

**ALL-INDIA
RURAL CREDIT SURVEY**

**DISTRICT MONOGRAPH
HASSAN**

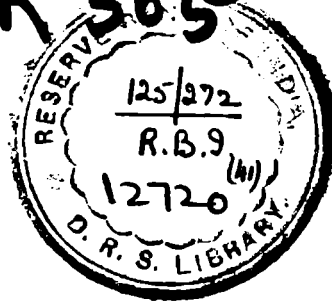


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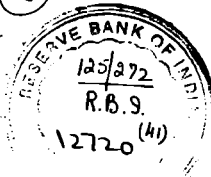


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BOMBAY-1959

Price: Rs 6.75

Copies of the publication may be obtained from the Administrative Officer, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay-1. Cheques should be drawn in favour of the Reserve Bank of India.

FOREWORD

The All-India Rural Credit Survey was conducted in 1951-2 by the Committee of Direction appointed by the Reserve Bank of India. The investigation extended over nearly 1,30,000 families resident in 600 villages and the various types of credit agencies in 75 selected districts spread all over the country. The data collected covered all important aspects of the working of the system of rural credit in the 75 districts. The detailed study of the material in all its aspects has been completed and the Report of the Committee has been published in three volumes, namely, Volume I, the Survey Report, containing discussions on the results of the Survey, Volume II, the General Report, containing the recommendations of the Committee and Volume III, the Technical Report, containing a description of the technique of the Survey and the various statistical statements prepared from the data. In order to obtain integrated pictures of the working of the rural credit machinery under different local types of economies and to provide a basis for preparation of the All-India Report, preliminary monographs were prepared on each of the 75 selected districts. A few of these are being selected for revision and publication.

2. Each district monograph can broadly be divided into three parts. The first part describes the main features of the agricultural economy of the district as well as of the villages selected for investigation and provides the necessary background for the study of rural credit. The second part is mainly devoted to an analysis of the 'demand' aspect of rural credit. The third part gives a detailed description and assessment of the working of the rural credit organization. Although the treatment of subject-matter is generally on the lines of the All-India Report, the monographs attempt to focus attention on special problems in the districts, besides presenting a review of the detailed economic and credit pattern of the district. The monographs may, therefore, provide some assistance in formulation and adaptation of agricultural credit policy with reference to different types of economic conditions and in devising measures for dealing with problems of special importance to particular agricultural tracts.

3. The data presented in each district monograph are based on field investigation in eight villages selected by adopting the stratified random sampling method. All the families in each of these villages were covered by a general schedule and this was supplemented by an intensive enquiry confined to a small sub-sample of fifteen cultivating families in each of the selected villages, making a total of 120 cultivating families for the district. The district data presented in the monographs mean, for all purposes for which the data were collected, the data for the villages in the sample. It is, of course, not the raw data for all the eight villages but the data for the eight villages weighted in a particular way. Districts in India are usually rather large

FOREWORD

in area and are populous. In most of them physical and crop conditions differ materially from one part to another. The number of villages in the sample was not large and a further limitation was imposed by one-half of the sample being confined to villages with co-operative credit societies. The result has often been that all parts of the district have not necessarily been adequately represented in the sample and the total picture presented by the weighted village data for the district may not accord with the average picture for the whole district. It may thus happen that the picture presented for the district by the village data does not correspond, in particular cases, to the general conception of conditions in the district or to the average figures. The fact remains, however, that they represent conditions in at least some parts of the district. Since the main objective was to study conditions not necessarily of whole areas identified with administrative units or districts bearing particular names, but with samples of varying conditions throughout the country, the different district pictures presented have full validity and considerable value for the study of different conditions in agricultural credit.

4. A draft monograph on Hassan district was prepared by Shri T. S. Rao of the Reserve Bank of India who was the Regional Controller in charge of the field investigations in the district. The monograph was edited for publication by Shri K. P. N. Nair of the Division of Statistics, Department of Research and Statistics. The responsibility for the views expressed is that of the author and not of the Reserve Bank of India.

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Principal Adviser
to the Reserve Bank of India.

Reserve Bank of India,
Central Office,
BOMBAY.
April 14, 1959.

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




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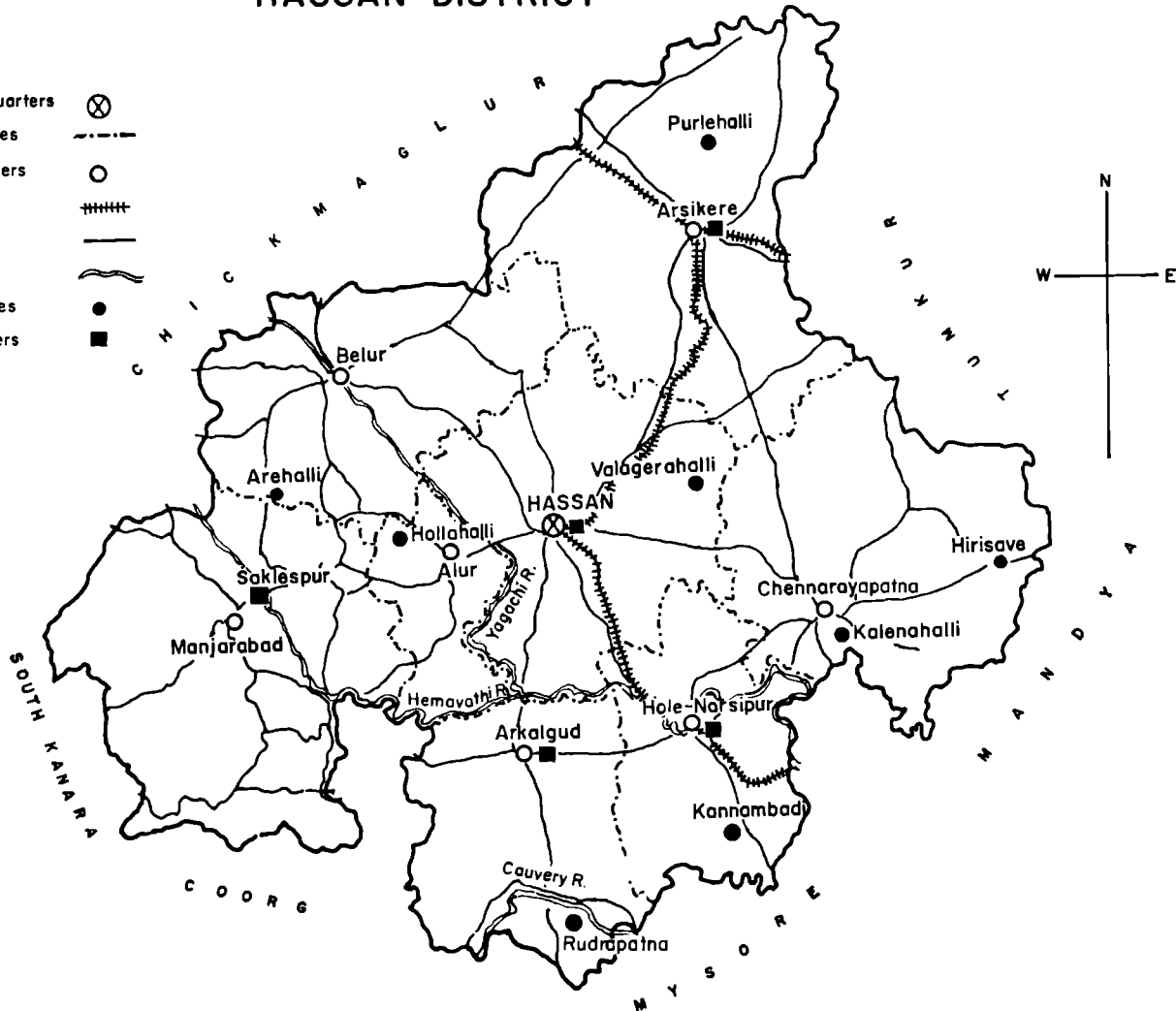
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The following symbols have been used in the tables :
 — to represent 'nil' or a negligible figure.
 .. to indicate that the figure is not available.

HASSAN DISTRICT

- District Headquarters 
- Tahsil Boundaries 
- Tahsil Headquarters 
- Railways 
- Roads 
- Rivers 
- Selected Villages 
- Marketing Centers 



CHAPTER I

GENERAL FEATURES

1.1 LOCATION, AREA AND POPULATION

The Hassan district is one of the western districts of the Mysore State bordered on the north by the Chickmagalur district, on the east by the Tumkur and Mandya districts, on the south by the Mysore district and Coorg, and on the west by the South Kanara district of the erstwhile Madras State. The district had an area of 2,617.8 square miles and a population of 7,15,135 according to the 1951 Census. The district is divided into eight talukas. The following table shows the distribution of the population in the rural and urban areas in each of the talukas.

TABLE 1.1—AREA AND POPULATION OF HASSAN DISTRICT

Taluka	Area in square miles	Number of villages	Number of towns	POPULATION			Density of population (persons per square mile)	Rural population as percentage of total population
				Total	Rural	Urban		
	1	2	3	4	5	6	7	8
Hassan.....	356.5	350	1	1,32,447	1,07,578	24,869	372	81.2
Alur.....	164.3	232	1	33,380	30,876	2,504	203	92.5
Arsikere.....	478.4	316	2	1,40,687	1,23,166	17,521	294	87.5
Belur.....	310.5	317	1	70,487	64,779	5,708	227	91.9
Manjarabad.....	407.3	215	1	53,398	47,820	5,578	131	89.6
Arkalgud.....	265.1	242	2	85,739	75,730	10,009	323	83.3
Hole-Narsipur.....	231.9	196	1	79,322	66,808	12,514	342	84.2
Chennarayapatna.....	403.8	362	2	1,19,675	1,10,982	8,693	296	92.7
District.....	2,617.8	2,230	11	7,15,135	6,27,739	87,396	273	87.8

(Source : 1951 Census Handbook, Hassan District)

Almost 90 per cent of the population belonged to the rural areas. The proportion of rural population to the total population was lowest in Hassan taluka, where it was about 80 per cent. The density of population was lower in Manjarabad, Alur and Belur, as compared to other talukas ; as will be seen later, Manjarabad and parts of Alur, Belur and Arkalgud talukas constitute the *malnad* tract of the district.

According to the 1951 Census data on principal means of livelihood, cultivators of land wholly or mainly owned and their dependents constituted about 72 per cent of the population. Cultivators of land wholly or mainly unowned and their dependents formed nearly 3 per cent of the population. Agricultural labourers and their

dependents constituted about 6 per cent of the population, while non-cultivating owners of land, agricultural rent receivers and their dependents formed about 3 per cent of the population. Thus, agriculture was the principal means of livelihood for more than 80 per cent of the total population.

In the table below the taluka-wise data on occupational distribution of the population are presented.

TABLE 1.2—POPULATION ACCORDING TO LIVELIHOOD CLASSES

Taluka	AGRICULTURAL CLASSES				NON-AGRICULTURAL CLASSES			
	Cultiva- tors of land wholly or mainly owned and their depend- ents	Cultiva- tors of land wholly or mainly unown- ed and their depend- ents	Culti- vating labour- ers and their depend- ents	Non- culti- vating owners of land, agricul- tural rent receiv- ers and their depend- ents	PERSONS (INCLUDING DEPENDENTS) WHO DERIVE THEIR PRINCIPAL MEANS OF LIVELIHOOD FROM			
					Pro- duc- tion other than culti- vation	Com- mer- ce	Trans- port	Other ser- vices and mis- cellan- eous sources
1	2	3	4	5	6	7	8	
Hassan.....	96,218 (72.6)	1,585 (1.2)	2,130 (1.6)	3,945 (3.0)	6,371 (4.8)	5,958 (4.5)	1,325 (1.0)	14,915 (11.3)
Alur.....	21,911 (65.6)	2,333 (7.0)	3,455 (10.4)	1,389 (4.2)	2,090 (6.3)	383 (1.1)	18 (0.1)	1,801 (5.4)
Arsikere.....	1,04,023 (73.9)	2,091 (1.5)	4,906 (3.5)	4,240 (3.0)	6,653 (4.7)	6,988 (5.0)	1,456 (1.0)	10,330 (7.3)
Belur.....	44,724 (63.4)	4,512 (6.4)	9,011 (12.8)	3,017 (4.3)	2,986 (4.2)	1,769 (2.5)	72 (0.1)	4,396 (6.2)
Manjarabad.....	21,467 (40.2)	2,579 (4.8)	16,402 (30.7)	1,000 (1.9)	4,901 (9.2)	2,000 (3.7)	353 (0.7)	4,696 (8.8)
Arkalgud.....	63,162 (73.7)	3,718 (4.3)	2,844 (3.3)	3,338 (3.9)	4,772 (5.6)	2,382 (2.8)	112 (0.1)	5,411 (6.3)
Hole-Narsipur.....	62,432 (78.7)	930 (1.2)	1,289 (1.6)	1,649 (2.1)	3,862 (4.9)	2,538 (3.2)	238 (0.3)	6,404 (8.1)
Chennarayapatna.....	99,866 (83.4)	726 (0.6)	3,401 (2.8)	3,601 (3.0)	4,229 (3.5)	2,052 (1.7)	122 (0.1)	5,678 (4.7)
District.....	5,13,803 (71.8)	18,474 (2.6)	43,418 (6.1)	22,179 (3.1)	35,864 (5.0)	24,070 (3.4)	3,696 (0.5)	53,631 (7.5)

(Source : 1951 Census Handbook, Hassan District. Note : Figures in brackets denote percentages to the total population)

The pattern of distribution of the population according to the livelihood classes in the different talukas is largely similar to that for the district as a whole. A notable divergence in pattern is seen in Manjarabad taluka, where the proportion of cultivators was lower and the proportion of agricultural labourers higher, than in other talukas. The population depending upon non-agricultural occupations was small in every taluka. Among the non-agricultural occupations, 'other services and miscellaneous sources' was generally the most important; production other than

cultivation was generally the principal means of livelihood of only about 5 per cent or less of the population in the different talukas.

