	+800 —632	11,828

ANNEXURE XV

Estimate of borrowings by Central Co-operative Banks from the Maharashtra State Co-operative Bank and the Reserve Bank of India in 1973-4

Rupees lakhs

Name of the bank	Audit class	Outside borrowings	Apex bank's expected involvement	Borrowings required from RBI if prescribed margin is maintained (col. 3-col. 4)	Borrowings required from RBI if prescribed margin is not maintained	¼ of col. 6	Owned funds as on 30-6-72	Deficit in owned funds for RBI limit eligibility (col. 8-col. 7)	RBI limit for 1972-3
1	2	3	4	5	6	7	8	9	10
Ahmednagar ...	A	1,150	20	1,130	1,141	285	343	—	800
Dhulia	B	555	90	465	465	116	131	—	200
Jalgaon	B	887	91	796	796	199	181	18	250
Kolaba	B	246	40	206	206	51	62	—	75
Kolhapur	A	776	20	756	756	189	250	—	800
Nasik ...	B	784	120	664	664	166	185	—	500
Poona	A	225	—	225	225	56	173	—	125
Ratnagiri	B	99	8	91	91	23	44	—	25
Sangli ...	A	656	100	556	556	139	153	—	500

1	2	3	4	5	6	7	8	9	10
Satara	A	542	72	470	470	117	143	—	375
Sholapur	A	418	104	314	314	78	166	—	180
Thana ...	B	170	22	148	148	37	84	—	50
Akola ...	C	509	33	476	493	123	137	—	250
Amravati	B	501	56	445	501	125	138	—	240
Bhandara	B	266	24	242	272	68	95	—	150
Buldana	C	522	32	490	610	152	220	—	200
Chanda	C	258	40	218	247	62	80	—	150
Nagpur	C	254	32	222	249	62	116	—	150
Wardha	B	217	30	187	211	53	71	—	100
Yeotmal ...	B	559	106	453	506	126	182	—	250
Aurangabad ...	B	577	36	541	642	160	189	—	250
Bhir ...	C	267	12	255	275	69	110	—	100
Nanded	B	466	100	366	416	104	155	—	—
Osmanabad ...	C	485	—	485	518	130	176	—	300
Parbhani ...	B	439	12	427	488	122	140	—	200
Total ...		11,828	1,200	10,628	11,260	2,812	3,724	18	6,220