Of the total population of 5,32,277 reporting cultivation of land as the principal means of livelihood, 1,29,091 or 24 per cent were self-supporting persons and 9,061 or slightly less than 2 per cent were earning dependents; the rest were wholly dependent on the self-supporting persons.

Only a very small percentage of the cultivators had secondary means of livelihood. Of the 1,29,091 self-supporting cultivators, 14,738 or 11 per cent followed non-agricultural occupations as secondary means of livelihood, while 684 supplemented their income from cultivation through agricultural labour. Among the earning dependents of cultivators, 6,361 were engaged in non-agricultural occupations and 887 were agricultural labourers, while the rest were cultivators or agricultural rent receivers. These data indicate that, by and large, the cultivators in the district depended wholly on the land for their livelihood.

1.2 PHYSICAL FEATURES

The major part of the district consists of high level land. The district can be broadly divided into two geographical regions, namely, the *malnad* or hilly region and the *maidan* or plains region. The *malnad* is the western part of the district extending from the Western Ghats up to about 18 miles to the west of Hassan town which is centrally situated. This tract comprises Manjarabad taluka and parts of Alur, Belur and Arkalgud talukas, and constitutes about one-third of the area of the district. It is a land of magnificent hills, valleys and forests and presents a most diversified and charming scenery. The hill sides are full of woods with stately trees of various kinds, under the shade of which tea, coffee and cardamom are grown. The valleys, watered by perennial streams, are full of verdant foliage. Here and there stretches of uplands covered with the finest grass provide excellent grazing grounds. The *maidan* tract consists of plain but undulating territory. There are, in this tract, some extensive woodlands consisting of shrub jungle and grazing lands; the rest of the tract is mostly under cultivation, which is of a varied character, consisting of patches under rice, coconut, arecanut and sugar-cane, but mostly of dry crops such as millets, pulses, groundnut, castor seed and cotton. The river Cauvery flows through the southern portion of the district. The other important river flowing through the district is the Hemavathi, which joins the Cauvery in the Mysore district.

There are three well-marked seasons during the year. These are the rainy season, the cold-weather season and the hot-weather period. The rainy season commences with the break of the South-West monsoon early in June and ends with the waning of the North-East monsoon in November. The cold season, which sets in after the rains, lasts up to the middle of February. The hot-weather period lasts from middle of February till the end of May. The summer heat in the district is by no means excessive; the altitude and the forest-clad *malnad* tend to moderate the heat to a substantial extent.

The average annual rainfall of the district is about 40 inches. The precipitation is heavier in the *malnad* areas than in the *maidan* tract. The South-West monsoon brings in the major part of the rainfall in the district. During the agricultural year 1951-2 the rainfall was lower than normal at about 34 inches. In the immediately preceding agricultural year, the weak monsoon in the beginning of the rainy season and the unsatisfactory distribution of the rainfall during the growing period of crops resulted in the stunted growth and poor yield of crops. It has been reported that during one or two years preceding also, the rainfall was both short in extent and unevenly distributed, thereby affecting the crops adversely.

The district has a wide variety of soils such as forest loams and red laterite, the ferruginous and clayey soil of the hill slopes and the sandy or gravelly soil of the plains. Alluvial soils are comparatively rare even in the river valleys.

1.3 LAND UTILIZATION

The table below presents the data relating to the land utilization in Hassan district during 1951-2.

TABLE 1.3—LAND UTILIZATION IN HASSAN DISTRICT, 1951-2

Land use	Area (Acres)	Percentage to the total area
Total area according to village papers.....	15,92,977	100.0
Forests	61,720	3.9
Barren and uncultivable land.....	46,144	2.9
Land put to non-agricultural uses.....	1,04,070	6.5
Cultivable waste.....	90,447	5.7
Permanent pastures and other grazing land.....	3,72,620	23.4
Land under miscellaneous tree crops and groves not included in net area sown.....	10,617	0.7
Current fallows.....	2,79,264	17.5
Other fallow lands.....	29,126	1.8
Net area sown.....	5,98,969	37.6
Area sown more than once.....	20,117	1.3
Total cropped area	6,19,086	38.9

(Source : *Season and Crop Report of the Mysore State for the Agricultural Year 1951-2*)

The table shows that of the total area of nearly 16 lakh acres for which village papers existed, the area sown was only about 6 lakh acres. The area sown averaged only slightly more than an acre *per capita* of the cultivating population. Only about one per cent of the total area was sown more than once. Permanent pastures and other grazing lands occupied about one-fourth of the total area, while fallow lands accounted for almost one-fifth of the total area. Forests, found mostly in the *malnad* tract, occupied about 4 per cent of the total area. These forests are rich in sandal wood, teak and other valuable varieties of timber and also yield a host of minor forest produce.

The net area irrigated in the district during 1951-2 was 97,499 acres, which formed about 16 per cent of the net area sown. Tanks constituted the major source of water supply ; there were 211 major and 3,730 minor tanks irrigating a total area of 63,744 acres. Government canals of a total length of 143 miles supplied water to 17,841 acres. Wells irrigated 148 acres and other sources irrigated 15,766 acres. The irrigated area was almost exclusively used for rice cultivation. Sugar-cane was grown over about 2,900 acres of the irrigated area.

Agriculture in the district is noted for the diversity of crops cultivated. Food-grains are raised over the major part of the area sown. Among these, rice and *ragi* are the most important ; the other foodgrains raised are *jowar* and some varieties of minor cereals and pulses. The commercial crops cultivated in the district include coconut, coffee, tea, cotton, cardamom, oilseeds such as groundnut, sesamum, castor, etc., and a wide variety of fruits and vegetables and condiments and spices. The plantation crops such as coffee, tea and cardamom are almost exclusively confined to the *malnad* area ; apart from these crops, rice, coconut and arecanut are also grown in the *malnad*. In the table below the data relating to area under different crops in the district during 1951-2 are set out.

TABLE I.4—CROP PATTERN IN HASSAN DISTRICT, 1951-2

Crop	Area sown (Acres)	Percentage to total area sown	Crop	Area sown (Acres)	Percentage to total area sown
Foodgrains	3,68,967	59.6	Cash crops (concluded)		
Rice.....	93,560	15.1	Coffee.....	36,961	6.0
<i>Ragi</i>	1,79,033	28.9	Tea.....	7,130	1.2
Other cereals and millets..	8,860	1.4	Cardamom.....	15,133	2.4
Pulses.....	87,514	14.1	Chillies.....	7,532	1.2
Cash Crops	2,50,119	40.4	Other condiments and spices.....	11,593	1.9
Coconut.....	42,749	6.9	Sugar-cane.....	2,919	0.5
Groundnut.....	4,037	0.7	Fruits and vegetables....	21,416	3.5
Castor.....	8,143	1.3	Fodder crops.....	53,483	8.6
Sesamum.....	6,668	1.1	Green manure crops.....	4,674	0.8
Other oilseeds.....	7,175	1.2	Other crops.....	3,690	0.6
Cotton.....	16,816	2.7	Total area sown	6,19,086	100.0

(Source : *Season and Crop Report of the Mysore State for the Agricultural Year 1951-2*)

There are two important crop seasons in the district, except with regard to garden crops. These are the *kharif* season known as *mungari* and the *rabi* season known as *hingari*. Both the important foodgrain crops, *ragi* and paddy, are *mungari* crops, for which ploughing starts during April to June, sowing in June or July, transplantation in July to September and harvesting and threshing in November to January or February. Oilseeds, cotton and most of the pulses are also grown as *mungari* crops. During 1951-2, due to inclement weather conditions the yield per acre was much below normal for some of the principal crops. For instance, the

yield per acre of *ragi* during the year was only 347 pounds as compared to the normal yield per acre of 1,043 pounds, while the yield per acre of gram in 1951-2 was only 223 pounds as compared to the standard yield of 787 pounds per acre. On the other hand, the rice crop seems to have yielded a better than normal crop, the yield during the year being 1,137 pounds per acre as compared to the normal yield of 900 pounds per acre.

1.4 TENURES AND TENANCY

Apart from the small extent of *inam* land, the entire agricultural land in the district is held under the *ryotwari* system of land tenure. The forms of tenancy prevalent in the district at the time of the enquiry were (1) fixed cash-rent basis, which was most common in the case of lands suitable for the cultivation of commercial or garden crops; (2) fixed produce-rent basis, which was most common in the case of paddy lands and (3) the produce-sharing basis, which was generally adopted in the case of dry lands. The terms of the produce-sharing tenancy showed minor variations, but generally the landlord paid the land assessment and other dues such as local cess, etc., while the tenant paid all cultivation expenses, and the produce was shared equally between the landlord and the tenant. Agreements in which the terms in regard to payment of land revenue and other charges and cultivation expenses remained the same, but the share of the landlord was less than half the total produce, were also not uncommon. Tenancy agreements in which the expenditure on land assessment was shared equally between the landlord and the tenant, or the landlord provided part of the cultivation expenses, were also prevalent. The usual period of the tenancy agreements was three years, but leases of a shorter or longer duration were also found in the district.

In pursuance of the recommendations of the Mysore Land Revenue Reforms Committee (1950), the Mysore Tenancy Act, 1952, was enacted. This Act provides, among other things, for the fixing of a minimum period of five years for tenancy, and protection of the tenant from eviction during the term of lease, except on specific grounds such as non-payment of rent, damage to the land and property of the landlord, etc., which are laid down in the Act. According to the Act, the maximum rent payable is one-half of the crops raised on the land let on lease, or its value. The Act also enables Government to fix a 'reasonable' rent, lower than the maximum, for any land, on the application of the tenant. Protection from eviction of a tenant from a house built by him on the landowner's site, and the stipulation that the first option for purchase of a dwelling house occupied by the tenant or lands cultivated by him should be given to the tenant, are some of the other provisions of the Act.

1.5 LIVESTOCK AND AGRICULTURAL IMPLEMENTS

Table 1.5 presents the livestock statistics relating to Hassan district, according to the 1951 Livestock Census.

The table shows that the plough animal is generally the bullock. Taking all bullocks and he-buffaloes into account, there were, on the average, a pair of animals

for every six to seven acres of cropped area. However, some among these animals might have been old and otherwise incapacitated and a certain number would have been engaged in carting. Allowing for these factors the average cropped area per pair of plough cattle would be somewhat higher. The breeding cows and she-buffaloes numbered about 80,000, which averages less than one animal per rural family. Dairying as an important industry does not seem to have been highly developed in the district. The cows of the local breed are not good milkers.

TABLE 1.5—NUMBER OF LIVESTOCK AND POULTRY IN HASSAN DISTRICT: 1951 LIVESTOCK CENSUS

Livestock	Number	Livestock	Number
Cattle		Young stock (buffaloes).....	37,854
Breeding bulls.....	764	Sheep.....	2,22,512
Bullocks.....	1,80,947	Goats.....	1,46,555
Breeding cows.....	56,801	Horses and Ponies	
Other cows.....	1,77,814	Males.....	355
Young stock (cattle).....	1,35,375	Females.....	411
He-buffaloes		Young stock.....	1,772
Breeding Bulls.....	1,024	Mules.....	2
Others.....	3,052	Donkeys.....	1,775
She-buffaloes		Pigs.....	8,786
Breeding buffaloes.....	25,679	Poultry.....	3,92,974
Others.....	42,864		

(Source : *Season and Crop Report of the Mysore State for the Agricultural Year 1951-2*)

According to the Livestock Census of 1951, there were 1,15,849 ploughs in Hassan district. Other agricultural implements and machinery in the district were 24,441 carts, 349 sugar-cane crushers, 8 tractors, 46 oil engines, 10 electric pumps and 207 *ghanis*. The ploughs in use in the district were mostly of the traditional type. Owing to the general poverty of the people and the small size of holdings and backwardness, modern methods of cultivation such as improved implements, lift irrigation with the help of oil or electric power, etc., had not been adopted to any appreciable extent.

1.6 MINING AND INDUSTRY

The district is reported to be rich in certain kinds of mineral resources, chiefly, chromite, quartz, felspar, kaolin, asbestos and various types of clay. At the time of our enquiry chromite mines were being worked by several concerns, including one owned by the Government of Mysore. There were also a few other establishments working other types of mineral resources. Among the industrial establishments the most important were the tile factory for manufacture of mangalore tiles and the Government factory for the production of agricultural implements, both located in Hassan town. Other main industrial concerns in the district were those engaged in the processing of agricultural or forest produce, such as rice mills, oil mills and saw mills. On the whole the district had not been developed industrially to any appreciable extent.

Handloom weaving of cotton and woollen textiles was reported to be the most important cottage industry of the district. The woollen products of the handlooms are mostly *kambli*s or coarse shawls. Carpentry, smithy, pottery and making of brass and copper-ware are some of the other cottage industries found in the district. Like the large-scale industries, the cottage industries were not widespread or well-developed. The proportion of the population which followed industrial occupations, either as principal or as subsidiary means of livelihood, was small. As was seen earlier, all non-agricultural occupations together provided the principal means of livelihood for only less than 20 per cent of the population.

1.7 TRANSPORT

The district is served by two metre-gauge lines of the Southern Railway, one being part of the Bangalore-Poona route passing through Arsikere and the other being part of the line from Arsikere to Mysore. Hassan, the district headquarter town, is located on the latter line. Both the lines pass through the *maidan* part of the district. The major part of the inland trade and traffic of the district is road-borne. On most of the roads bus and lorry services ply. Road facilities are comparatively poor in the *malnad* tract, several parts of which are not accessible even by country carts. The only way of transporting goods in these parts is by head loads. The condition of several roads is far from satisfactory.

1.8 RURAL CREDIT SURVEY: OBJECTS AND METHODS

In the chapters which follow, the data collected in the All-India Rural Credit Survey from Hassan district are discussed. Before proceeding to these discussions, some comments are offered in relation to the object and methods of the Survey. Detailed discussion on the methods of the enquiry, the concepts, etc., would be found in the Survey Report and the Technical Report of the Committee of Direction of the All-India Rural Credit Survey.

The object of the All-India Rural Credit Survey, conducted in 1951-2, was to study the working of the rural credit system in relation to its two aspects, namely, the demand for credit of the rural families and the supply of credit in the rural areas by institutional and private credit agencies. The investigations in connexion with the 'demand' aspect were conducted in eight selected villages, namely, Arehalli, Hirisave, Kannambadi, Rudrapatna, Hollahalli, Kalenahalli, Purlehalli and Valagerahalli. The selection of villages was made with probability proportional to population; also the selection was made such that four villages in the sample were villages where co-operative credit societies existed. Arehalli, Hirisave, Kannambadi and Rudrapatna were villages with co-operative credit societies.

For the 'demand' aspect, all resident families from each selected village were investigated using the General Schedule. In this schedule information was collected in relation to the size of cultivated holdings, expenditure on specified items of capital expenditure in farm and non-farm business, family expenditure and financial investment expenditure, sale of assets, borrowings and repayments during the period of twelve months immediately preceding the month of visit, and outstanding debt as

on the date of visit. The schedule was filled during the period November 1951 to March 1952 in the different villages. Further, a sample of fifteen selected cultivating families from each selected village was investigated in detail through an intensive enquiry using six schedules and five questionnaires. In the intensive enquiry, data were collected in two rounds of visits ; in the first round of visits, undertaken immediately after the completion of the General Schedule, information was collected for the period April to September 1951, while in the second round of visits details for the period October 1951 to March 1952 were obtained. Some of the schedules and questionnaires used in the intensive enquiry were filled in only during the second round of visits ; these collected information as on the date of visit or for the year 1951-2. The second round of visits was completed during April and May 1952. Data in relation to various aspects of the cultivator's economy, such as assets position, acquisition and liquidation of assets, farm and family expenditure, farm receipts, credit transactions, marketing practices, development plans, etc., were collected in the intensive enquiry.

The selection of cultivating families for the intensive enquiry was made by first arranging all cultivating families in the order of the size of cultivated holdings, dividing them into ten strata or deciles with roughly equal number of families and selecting at random two families from each of the first five deciles and one family from each of the last five deciles. A cultivating family was defined as a family engaged in the cultivation of any piece of land other than small garden plots. Owners of tea, coffee and rubber plantations, who did not cultivate any other crops, were not considered as cultivators.

The investigations on the 'supply' aspect of the Survey covered the various credit agencies, namely, Government, co-operatives, village and urban moneylenders, indigenous bankers, traders in agricultural commodities and commercial banks. The investigations were conducted in the villages selected for the 'demand' side enquiry as also a few other selected centres. The work on the 'supply' side, which commenced simultaneously with the second round of visits for the 'demand' side investigations, was completed by July 1952.

The 'demand' side data were tabulated separately for each of the villages. Further, the data for all villages together were obtained by a weighting procedure evolved in conformity with the sampling scheme adopted. Both the village data and the district data obtained by combining the village data have been presented in this monograph.

The data collected in the General Schedule have been presented separately for cultivators and non-cultivators. Further, the data have also been presented separately for four groups of cultivators. These four groups are the first decile, the first three deciles, the middle four deciles and the last three deciles. Cultivators in the first decile have been referred to as the 'big' cultivators, while cultivators in the first three, the middle four and the last three deciles have been referred to as the

'large', the 'medium' and the 'small' cultivators respectively. The data collected in the intensive enquiry have generally been presented separately for cultivators of the first five deciles and cultivators of the last five deciles, referred to as the upper strata cultivators and the lower strata cultivators respectively.

The size of cultivated holdings may be taken as an index of the size of farm business and, consequently, of the economic position of the cultivators. The classification according to decile-groups, which has been adopted in our analysis, therefore, affords a comparative study of the performance of cultivators with different economic position. The chief limitation to this approach lies in the fact that the gradation according to size of holdings may not reflect the gradation in economic position when there are large variations in the composition of the holdings in terms of land of varying fertility.

CHAPTER 2

SELECTED VILLAGES

The data collected in relation to the size of cultivated holdings and their distribution, and some of the data regarding farm business operations are discussed in this chapter. Some items of general information regarding the selected villages, available from the notes prepared by the field staff, are also discussed here.

2.1 NUMBER OF FAMILIES AND PROPORTION OF CULTIVATING FAMILIES

The table below gives the taluka-wise distribution of the selected villages, the period during which the General Schedule was filled, the total number of families covered by the General Schedule and the proportion of cultivating families among them.

TABLE 2.1—NUMBER OF FAMILIES COVERED IN THE GENERAL SCHEDULE

Village	Taluka	Period during which the General Schedule was filled	Number of families covered in the General Schedule	Proportion of cultivat- ing families
		1		2	3 (Per cent)
Arehalli.....	Belur.....	13 Feb. 1952 to 25 Mar. 1952.....	339	41.0
Hirisave.....	Chennarayapatna....	12 Dec. 1951 to 15 Jan. 1952.....	299	70.6
Kannambadi.....	Hole-Narsipur.....	25 Nov. 1951 to 9 Dec. 1951.....	208	39.9
Rudrapatna.....	Arkalgud.....	27 Feb. 1952 to 27 Mar. 1952.....	288	74.3
Hollahalli.....	Alur.....	27 Nov. 1951 to 30 Nov. 1951.....	26	84.6
Kalenahalli.....	Chennarayapatna....	20 Dec. 1951 to 7 Jan. 1952.....	128	79.7
Purlehalli.....	Arsikere.....	28 Jan. 1952 to 8 Feb. 1952.....	78	69.2
Valagerahalli.....	Hassan.....	1 Nov. 1951 to 10 Nov. 1951.....	112	84.8

The eight selected villages are spread over seven of the eight talukas in the district; only Manjarabad taluka is unrepresented in the sample. The villages, being drawn from all parts of the district, may be considered to be fairly representative of the variety of conditions prevalent in the district. In the first four villages co-operative credit societies existed. These villages had relatively larger number of families. Except in one of the villages, viz., Arehalli, the proportion of cultivating

families was about 70 per cent or more. In Arehalli a fairly large percentage of the population appeared to be engaged in commerce and 'other' services. The village is urbanized to a large extent and in that context the predominance of non-cultivators is as could be expected. For all the selected villages together, the proportion of cultivating families was 77 per cent according to the General Schedule ; in the district as a whole, according to the 1951 Census, about 83 per cent of the rural population consisted of cultivators and their dependents.

Two of the villages, viz., Arehalli and Hollahalli, belong to the *malnad* tract, while the remaining six villages are from the *maidan* part of the district. Arehalli is a large village connected by road with the taluka headquarters (Belur) and enjoying the facility of motor transport. Hollahalli is a typical small *malnad* village, about six miles off from the nearest road, without even a cart-track connecting it to the road. Of the six villages belonging to the *maidan* area of the district, four villages, viz., Hirisave, Rudrapatna, Kalenahalli and Kannambadi, are either on main arterial

TABLE 2.2—RANGE OF VARIATION IN THE SIZE OF CULTIVATED HOLDINGS

[General Schedule data. In acres]

Village	FIRST DECILE		SECOND DECILE		THIRD DECILE		FOURTH DECILE		FIFTH DECILE	
	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est
	1	2	3	4	5	6	7	8	9	10
Arehalli.....	25	5	5	4	4	3	3	3	3	2
Hirisave.....	38	10	9	6	6	5	5	4	4	4
Kannambadi.....	21	9	8	6	6	5	5	4	4	3
Rudrapatna.....	16	7	6	5	5	5	4	4	4	3
Hollahalli.....	26	12	8	7	5	5	4	3	3	3
Kalenahalli.....	18	8	8	7	7	6	6	5	5	5
Purlehalli.....	23	14	10	8	8	6	6	6	5	4
Valagerahalli.....	19	10	9	7	7	5	5	5	5	4

Village	SIXTH DECILE		SEVENTH DECILE		EIGHTH DECILE		NINTH DECILE		TENTH DECILE	
	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est
	11	12	13	14	15	16	17	18	19	20
Arehalli.....	2	2	2	2	2	1	1	1	1	-
Hirisave.....	4	3	3	2	2	2	2	1	1	-
Kannambadi.....	3	3	3	2	2	1	1	1	1	-
Rudrapatna.....	3	3	3	2	2	2	2	1	1	-
Hollahalli.....	3	2	2	2	2	2	2	1	1	1
Kalenahalli.....	5	4	4	3	3	2	2	1	1	-
Purlehalli.....	4	3	3	3	3	2	2	2	2	1
Valagerahalli.....	4	4	3	3	2	2	2	2	1	-

roads or very near them, and thus enjoy the facility of transport by buses and lorries as well as by bullock carts. The other two villages, viz., Purlehalli and Valagerahalli, are rather distant from good roads and are connected only by cart-tracks which are difficult to use in the rainy season.

2.2 SIZE OF CULTIVATED HOLDINGS

Table 2.2 gives the range of the size of cultivated holdings in the different villages, separately for each of the ten deciles into which the cultivating families were divided.

The data reveal the generally small size of the cultivated holdings. Barring the first decile, the holdings were ten acres or less in extent. The cultivators in the last three deciles had generally holdings less than two acres in extent; most of those in the last decile had extremely small holdings measuring one acre or less.

In the table below the average size of cultivated holdings of the different classes of cultivators and the proportion of cultivated holdings held by each class are given.

TABLE 2.3—DISTRIBUTION OF CULTIVATED HOLDINGS AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Village	AVERAGE SIZE OF CULTIVATED HOLDINGS PER FAMILY (ACRES)					SHARE OF CULTIVATED HOLDINGS (PER CENT)			
	Big cultivators	Large cultivators	Medium cultivators	Small cultivators	All cultivators	Big cultivators	Large cultivators	Medium cultivators	Small cultivators
	1	2	3	4	5	6	7	8	9
Arehalli.....	10.1	5.9	2.3	1.0	3.0	34.1	59.8	30.0	10.2
Hirisave.....	17.1	10.1	3.5	1.2	4.8	35.7	63.3	29.2	7.5
Kannambadi.....	12.0	8.1	3.1	1.2	4.1	30.1	61.2	30.1	8.7
Rudrapatna.....	10.2	7.0	3.2	1.2	3.7	28.2	56.6	33.4	10.0
Hollahalli.....	16.7	10.7	2.8	1.4	4.9	46.7	70.1	20.6	9.3
Kalenahalli.....	11.3	8.4	4.7	1.5	4.8	25.2	52.6	37.8	9.6
Purlehalli.....	17.0	11.4	4.2	1.9	5.7	32.9	62.3	27.1	10.6
Valagerahalli.....	13.4	9.4	4.1	1.7	5.0	28.1	58.9	31.0	10.1
District.....	14.2	9.4	3.7	1.5	4.8	33.0	61.0	29.3	9.7

The data relating to the share of the different classes of cultivators in the total cultivated holdings reveal the extent of concentration in the holdings. The big cultivators, constituting 10 per cent of the total number of cultivators, held between 25 per cent and 47 per cent of the total area of cultivated holdings in the different villages; for all villages together, the proportion of cultivated holdings held by this group was 33 per cent. The share of the large cultivators, numbering 30 per cent of the total number of cultivators, varied from about 53 per cent to as much as 70 per cent of the total area of cultivated holdings in the different villages. The small cultivators, constituting 30 per cent of the total number of cultivators, generally held only about 10 per cent of the area of cultivated holdings. The concentration of cultivated holdings among the upper deciles was of the highest order in Hollahalli and of the lowest order in Kalenahalli.

The data relating to area of cultivated holdings and area sown, available from the intensive enquiry, are presented in Table 2.4. These show that generally the area sown averaged less than the average area of cultivated holdings. This feature is noticeable to a greater extent in the upper deciles than in the lower. It would appear that the area available for cultivation could not be fully utilized on account of the need for leaving current fallows, lack of facilities for raising a second crop or similar other reasons.

TABLE 2.4—AVERAGE SIZE OF CULTIVATED HOLDINGS AND AVERAGE AREA SOWN

[Intensive enquiry data. In acres per family]

Village	UPPER STRATA CULTIVATORS		LOWER STRATA CULTIVATORS		ALL CULTIVATORS	
	Average size of cultivated holdings	Average area sown	Average size of cultivated holdings	Average area sown	Average size of cultivated holdings	Average area sown
	1	2	3	4	5	6
Arehalli.....	6.0	5.9	1.4	1.4	3.7	3.6
Hirisave.....	6.5	5.5	2.0	2.4	4.3	3.9
Kannambadi.....	5.6	5.2	1.8	2.2	3.7	3.7
Rudrapatna.....	5.2	4.9	2.0	2.0	3.6	3.4
Hollahalli.....	7.6	4.9	1.8	1.4	4.7	3.1
Kalenahalli.....	7.2	7.0	2.6	2.9	4.9	4.9
Purlehalli.....	9.0	8.2	2.8	2.6	5.9	5.4
Valagerahalli.....	7.5	5.6	2.4	2.3	5.0	4.0
District.....	7.3	6.2	2.2	2.2	4.8	4.2

2.3 PLOUGH CATTLE OWNED

The table below gives details regarding the proportion of cultivating families owning plough cattle, the number of plough cattle owned per reporting cultivating family and the area of cultivated holdings per pair of plough cattle owned.

TABLE 2.5—PLOUGH CATTLE OWNED BY CULTIVATORS

[General Schedule data]

Village	Proportion of families owning plough cattle	Average number of plough cattle owned per reporting family	Area of cultivated holdings per pair of plough cattle owned
	(Per cent)		(Acres)
	1	2	3
Arehalli.....	77.7	2.5	3.0
Hirisave.....	73.0	2.2	6.0
Kannambadi.....	81.8	2.0	4.9
Rudrapatna.....	66.4	2.2	5.2
Hollahalli.....	88.4	2.6	4.4
Kalenahalli.....	69.6	2.1	6.6
Purlehalli.....	88.9	2.7	4.8
Valagerahalli.....	80.0	2.1	5.9

About two-thirds or more of the cultivating families owned plough cattle in the different villages. The average number of plough cattle owned per reporting cultivating family was about two. On the average a pair of plough cattle was available for every five acres or so of the cultivated holdings.

The proportion of families owning plough cattle and the average number of plough cattle owned per reporting family generally declined from the first decile to the last decile. This may be seen from the table below.

TABLE 2.6—PLOUGH CATTLE OWNED BY CULTIVATORS IN THE DIFFERENT DECILES

[General Schedule data]

	First decile	Second decile	Third decile	Fourth decile	Fifth decile	Sixth decile	Seventh decile	Eighth decile	Ninth decile	Tenth decile	All cultivators
	1	2	3	4	5	6	7	8	9	10	11
Proportion of families owning plough cattle (per cent)...	98.3	95.4	84.9	84.7	86.0	88.2	75.2	70.8	69.0	45.2	79.5
Average number of plough cattle owned per reporting family.....	3.9	2.5	2.2	2.1	2.1	2.0	2.0	2.0	1.8	1.9	2.3

2.4 VALUE OF GROSS PRODUCE AND CASH RECEIPTS

The data relating to value of gross produce and cash receipts during the period April 1951 to March 1952 were collected from the selected cultivating families investigated in the intensive enquiry. These data are subject to certain limitations which are discussed in Chapter 8. In Table 2.7 we have presented the average value of gross produce and cash receipts per family for the upper and the lower strata cultivators in the different villages, to indicate the inter-village variations.

Although the inter-village variation in the average area sown per family was small, the value of gross produce per family varied considerably from village to village. The value of gross produce per family was very low in Hirisave and Kannambadi. It would appear that the inclement climatic conditions, to which reference was made earlier, affected these villages to a greater extent than other villages. Receipts from sale of crops and fodder exceeded the value of gross produce among both the upper and the lower strata cultivators in Purlehalli and among the upper strata cultivators in Hirisave, Kalenahalli and Valagerahalli. The excess of sale proceeds over value of gross produce is particularly marked in Purlehalli. In all these cases there should have been substantial carry-over of produce from the previous year.

The lower strata cultivators generally derived a substantial part of their cash receipts from sources other than sale of crops and fodder. For the upper strata cultivators also these 'other' sources were important. In only three villages did

cash receipts from sale of crops and fodder constitute more than half the total cash receipts of the upper strata cultivators. As will be seen later, the most important 'other' source was earnings from labour. The fact that even the upper strata cultivators had to depend to a large extent on cash wages to supplement the income from cultivation is significant.

TABLE 2.7—VALUE OF GROSS PRODUCE AND CASH RECEIPTS

[Intensive enquiry data. In rupees per family]

Village	UPPER STRATA CULTIVATORS				LOWER STRATA CULTIVATORS			
	Value of gross produce	CASH RECEIPTS			Value of gross produce	CASH RECEIPTS		
		Total	Sale of crops and fodder	Other sources		Total	Sale of crops and fodder	Other sources
	1	2	3	4	5	6	7	8
Arehalli.....	983	551	234	318	231	436	12	424
Hirisave.....	165	655	205	451	34	207	—	207
Kannambadi.....	270	269	134	135	93	182	49	134
Rudrapatna.....	969	367	166	201	399	283	101	182
Hollahalli.....	523	321	116	205	230	260	16	244
Kalenahalli.....	427	732	476	256	172	338	112	226
Purlehalli.....	662	1,376	1,157	220	194	606	500	106
Valagerahalli.....	414	726	447	278	161	206	113	94

2.5 COMPOSITION OF ASSETS

In the intensive enquiry, data were collected in relation to the owned assets of the selected cultivators as on the date of interview for the first round of the enquiry. Information was collected in respect of the value of owned land, buildings, livestock and implements and machinery, as well as dues receivable from others and financial assets in the shape of shares and deposits in co-operative societies, banks, etc., and Postal Savings and National Savings Certificates, etc. No data were collected regarding the cash balances with the cultivators and the value of bullion and ornaments owned by them. The omission of these items probably does not materially alter the total picture except, perhaps, in the case of cultivators of the upper deciles. In Table 2.8 the value of total assets and its composition in terms of assets of various types are given for the four classes of cultivators, viz., the big, large, medium and small cultivators and also for the upper and the lower strata cultivators.

The value of total assets declined with the decline in the size of cultivated holdings. The large cultivators occupied a position far superior to that of the medium and the small cultivators; among the large cultivators, the big cultivators were a class by themselves, far above the rest. For all classes of cultivators land constituted the most important item of assets accounting for about 70 per cent of the value of total assets. Buildings were the next in importance, followed by livestock. Implements

and machinery of substantial value were owned only by the large cultivators. Dues receivable from others were reported in all the classes, but they were fairly large only among the big and the large cultivators. Financial assets were reported only by the big cultivators ; the average value of such assets was only Rs 9 per family in the group.

TABLE 2.8—VALUE OF OWNED ASSETS
[Intensive enquiry data. Amount in rupees per family]

Group	Total	Owned land	Owned buildings	Owned live-stock	Owned imple-ments and ma-chinery	Out-stand-ing dues	Finan-cial assets
	1	2	3	4	5	6	7
Big cultivators.....	15,755	10,627 (67·5)	2,451 (15·5)	1,679 (10·7)	591 (3·7)	398 (2·5)	9 (0·1)
Large cultivators.....	10,149	7,099 (70·0)	1,451 (14·3)	1,135 (11·2)	264 (2·6)	197 (1·9)	3 (-)
Medium cultivators.....	3,490	2,442 (70·0)	481 (13·8)	489 (14·0)	52 (1·5)	26 (0·7)	- (-)
Small cultivators.....	2,239	1,547 (69·1)	351 (15·7)	290 (13·0)	3 (0·1)	48 (2·1)	- (-)
Upper strata cultivators.....	7,690	5,390 (70·1)	1,090 (14·2)	882 (11·5)	188 (2·4)	138 (1·8)	2 (-)
Lower strata cultivators.....	2,535	1,751 (69·1)	376 (14·8)	364 (14·3)	14 (0·6)	30 (1·2)	- (-)
All cultivators.....	5,113	3,571 (69·8)	733 (14·3)	623 (12·2)	101 (2·0)	84 (1·7)	1 (-)

(Note : Figures in brackets denote percentages to total)

CHAPTER 3

INDEBTEDNESS

In this chapter we discuss the data on outstanding debt collected in the Survey. The chapter is divided into four sections. The first section is devoted to the discussion on the volume and extent of indebtedness among the different classes of cultivators and non-cultivators. An attempt is also made in this section to study the volume of debt of cultivating families in relation to cultivated holdings, value of gross produce, etc., which are indicative of the size of the farm business. The second section deals with the growth of debt during the period covered by the enquiry, while in the third section the data collected in relation to the duration, security, purpose, etc., of the debt are discussed. In the last section the dues receivable from others, reported by the investigated families, which are not adjusted in the debt data, are presented. Both the General Schedule data for all families in the selected villages and the intensive enquiry data in relation to the selected cultivating families in these villages have been drawn upon for the discussions. While collecting the data on debt and dues, the respondents were asked to give information as on the date on which they were interviewed. The General Schedule data would, therefore, indicate the position during the period November 1951 to March 1952 and the intensive enquiry data, the position during April-May 1952. In the General Schedule only cash loan transactions were covered. In the intensive enquiry, information on loans taken in kind was also obtained ; loans in kind have, however, been discussed separately in a subsequent chapter. Except in that context, all statistics on loan transactions presented in this monograph relate to cash loans.

3.1 INCIDENCE OF DEBT

3.1.1 Proportion of indebted families

About three-fourths of the rural families covered by the General Schedule were found to be in debt. Among cultivating families the proportion indebted was high at 85 per cent, while among non-cultivating families the incidence of debt was not so widespread, the proportion indebted being only about 40 per cent. These are figures obtained by combining the data for all investigated villages. Table 3.1 brings out the inter-village variations in the proportion of indebted families.

The striking features revealed by the table are the uniformly high proportion of indebted cultivating families and the relative difference in position between cultivating families and non-cultivating families.

TABLE 3.1—PROPORTION OF INDEBTED FAMILIES

[General Schedule data]

Village	PROPORTION OF INDEBTED FAMILIES (PER CENT)		
	Cultivators	Non-cultivators	All families
	1	2	3
Arehalli.....	84.9	51.5	65.2
Hirisave.....	70.1	43.2	62.2
Kannambadi.....	81.3	57.1	78.8
Rudrapatna.....	79.0	31.1	66.7
Hollahalli.....	100.0	25.0	88.5
Kalenahalli.....	83.3	38.5	74.2
Purlehalli.....	70.4	29.2	57.7
Valagerahalli.....	88.4	47.1	82.1
District.....	84.5	38.6	73.8

The data on proportion of indebted families among the different classes of cultivators are set out in the table below.

TABLE 3.2—PROPORTION OF INDEBTED FAMILIES AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Village	PROPORTION OF INDEBTED FAMILIES (PER CENT)			
	Big cultivators	Large cultivators	Medium cultivators	Small cultivators
	1	2	3	4
Arehalli.....	92.9	90.5	85.5	78.6
Hirisave.....	66.7	65.1	72.6	71.9
Kannambadi.....	89.5	84.2	76.7	84.2
Rudrapatna.....	86.4	83.1	78.6	75.4
Hollahalli.....	100.0	100.0	100.0	100.0
Kalenahalli.....	90.9	83.9	87.5	77.4
Purlehalli.....	50.0	64.7	70.0	76.5
Valagerahalli.....	90.0	86.7	94.4	82.8
District.....	83.7	82.8	86.6	83.5

The proportion of indebted families among the different classes of cultivators did not show any consistent variation. In some villages the proportion was higher among the upper deciles than among the lower deciles of cultivators, while in other villages a relatively larger proportion of the cultivators in the lower deciles was indebted. In every class, however, the proportion indebted was high, generally exceeding 70 per cent.

3.1.2 Debt per family and per indebted family

The average debt per rural family at the time of the General Schedule enquiry was Rs 415 ; the average debt among cultivators was Rs 490 per family, while among non-cultivators it was substantially lower at Rs 171 per family. If only indebted

families are taken into account, there is not much difference in the position as between cultivators and non-cultivators ; the debt per indebted family averaged Rs 580 among cultivators and Rs 444 among non-cultivators. This indicates that although among non-cultivators a relatively larger percentage of families were free from debt, those who were in debt had almost the same order of liabilities as the cultivating families.

The table below presents the data on debt for the selected villages.

TABLE 3.3—DEBT PER FAMILY AND PER INDEBTED FAMILY

[General Schedule data. In rupees]

Village	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Debt per family	Debt per indebted family	Debt per family	Debt per indebted family	Debt per family	Debt per indebted family
	1	2	3	4	5	6
Arehalli.....	535	630	483	938	504	773
Hirisave.....	353	503	168	389	298	480
Kannambadi.....	271	333	124	217	256	324
Rudrapatna.....	632	800	189	608	518	777
Hollahalli.....	374	374	50	200	324	367
Kalenahalli.....	699	839	154	400	589	793
Purlehalli.....	298	424	75	257	229	398
Valagerahalli.....	637	721	71	151	551	671
District.....	490	580	171	444	415	563

Both the debt per family and per indebted family show considerable variation among the villages. In this connexion an element of non-comparability in the debt data needs to be mentioned. The debt at a point of time is influenced by many factors. In the case of rural families, who depend mostly on agriculture and allied occupations, the indebtedness would be largely influenced by the position of the time at which the measurement is made, *vis-a-vis* the agricultural season. Debt would tend to be cumulative in the off-season and the period of maturity of the crops, and repaid during the period following the harvest. The investigations using the General Schedule were spread over a period of about five months. The measure of debt may not, therefore, represent the same position of indebtedness in relation to annual operations in the different villages. Further, the progress of the agricultural seasons may not be uniform and even for the villages in which the investigations were conducted in the same period, this element of non-comparability may arise.

In all villages except Arehalli the debt per family among non-cultivators was much below that among cultivators. In Arehalli the difference in position between the two groups was not so marked, and what is more, the debt per indebted family was at a higher level among non-cultivators than among cultivators, which feature is not seen in any other village. It would be seen later that in regard to other

aspects of credit transactions also the non-cultivating families in this village showed a high level of activity as compared to non-cultivating families in other villages.

The table below presents data on debt per family and per indebted family among the four classes of cultivators.

TABLE 3.4—DEBT PER FAMILY AND PER INDEBTED FAMILY AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data. In rupees]

Village	BIG CULTIVATORS		LARGE CULTIVATORS		MEDIUM CULTIVATORS		SMALL CULTIVATORS	
	Debt per family	Debt per indebted family	Debt per family	Debt per indebted family	Debt per family	Debt per indebted family	Debt per family	Debt per indebted family
	1	2	3	4	5	6	7	8
Arehalli.....	2,772	2,085	1,221	1,350	275	322	188	239
Hirisave.....	904	1,356	509	783	343	472	211	294
Kannambadi.....	566	633	397	471	224	293	203	241
Rudrapatna.....	1,162	1,346	916	1,102	433	551	606	803
Hollahalli.....	1,117	1,117	684	684	266	266	187	187
Kalenahalli.....	2,007	2,208	1,214	1,447	608	695	303	392
Purlehalli.....	150	300	385	595	271	387	244	319
Valagerahalli.....	1,637	1,819	945	1,090	578	612	393	475
District.....	1,224	1,462	785	947	411	474	289	346

A pronounced downtrend in the debt per family and the debt per indebted family from the upper to the lower deciles is noticeable. The big cultivators stand apart from the rest ; their level of debt was substantially higher than that of even the large cultivators. In one of the villages, namely, Purlehalli, the debt was at a lower level among the big cultivators than among other classes of cultivators. The proportion of indebted families was also much lower among the big cultivators than among other classes, in this village.

3.1.3 Debt in relation to cultivated holdings

The capacity to bear the burden of debt and also the need to incur it vary with the size of farm business or the assets of cultivators. Debt in relation to the size of business or assets would, therefore, be a better indicator than the debt per family or per indebted family, in assessing the burden of debt on various classes of cultivators. The only information on the size of farm business collected in the General Schedule is the size of cultivated holdings ; data on assets were not obtained in this schedule. We attempt here a study of the debt per acre of cultivated holdings. The study is subject to the limitation in using the size of holdings as an indicator of the size of farm business, which has been pointed out in an earlier context.

Table 3.5 presents the data on debt per acre of cultivated holdings in the different deciles and groups of deciles.

TABLE 3.5—DEBT PER ACRE OF CULTIVATED HOLDINGS
[General Schedule data]

Decile	Size of cultivated holdings per family	Debt per family	Debt per acre of cultivated holdings
	(Acres)	(Rs)	(Rs)
	1	2	3
1.....	14.2	1,224	86
2.....	7.6	518	68
3.....	5.9	557	95
Deciles 1 to 3.....	9.4	785	83
4.....	4.8	493	104
5.....	4.0	424	106
6.....	3.4	386	112
Deciles 4 to 7.....	3.7	411	110
8.....	2.2	342	159
9.....	1.6	259	165
10.....	0.9	272	296
Deciles 8 to 10.....	1.5	289	191
All Deciles.....	4.8	490	102

The debt per acre of cultivated holdings generally increased with the decrease in the size of cultivated holdings. The debt per acre was substantially higher in the lower deciles, and especially the last decile, than in the upper deciles. The last few deciles and in particular the last decile may be expected to contain a number of part-time farmers; in their case it would not be correct to relate the entire debt to the holdings. This detracts to a certain extent the value of comparative study of the debt per acre.

3.1.4 Debt in relation to area sown, value of gross produce, cash receipts and assets

The data collected in the intensive enquiry could be utilized to study the debt position in relation to area sown, value of gross produce, cash receipts and assets, for the upper and lower strata cultivators. The following table sets out the relevant data.

TABLE 3.6—DEBT IN RELATION TO AREA SOWN, VALUE OF GROSS PRODUCE, CASH RECEIPTS AND ASSETS

[Intensive enquiry data]

Strata	Debt per family (Rs)	Debt per acre of area sown (Rs)	DEBT AS PERCENTAGE OF			
			Value of gross produce	Cash receipts	Value of owned land	Value of total assets
			3	4	5	6
Upper strata cultivators.....	805	131	152	115	14.9	10.5
Lower strata cultivators.....	386	180	204	116	22.0	15.2

The data reveal that the debt exceeded both the value of gross produce and cash receipts in both the strata. It is also seen that the debt had reached a level

exceeding 10 per cent of the value of total assets of cultivators in both the strata. The burden of debt in the district was rather on the high side. As between the two strata, the burden was clearly heavier on the lower than on the upper strata of cultivators.

3.2 GROWTH OF DEBT

Data on borrowings and repayments during a period of twelve months immediately preceding the month of enquiry were collected in the General Schedule. With the help of these data, together with the data on outstanding debt at the time of the enquiry, the debt at a time one year prior to the enquiry could be worked out. The growth of debt during the year covered by the General Schedule, both in terms of absolute amount and percentage, could then be estimated. The following table presents the data on growth of debt among cultivators, non-cultivators and all families, in each of the villages and for all villages put together.

TABLE 3.7—GROWTH OF DEBT
[General Schedule data. Amount in rupees per family]

Village	CULTIVATORS				NON-CULTIVATORS			
	Debt at the beginning of the year	Debt at the end of the year	GROWTH OF DEBT		Debt at the beginning of the year	Debt at the end of the year	GROWTH OF DEBT	
			Amount	Percentage			Amount	Percentage
	1	2	3	4	5	6	7	8
Arehalli.....	413	535	122	30	378	483	105	28
Hirisave.....	230	353	123	53	68	168	100	148
Kannambadi.....	184	271	87	47	74	124	50	68
Rudrapatna.....	400	632	232	58	176	189	13	7
Hollahalli.....	232	374	142	61	32	50	18	54
Kalenaahalli.....	565	699	134	24	143	154	11	8
Purlehalli.....	146	298	152	103	40	75	35	89
Valagerahalli.....	448	637	189	42	55	71	16	30
District.....	339	490	151	45	128	171	43	34

Village	ALL FAMILIES			
	Debt at the beginning of the year	Debt at the end of the year	GROWTH OF DEBT	
			Amount	Percentage
	9	10	11	12
Arehalli.....	391	504	113	29
Hirisave.....	182	298	116	64
Kannambadi.....	173	256	83	48
Rudrapatna.....	343	518	175	51
Hollahalli.....	201	324	123	61
Kalenaahalli.....	480	589	109	23
Purlehalli.....	114	229	115	102
Valagerahalli.....	389	551	162	42
District.....	289	415	126	44

There was substantial increase in the debt of rural families during the year covered by the enquiry ; in all except one of the villages the increase averaged more than Rs 100 per rural family. The growth, both in terms of absolute amount and percentage, was at a higher level among cultivating families than among non-cultivating families in six of the villages.

The table below presents the data on growth of debt among the different classes of cultivators.

TABLE 3.8—GROWTH OF DEBT AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data. Amount in rupees per family]

Village	BIG CULTIVATORS		LARGE CULTIVATORS		MEDIUM CULTIVATORS		SMALL CULTIVATORS	
	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage	Amount	Per-centage
	1	2	3	4	5	6	7	8
Arehalli.....	343	14	211	21	113	70	47	58
Hirisave.....	379	72	186	57	104	43	85	68
Kannambadi.....	208	58	139	54	55	33	75	33
Rudrapatna.....	723	164	492	116	153	55	74	14
Hollahalli.....	357	47	254	59	99	59	79	72
Kalenhalli.....	394	24	299	33	67	112	56	23
Purlehalli.....	83	125	114	42	171	170	166	212
Valagerahalli.....	493	43	254	37	208	56	96	32
District.....	356	41	239	44	127	45	101	46

While the increase in absolute terms is generally higher among the upper deciles, no consistent trend is noticed in the case of percentage increase in debt in the different villages. The district data show that the percentage increase was somewhat higher among the lower deciles than among the upper.

A significant feature revealed by the data is the fact that increase in debt took place during the year covered by the enquiry in every village and among every class of cultivators and non-cultivators. It is also noted that the increase in debt was generally substantial. The growth of debt during a period is determined by the borrowings and repayments during the period. The size of borrowings would depend on the need for borrowed funds to undertake capital and current expenses in business and in the household and also on the extent to which funds become available. Repayments during the year would be influenced by a number of factors, important among them being the terms and conditions of the loans, both outstanding at the beginning of the period and borrowed during the period, and the resources accruing during the period. The observed increase in debt is, thus, the resultant of a number of factors. The data collected in the enquiry in relation to these factors are discussed subsequently.

In the intensive enquiry schedules, information on outstanding debt was also collected. In the case of the selected cultivators, therefore, it would be possible to

examine to what extent the debt position changed during the period of three to four months between the General Schedule enquiry and the intensive enquiry. The table below presents the relevant details.

TABLE 3.9—DEBT AMONG THE SELECTED CULTIVATORS AT THE TIME OF THE GENERAL SCHEDULE ENQUIRY AND THE INTENSIVE ENQUIRY
[Amount in rupees per family]

Village	Debt at the beginning of the General Schedule year	Debt reported in the General Schedule	GROWTH OF DEBT DURING THE GENERAL SCHEDULE YEAR		Debt reported in the intensive enquiry	INCREASE IN DEBT BETWEEN THE DATE OF FILLING THE GENERAL SCHEDULE AND THE INTENSIVE ENQUIRY SCHEDULES	
			Amount	Percentage		Amount	Percentage
			1	2		3	4	5	6	7
Arehalli.....	382	478	96	25.1	619	141	29.5
Hirisave.....	166	223	57	34.3	302	79	35.4
Kannambadi.....	131	243	112	85.5	314	71	29.2
Rudrapatna.....	422	939	517	122.5	965	26	2.8
Hollahalli.....	218	354	136	62.4	504	150	42.4
Kalenahalli.....	575	792	217	37.7	796	4	0.5
Purlehalli.....	116	189	73	62.9	242	53	23.0
Valagorahalli.....	515	783	268	52.0	907	124	15.8
District.....	333	514	181	54.4	595	81	15.8

Without exception the villages recorded an increase in debt during the period of three to four months after the General Schedule enquiry and, what is more significant, barring two villages the growth in debt during the period was substantial. The period happens to be one in which some heavy repayments might have been expected; the data on farm business collected during the intensive enquiry show that the harvest of crops takes place in the period October to March and that cash receipts from sale of crops accrue, for the major part, after March. An increase in debt during this period presumably reflects the low farm receipts of the Survey year, on account of inclement seasonal conditions.

3.3 NATURE AND COMPOSITION OF OUTSTANDING DEBT

In the intensive enquiry we collected details relating to the purposes for which the outstanding debt was contracted, the interest charged on the debt, the security given for the debt and the period for which loans were outstanding. These data are discussed in this section.

3.3.1 Purpose of debt

The debt averaged Rs 805 per family in the upper strata and Rs 386 per family in the lower strata. Among the upper strata cultivators about 55 per cent of the debt was incurred for consumption purposes (20 per cent for short-term and 35

per cent for long-term consumption purposes); long-term agricultural purposes accounted for about 43 per cent of the debt and repayment of old debts for the balance of 2 per cent. The lower strata incurred about 44 per cent of their debt for consumption purposes (23 per cent for short-term and 21 per cent for long-term consumption purposes), another 44 per cent for long-term agricultural purposes and the remaining 12 per cent for repayment of old debts.

3.3.2 Debt according to rate of interest

The classification of outstanding debt according to rate of interest charged shows the following position.

TABLE 3.10—DEBT CLASSIFIED ACCORDING TO RATE OF INTEREST

[Intensive enquiry data]

Rate of interest (Per cent per annum)	PROPORTION OF DEBT AT SPECIFIED RATE OF INTEREST (PER CENT)		
	Upper strata cultivators	Lower strata cultivators	All cultivators
	1	2	3
<i>Nil</i>	0.3	0.6	0.4
$3\frac{1}{2}$ - 7.....	4.3	1.7	3.5
7 - 10.....	2.9	10.4	5.3
10 - $12\frac{1}{2}$	67.9	68.1	68.0
$12\frac{1}{2}$ - 18.....	4.4	0.2	3.0
18 - 25.....	10.6	18.7	13.2
25 and above.....	-	0.3	0.1
<i>Unspecified</i>	9.5	-	6.4

In both the upper and the lower strata the bulk of the debt was charged interest ranging from 10 per cent to $12\frac{1}{2}$ per cent per annum. The pattern of distribution of debt according to rate of interest was broadly similar in the two strata.

The composition of debt in terms of principal and interest is given below.

TABLE 3.11—DEBT CLASSIFIED ACCORDING TO PRINCIPAL AND INTEREST

[Intensive enquiry data. Amount in rupees per family]

Strata	AMOUNT OUTSTANDING		
	Total	Principal	Interest
	1	2	3
Upper strata cultivators.....	805.1	752.0 (93.4)	53.1 (6.6)
Lower strata cultivators.....	385.8	363.0 (94.1)	22.8 (5.9)
All cultivators.....	595.4	557.5 (93.6)	37.9 (6.4)

(Note : Figures in brackets denote percentages to total)

It is seen that accumulated interest constituted only a small percentage of the total debt among both the strata of cultivators.

3.3.3 Debt according to security

About 66 per cent of the debt of the upper strata and 77 per cent of the debt of the lower strata were outstanding against personal security. Immovable property was the security for about 34 per cent of the debt of the upper strata and 22 per cent of the debt of the lower strata. Bullion and ornaments and insurance policies secured the remaining small proportion of debt.

3.3.4 Debt according to duration

In the intensive enquiry, data regarding the period for which each loan was outstanding were collected. These data are presented in the table below.

TABLE 3.12—DEBT CLASSIFIED ACCORDING TO DURATION

[Intensive enquiry data]

Strata	PROPORTION OF DEBT OUTSTANDING FOR SPECIFIED PERIOD (PER CENT)					
	One year or less	One to two years	Two to three years	Three to four years	Four to five years	Five to ten years
	1	2	3	4	5	6
Upper strata cultivators.....	41.3	33.1	9.1	2.9	11.5	2.1
Lower strata cultivators.....	45.2	31.9	11.5	11.4	—	—
All cultivators.....	42.6	32.7	9.9	5.6	7.8	1.4

The major part of the outstanding debt was of comparatively recent origin in both the strata. The proportion of debt outstanding for more than three years was only 17 per cent in the upper strata and 11 per cent in the lower strata. One limitation of the data on duration of outstanding debt may be pointed out here. This is the fact that in our data no account was taken of the 'renewal' of debt ; when the same loan was renewed at periodic intervals to conform to procedural requirements, only the year in which the latest renewal took place and not the year in which the loan was first contracted, would tend to be reported in our data. This limitation would, however, appear to be important only in the case of institutional credit which, as will be seen later, was small.

3.4 OUTSTANDING DUES

Data on outstanding dues receivable from others were collected in both the General Schedule and the intensive enquiry. Outstanding dues is an item in respect of which under-reporting or even non-reporting may be expected. Both the proportion of families reporting dues and the amount of dues obtained in our enquiry may, thus, be underestimates. In Table 3.13 the General Schedule data on dues for the different villages are presented.

TABLE 3.13—OUTSTANDING DUES

[General Schedule data]

Village	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Proportion of families reporting dues	Dues per reporting family	Proportion of families reporting dues	Dues per reporting family	Proportion of families reporting dues	Dues per reporting family
	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)
	1	2	3	4	5	6
Arehalli.....	18.0	444	12.5	1,525	14.7	984
Hirisave.....	14.2	978	11.4	761	13.4	924
Kannambadi.....	27.3	279	28.6	1,047	27.4	360
Rudrapatna.....	16.4	843	18.9	957	17.0	876
Hollahalli.....	22.7	166	—	—	19.2	166
Kalenahalli.....	32.4	467	11.5	450	28.1	466
Purlehalli.....	9.3	256	4.2	500	7.7	297
Valagerahalli.....	18.9	433	11.8	165	17.9	407
District.....	20.8	400	9.6	812	18.2	450

Considering the district figures, it is seen that almost one-fifth of the rural families reported dues receivable from others. The dues receivable were also fairly substantial. The proportion of families reporting dues was smaller among non-cultivators than among cultivators. The amount of dues per reporting family was, however, at a much higher level among non-cultivators than among cultivators. The village data show that the proportion of families reporting dues was more than 15 per cent in five villages. The data would seem to indicate that in every village there were some families who were in a position to lend substantial amounts to others.

The following table gives the data in relation to the outstanding dues of the various classes of cultivators.

TABLE 3.14—OUTSTANDING DUES OF THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Class of cultivators	Proportion of families reporting dues	AVERAGE DUES		Dues reported by the class as percentage of total dues reported by cultivators
		Per family	Per reporting family	
	(Per cent)	(Rs)	(Rs)	
	1	2	3	4
Big cultivators.....	57.6	344	597	46.3
Large cultivators.....	41.1	172	419	64.4
Medium cultivators.....	13.8	53	386	24.3
Small cultivators.....	9.0	30	336	11.3

The families reporting dues and the dues reported were largely concentrated among the large cultivators, and among them, in the big cultivator group. Almost 60 per cent of the big cultivators reported dues and the average dues receivable per big cultivator was about Rs 350. In the estimates on debt presented in the earlier sections, no adjustment has been made for dues receivable from others. If allowance is made for dues, the burden of debt on the big cultivators is found to be significantly lower than that indicated earlier. The position of the big cultivators was significantly different from that of all other classes of cultivators.

CHAPTER 4

BORROWINGS

The discussions of the preceding chapter revealed that the borrowing and repayment transactions of the period covered by the enquiry resulted in a worsening of the debt position of the rural families. Information on borrowings and repayments during the period was also collected, both in the General Schedule and in the intensive enquiry. The data collected in relation to borrowings are discussed in this chapter ; the next chapter presents the information on repayments.

In the General Schedule, data on borrowings during a period of twelve months immediately preceding the month of visit were collected. In the intensive enquiry, details on loan transactions were collected through two separate schedules, one of which covered all loans borrowed and fully repaid during the period April 1951 to March 1952, and the other, all loans outstanding as on the date of visit for the second round of the enquiry, which was generally between April and May 1952. In the latter schedule, in respect of each loan, among other things, details of amount originally borrowed and the period for which the loan was outstanding were obtained. The total amount of loans reported in the former schedule, and the amount originally borrowed on loans outstanding for one year or less, reported in the latter schedule, has been taken as the borrowings during April 1951 to March 1952. This would be an underestimate of borrowings during the period in as much as loans borrowed during the period, but fully repaid in the interval between the close of the period and the date of completion of the latter schedule, are not accounted. On the other hand, the borrowings on outstanding loans, derived from the latter schedule, relate to a period of twelve months slightly different from the year ended April 1952.

4.1 VOLUME OF BORROWINGS

4.1.1 Proportion of borrowing families

Table 4.1 presents data on the proportion of borrowing families among cultivators, non-cultivators and all families in the different villages.

The proportion of borrowing families was generally much lower than the proportion of indebted families among both cultivators and non-cultivators. The proportion of borrowing families among cultivators varied between 40 per cent and 50 per cent in five of the villages. The proportion of borrowing non-cultivators varied between 25 per cent and 30 per cent in five of the villages.

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TABLE 4.1—PROPORTION OF BORROWING FAMILIES

[General Schedule data]

Village	PROPORTION OF BORROWING FAMILIES (PER CENT)		
	Cultivators	Non-cultivators	All families
	1	2	3
Arehalli	46.8	27.0	35.1
Hirisave	45.5	29.5	40.8
Kannambadi	43.3	28.6	41.8
Rudrapatna	40.2	8.1	31.9
Hollahalli	100.0	25.0	88.5
Kalenahalli	53.9	11.5	45.3
Purlehalli	46.3	8.3	34.6
Valagerahalli	63.2	29.4	58.0
District	61.3	18.9	51.4

The data relating to the proportion of borrowing families among the different classes of cultivators are presented in the following table.

TABLE 4.2—PROPORTION OF BORROWING FAMILIES AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Village	PROPORTION OF BORROWING FAMILIES (PER CENT)			
	Big cultivators	Large cultivators	Medium cultivators	Small cultivators
	1	2	3	4
Arehalli	71.4	61.9	41.8	38.1
Hirisave	52.4	49.2	42.9	45.3
Kannambadi	68.4	54.4	35.6	42.1
Rudrapatna	77.3	53.8	40.5	26.2
Hollahalli	100.0	100.0	100.0	100.0
Kalenahalli	81.8	74.2	55.0	32.3
Purlehalli	50.0	47.1	50.0	41.2
Valagerahalli	80.0	66.7	69.4	51.7
District	79.1	68.6	61.9	53.2

The district data show a steady decline in the proportion of borrowing families with the decline in the size of cultivated holdings. The village data also generally show this trend. The difference in the proportion of borrowing families as between the big cultivators on the one hand, and the medium and the small cultivators on the other, is striking in almost all villages.

The proportion of families resorting to borrowings during a year would be very largely influenced by the peculiarities of the economy, especially the timing of the expenditure and receipts. Borrowings for capital investment purposes would, in addition, be influenced by the opportunities for such expenditures. Apart from

these factors which generally operate at all times and seasons, there is a powerful factor which may push up the percentage of borrowers. This is the failure of the agricultural season, when a large percentage of the families may be compelled to resort to borrowings for current consumption and production purposes. The smaller cultivators would presumably be affected to a greater extent than the bigger cultivators by this factor.

The year of the Survey and the one or two years immediately preceding the Survey were marked by adverse seasonal conditions and normally the percentage of borrowers in the Survey year would have been high among all the groups of families. The percentage of borrowers was, however, in most villages, lower among the medium and the small cultivators than among the big and the large cultivators. The medium and the small cultivators would, perhaps, be more in need of borrowings for current consumption and production purposes in times such as were witnessed in the Survey year. In this context the low percentage of borrowers in these groups would appear to be related to the inability of many of the families in these groups to borrow, owing to their being non-creditworthy in the eyes of the lenders. In this connexion it may be noted that the burden of debt in relation to value of assets had reached a high level in the case of the smaller cultivators.

4.1.2 Borrowings per family and per borrowing family

The following table sets out the data on borrowings per family and per borrowing family among cultivators, non-cultivators and all families.

TABLE 4.3—BORROWINGS PER FAMILY AND PER BORROWING FAMILY

[General Schedule data. In rupees]

Village	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Borrowings per family	Borrowings per borrowing family	Borrowings per family	Borrowings per borrowing family	Borrowings per family	Borrowings per borrowing family
	1	2	3	4	5	6
Arehalli.....	188	403	143	529	162	460
Hirisave.....	140	308	117	397	133	327
Kannambadi.....	96	221	60	208	92	220
Rudrapatna.....	240	596	16	192	182	570
Hollahalli.....	184	184	38	150	162	183
Kalenahalli.....	156	289	11	97	127	279
Purlehalli.....	163	351	35	425	123	357
Valagerahalli.....	262	414	16	56	224	387
District.....	185	302	54	288	155	300

The average borrowings per family were at a higher level among cultivators than among non-cultivators. The borrowings per borrowing family were, however, relatively higher among non-cultivators in three villages, including Arehalli. In

Arehalli the debt per indebted family was also at a higher level among non-cultivators than among cultivators. Villages which show high or low ranking according to level of borrowings per borrowing cultivating family do not show a similar ranking in the case of non-cultivators. The ranking of villages according to debt per indebted family and that according to borrowings per borrowing family among cultivators correspond to a remarkable extent, the only notable displacement in position being that of Kalenahalli ; in this village, although debt per indebted family was at the highest level, the ranking according to borrowings per borrowing family was low. In the case of non-cultivators the correspondence in ranking according to debt per indebted family and that according to borrowings per borrowing family is not so marked.

The data on the level of borrowings among the four classes of cultivators are brought out in the table below.

TABLE 4.4—BORROWINGS PER FAMILY AND PER BORROWING FAMILY AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data. In rupees]

Village	BIG CULTIVATORS		LARGE CULTIVATORS		MEDIUM CULTIVATORS		SMALL CULTIVATORS	
	Borrowings per family	Borrowings per borrowing family	Borrowings per family	Borrowings per borrowing family	Borrowings per family	Borrowings per borrowing family	Borrowings per family	Borrowings per borrowing family
	1	2	3	4	5	6	7	8
Arehalli.....	886	1,240	405	654	119	286	62	163
Hirisave.....	393	750	221	448	115	268	94	208
Kannambadi.....	226	330	151	277	66	185	79	187
Rudrapatna.....	741	959	500	928	163	402	79	302
Hollahalli.....	490	490	321	321	148	148	89	89
Kalenahalli.....	407	498	317	427	91	165	79	245
Purlehalli.....	150	300	138	294	176	351	172	417
Valagerahalli.....	546	683	358	538	307	442	106	204
District.....	433	548	292	425	164	266	102	192

The district averages of borrowings per family and per borrowing family declined with the decline in the size of holdings. The village data also generally show this feature except notably in Purlehalli, where both borrowings per family and per borrowing family were at a higher level among the medium and small cultivators than among the big and large cultivators. In this village the proportion of indebted families and the debt per family and per indebted family were also lower among the big cultivators than among the medium and small cultivators. The big cultivators of this village were apparently exceptionally well-placed as to be able to do without much borrowed finance. As has been noted earlier, the cash receipts during the year among the upper strata cultivators in this village were at a substantially higher level than in other villages.

4.2 BORROWINGS IN RELATION TO CULTIVATED HOLDINGS

The table below presents data on the borrowings among the four classes of cultivators in relation to the size of their cultivated holdings.

TABLE 4.5—BORROWINGS IN RELATION TO CULTIVATED HOLDINGS

[General Schedule data]

Class of cultivators	Share in the total cultivated holdings	Share in the total borrowings of cultivators	Borrowings per acre of cultivated holdings
	(Per cent)	(Per cent)	(Rs)
	1	2	3
Big cultivators.....	33.0	26.3	31
Large cultivators.....	61.0	49.2	31
Medium cultivators.....	29.3	33.8	44
Small cultivators.....	9.7	17.0	68
All cultivators.....	100.0	100.0	38

The amount borrowed per acre of cultivated holdings was higher among the medium and the small cultivators than among the big and the large cultivators. This is despite the relatively low percentage of borrowers and the low level of borrowings of the medium and the small cultivators. The medium and the small cultivators accounted for a larger share of the borrowings than of cultivated holdings.

4.3 PURPOSE OF BORROWING

In regard to purpose of borrowing we have two sets of data. In one part of the schedule, information was collected in relation to the amounts spent during the year on main items of capital and current expenditure and the sources through which these expenditures were financed. Borrowings being one of the sources of finance, data relating to the extent of borrowings utilized for each specified expenditure or purpose are available from this part of the schedule. In another part of the schedule, where all borrowings were recorded, the purpose for which each loan was contracted was also enquired into. The latter data are discussed in this chapter. The former data have been used in the appropriate contexts to bring out the importance of borrowing as a source of finance of expenditures. It would, however, be of interest to note that for Hassan district the two sets of data showed a remarkable degree of agreement. This may be seen from Table 4.6.

Differences between the two sets of data are possible. Firstly, a loan may be utilized for a purpose different from that for which it was borrowed; the actual purpose of utilization would tend to be reported in that part of the schedule dealing with borrowing as a source of finance, while the expenditure or purpose which was the occasion for borrowing would tend to be reported in the other part. Differences might arise also due to the borrowings of an earlier period being utilized during the period of reference or a postponement in the actual utilization of the borrowings of the year. Except in particular circumstances, differences of the latter type

may be minor and the observed differences between the two sets of data may be mostly those arising from divergences in the reporting of purposes. The virtual absence of any divergence in our data may, thus, be indicative of the very large measure of agreement in the reporting of purposes in the two parts of the schedule. This agreement may indicate the absence of any real divergence between the formal purpose of borrowing and the actual purpose of utilization, or it may be an agreement induced by the same purpose being reported in both parts of the schedule.

TABLE 4.6—EXPENDITURE FINANCED BY BORROWINGS AND AMOUNT BORROWED FOR DIFFERENT PURPOSES: ALL FAMILIES

[General Schedule data. In rupees per family]

Item of expenditure	Expenditure financed by borrowings	Borrowings reported to have been incurred for the purpose	Item of expenditure	Expenditure financed by borrowings	Borrowings reported to have been incurred for the purpose
I. Capital expenditure in agriculture.....	54	55	IV. Family expenditure (concluded)		
1. Purchase of land.....	12	11	2. Purchase of household utensils, furniture, etc.....	19	24
2. Purchase of livestock.....	28	30	3. Purchase of clothing, shoes, bedding, etc....	12	11
3. Other.....	14	14	4. Death ceremonies....	4	4
II. Current farm expenditure....	*	1	5. Marriage and other ceremonies.....	34	29
III. Capital expenditure in non-farm business.....	4	4	6. Medical, educational and litigation expenses	4	5
IV. Family expenditure.....	84	83	7. Other family expenditure....	*	-
1. Construction and repairs to residential houses and other buildings.	10	10	V. Other expenditure.....	11	12

*Expenditure details in respect of these items were not collected

Table 4.7 gives the proportion of borrowings for farm and non-farm business purposes on the one hand and family expenditure and other purposes on the other, in respect of cultivators, non-cultivators and all families.

For all villages together, slightly over 60 per cent of the total borrowings were for family expenditure and other purposes in the case of both cultivators and non-cultivators. There are some inter-village variations in the pattern, but in all villages family expenditure and other purposes accounted for substantial proportion of the total borrowings among both cultivators and non-cultivators. The proportion of borrowings for family expenditure and other purposes was higher among

TABLE 4.7—BORROWINGS FOR SPECIFIED PURPOSES AS PERCENTAGE OF TOTAL BORROWINGS

[General Schedule data]

Village	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Farm and non-farm business purposes	Family expenditure and other purposes	Farm and non-farm business purposes	Family expenditure and other purposes	Farm and non-farm business purposes	Family expenditure and other purposes
	1	2	3	4	5	6
Arehalli.....	35.1	64.9	41.5	58.5	38.4	61.6
Hirisave.....	32.0	68.0	36.4	63.6	33.1	66.9
Kannambadi.....	54.5	45.5	4.8	95.2	51.2	48.8
Rudrapatna.....	55.2	44.8	—	100.0	53.9	46.1
Hollahalli.....	31.6	68.4	—	100.0	30.5	69.5
Kalenhalli.....	48.0	52.0	51.7	48.3	48.0	52.0
Purlehalli.....	31.1	68.9	58.8	41.2	33.5	66.5
Valagerahalli.....	36.7	63.3	60.7	39.3	37.0	63.0
District.....	38.7	61.3	38.7	61.3	38.7	61.3

cultivators than among non-cultivators in five of the villages. In the remaining three villages almost the entire borrowings of the non-cultivators were for family expenditure and other purposes.

The purpose-wise classification of the borrowings of the different classes of cultivators, all cultivators, non-cultivators and all families is presented in the following table.

TABLE 4.8—BORROWINGS FOR DIFFERENT PURPOSES AMONG THE FOUR CLASSES OF CULTIVATORS AND NON-CULTIVATORS

[General Schedule data]

Group	PROPORTION OF BORROWINGS FOR DIFFERENT PURPOSES (PER CENT)				
	Capital expenditure in agriculture	Current farm expenditure	Capital expenditure in non-farm business	Family expenditure	Other expenditure
	1	2	3	4	5
Big cultivators.....	37.7	1.0	1.2	55.3	4.8
Large cultivators.....	35.7	0.5	0.8	59.4	3.6
Medium cultivators.....	43.6	1.0	—	38.7	16.7
Small cultivators.....	31.6	—	—	67.3	1.1
All cultivators.....	37.7	0.6	0.4	53.7	7.6
Non-cultivators.....	13.8	—	24.9	50.2	11.1
All families.....	35.7	0.6	2.4	53.5	7.8

The data reveal the importance of family expenditure as a purpose of borrowing for every class of cultivators. Borrowings for current farm expenditure were negligible among all classes of cultivators. Non-farm business expenditure as a purpose of borrowing was of importance only among non-cultivators. The proportion of borrowings for family expenditure was somewhat higher among the small cultivators than among the big and the large cultivators.

Data on purpose of borrowing collected in the intensive enquiry also reveal the importance of family expenditure as a purpose of borrowing. The total borrowings reported in the intensive enquiry averaged Rs 347 per family among the upper strata cultivators and Rs 182 per family among the lower strata cultivators. Among the upper strata cultivators capital expenditure in agriculture accounted for 41.1 per cent, family expenditure for 57.7 per cent and other expenditure for the balance of 1.2 per cent, of the total borrowings. In the lower strata, 49.5 per cent of the borrowings were for capital expenditure in agriculture, 44.5 per cent of the borrowings were for family expenditure and the remaining 6.0 per cent of the borrowings were for other expenditure. No borrowings were contracted for current expenditure on farm or for non-farm business expenditure in either strata of cultivators.

In the intensive enquiry, data on borrowings were collected separately in respect of loans borrowed and fully repaid during the year and other loans. Borrowings fully repaid during the year amounted to Rs 17 per family and accounted for 4.9 per cent of the total borrowings in the upper strata. In the lower strata such borrowings averaged Rs 8 per family and formed 4.2 per cent of the total borrowings. Fully repaid borrowings were, thus, of minor importance in the total picture. The purpose-wise distribution of these borrowings is indicated in the following table.

TABLE 4.9—LOANS BORROWED AND FULLY REPAID: BORROWINGS FOR DIFFERENT PURPOSES

[Intensive enquiry data]

Strata	PROPORTION OF BORROWINGS FOR DIFFERENT PURPOSES (PER CENT)		
	Capital expenditure in agriculture	Family expenditure	Other expenditure
	1	2	3
Upper strata cultivators.....	47.6	52.4	—
Lower strata cultivators.....	—	100.0	—
All cultivators.....	32.7	67.3	—

The main point to note is the fact that among the lower strata all the loans which were borrowed and fully repaid during the year were for family expenditure. In the upper strata, the purpose-wise distribution of these loans is similar to that noted for total borrowings.

4.4 NATURE OF BORROWINGS

In the intensive enquiry, details were collected in relation to the interest rates paid and the security offered for the borrowings. These data are discussed below.

4.4.1 Borrowings according to rate of interest

The table below gives a classification of the borrowings according to interest rates.

TABLE 4.10—BORROWINGS CLASSIFIED ACCORDING TO RATE OF INTEREST
[Intensive enquiry data]

Strata	Amount borrowed per family (Rs)	PROPORTION OF BORROWINGS AT SPECIFIED RATE OF INTEREST (PER CENT)							
		Nil	From 3½ per cent to 7 per cent	From 7 per cent to 10 per cent	From 10 per cent to 12½ per cent	From 12½ per cent to 18 per cent	From 18 per cent to 25 per cent	25 per cent and above	Interest rate not specified
		1	2	3	4	5	6	7	8	9
Upper strata cultivators.....	347	1.6	9.7	1.9	56.1	4.0	14.3	-	12.4
Lower strata cultivators.....	182	1.2	-	-	75.0	0.4	23.0	0.4	-
All cultivators.....	264	1.5	6.4	1.3	62.6	2.7	17.2	0.2	8.1

The borrowings were generally contracted at rates less than 12½ per cent per annum among both the strata. Higher rates of interest were, however, not uncommon, as may be judged from the fact that about 17 per cent of the borrowings of cultivating families were at rates varying from 18 per cent to 25 per cent. For about 12 per cent of the borrowings of the upper strata the rates of interest were not specified.

4.4.2 Borrowings according to security

The classification of borrowings according to type of security is provided in the table below.

TABLE 4.11—BORROWINGS CLASSIFIED ACCORDING TO SECURITY
[Intensive enquiry data]

Strata	PROPORTION OF BORROWINGS AGAINST THE SPECIFIED SECURITY (PER CENT)		
	Personal security	Bullion and ornaments	Immovable property
	1	2	3
Upper strata cultivators.....	83.3	-	16.7
Lower strata cultivators.....	89.5	0.4	10.1
All cultivators.....	85.4	0.2	14.4

The cultivators obtained about 85 per cent of their borrowings against personal security; the remaining loans were mostly secured by immovable property. The proportion of borrowings against immovable property was lower among the lower strata cultivators than among the upper strata cultivators. All loans against immovable property were secured by simple mortgage.

4.5 GRAIN LOANS

Data on grain loans collected in the intensive enquiry are discussed in this section. Grain loans do not seem to be popular in the district. Only about 6 per cent of the cultivating families borrowed grain loans and the quantity borrowed averaged about seven seers per family. The following table sets out some details regarding these loans.

TABLE 4.12—GRAIN LOANS

[Intensive enquiry data]

Strata	Proportion of borrow- ing families (Per cent)	NUMBER OF LOANS BORROWED		QUANTITY BORROWED (SEERS)	
		Per family	Per borrowing family	Per family	Per borrowing family
	1	2	3	4	5
Upper strata cultivators.....	7.0	0.1	1.0	9.0	128.9
Lower strata cultivators.....	5.0	0.1	1.0	3.9	78.4
All cultivators.....	6.0	0.1	1.0	6.5	107.8

All the grain loans were borrowed for family expenditure purposes. The commodity borrowed by the lower strata cultivators was millets. The upper strata cultivators borrowed 0.6 seers of rice and 8.4 seers of millets per family. No repayments were made during the year towards these loans and the entire borrowings were outstanding at the end of the year. Most of the loans were outstanding for seven to nine months. No grain loans were outstanding at the beginning of the year.

Grain loans are essentially short-term loans borrowed and fully repaid during the year. The entire borrowings of grain during the year under study, however, remained unrepaid. This may be due to the adverse crop conditions of the Survey year.

CHAPTER 5

REPAYMENTS

This chapter deals with the repayments made during the year covered by the enquiry. The proportion of families reporting repayments and the average repayments per family and per reporting family are set out in the chapter. Repayments are made towards debt outstanding at the beginning of the period or fresh debt incurred during the year. Repayments are, therefore, to be assessed in relation to the borrowings during the year and the debt outstanding at the beginning of the year. An attempt has been made in this chapter to study this aspect by means of some simple measures such as the repayments in relation to borrowings, the number of repaying families in relation to the number of borrowing families, etc.

5.1 PROPORTION OF REPAYING FAMILIES

The table below presents the data on proportion of repaying families among cultivators, non-cultivators and all families.

TABLE 5.1—PROPORTION OF REPAYING FAMILIES
[General Schedule data]

Village	PROPORTION OF REPAYING FAMILIES (PER CENT)		
	Cultivators	Non-cultivators	All families
	1	2	3
Arehalli.....	9.4	15.5	13.0
Hirisave.....	5.7	1.1	4.3
Kannambadi.....	5.3	4.8	5.3
Rudrapatna.....	4.2	2.7	3.8
Hollahalli.....	31.8	25.0	30.8
Kalnahalli.....	9.8	-	7.8
Purlehalli.....	5.6	-	3.8
Valagerahalli.....	21.1	-	17.9
District.....	14.8	6.1	12.8

The proportion of repaying families was low among both cultivators and non-cultivators. Among cultivators the proportion of repaying families was less than 10 per cent in all the villages except Hollahalli and Valagerahalli, where it was about 32 per cent and 21 per cent respectively. Among non-cultivators, in three villages there was no repayment at all; in three other villages less than 5 per cent of the families repaid, while in the remaining two villages, namely, Arehalli and Hollahalli, the proportion of repaying families was about 16 per cent and 25 per cent respectively.

The data in respect of the four classes of cultivators are set out in the table below.

TABLE 5.2—PROPORTION OF REPAYING FAMILIES AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Village	PROPORTION OF REPAYING FAMILIES (PER CENT)			
	Big cultivators	Large cultivators	Medium cultivators	Small cultivators
	1	2	3	4
Arehalli.....	35.7	19.0	5.5	4.8
Hirisave.....	4.8	9.5	2.4	6.3
Kannambadi.....	10.5	10.5	4.1	1.8
Rudrapatna.....	4.5	3.1	7.1	1.5
Hollahalli.....	66.7	42.9	37.5	14.3
Kalenahalli.....	18.2	12.9	12.5	3.2
Purlehalli.....	16.7	5.9	5.0	5.9
Valagerahalli.....	30.0	30.0	19.4	13.8
District.....	30.5	20.6	15.6	8.1

The proportion of repaying families was generally smaller among the medium and the small cultivators than among the big and the large cultivators. The difference in the proportion between the big and the small cultivators was pronounced in almost all villages. The few families who repaid during the year would seem to be somewhat concentrated in the upper deciles. Judging from the proportion of repaying families, the performance of the medium and the small cultivators was extremely poor in all the villages except Hollahalli and Valagerahalli.

5.2 PROPORTION OF REPAYING TO BORROWING FAMILIES

The data on proportion of repaying to borrowing families among cultivators, non-cultivators and all families are presented in the table below.

TABLE 5.3—NUMBER OF REPAYING FAMILIES AS PERCENTAGE OF THE NUMBER OF BORROWING FAMILIES

[General Schedule data]

Village	Cultivators	Non-cultivators	All families
	1	2	3
Arehalli.....	20.0	57.4	37.0
Hirisave.....	12.5	3.8	10.7
Kannambadi.....	12.3	16.7	12.6
Rudrapatna.....	10.5	33.3	12.0
Hollahalli.....	31.8	100.0	34.8
Kalenahalli.....	18.2	-	17.2
Purlehalli.....	12.0	-	11.1
Valagerahalli.....	33.3	-	30.8
District.....	24.2	32.0	24.8

Generally the number of families who made any repayments at all during the year formed only a small percentage of the number of families who borrowed during the year. In four of the villages, viz., Arehalli, Kannambadi, Rudrapatna and Hollahalli, the proportion of repaying to borrowing families was higher among non-cultivators than among cultivators. On the basis of the proportion of repaying to borrowing families, the repayment performance would appear to be better among non-cultivators than among cultivators in these four villages.

The variation in the proportion of repaying to borrowing families among the different classes of cultivators is seen from the table below.

TABLE 5.4—NUMBER OF REPAYING FAMILIES AS PERCENTAGE OF THE NUMBER OF BORROWING FAMILIES AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Village	Big cultivators	Large cultivators	Medium cultivators	Small cultivators
	1	2	3	4
Arehalli.....	50.0	30.8	13.0	12.5
Hirisave.....	9.1	19.4	5.6	13.8
Kannambadi.....	15.4	19.4	11.5	4.2
Rudrapatna.....	5.9	5.7	17.6	5.9
Hollahalli.....	66.7	42.9	37.5	14.3
Kalenahalli.....	22.2	17.4	22.7	10.0
Purlehalli.....	33.3	12.5	10.0	14.3
Valagerahalli.....	37.5	45.0	28.0	26.7
District.....	38.5	30.0	25.2	15.2

The proportion of repaying to borrowing families generally varied with the variation in the size of cultivated holdings. The decline in the proportion from the big to the small cultivators is, however, not as striking as that in the proportion of repaying families. This is because the proportion of borrowing families also declined with the size of holdings, although to a less marked extent than the proportion of repaying families.

5.3 PROPORTION OF REPAYING TO INDEBTED FAMILIES

The data on proportion of repaying to indebted families among the four classes of cultivators, all cultivators, non-cultivators and all families are set out in Table 5.5.

The relative position of the different classes of cultivators, revealed by these data, is largely similar to that shown by the data on proportion of repaying families. The repayment performance was particularly poor among all groups of families in Hirisave, Kannambadi and Rudrapatna. In Hirisave and Kannambadi, as seen earlier, the value of gross produce per family during the year covered by the enquiry was very low.

TABLE 5.5—NUMBER OF REPAYING FAMILIES AS PERCENTAGE OF THE NUMBER OF INDEBTED FAMILIES

[General Schedule data]

Village	Big cultivators	Large cultivators	Medium cultivators	Small cultivators	All cultivators	Non-cultivators	All families
	1	2	3	4	5	6	7
Arehalli.....	38.5	21.1	6.4	6.1	11.0	30.1	19.9
Hirisave.....	7.1	14.6	3.3	8.7	8.1	2.6	7.0
Kannambadi.....	11.8	12.5	5.4	2.1	6.6	8.3	6.7
Rudrapatna.....	5.3	3.7	9.1	2.0	5.3	8.7	5.7
Hollahalli.....	66.7	42.9	37.5	14.3	31.8	100.0	34.8
Kalenhalli.....	20.0	15.4	14.3	4.2	11.8	-	10.5
Purlehalli.....	33.3	9.1	7.1	7.7	7.9	-	6.7
Valagerahalli.....	33.3	34.6	20.6	16.7	23.8	-	21.7
District.....	36.4	24.8	18.0	9.7	17.5	15.7	17.3

5.4 REPAYMENTS PER FAMILY AND PER REPAYING FAMILY

The data set out in the previous sections of the chapter show that the proportion of repaying families was generally very small, in absolute terms as well as in relation to the proportion of borrowing families and the proportion of indebted families. We shall now consider the size of repayments made. The table below presents the data on average repayments per family and per repaying family in respect of cultivators, non-cultivators and all families.

TABLE 5.6—REPAYMENTS PER FAMILY AND PER REPAYING FAMILY

[General Schedule data. In rupees]

Village	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Repay-ments per family	Repay-ments per repaying family	Repay-ments per family	Repay-ments per repaying family	Repay-ments per family	Repay-ments per repaying family
	1	2	3	4	5	6
Arehalli.....	66	702	38	242	49	378
Hirisave.....	17	308	17	1,500	17	399
Kannambadi.....	9	168	10	200	9	171
Rudrapatna.....	8	186	3	110	7	172
Hollahalli.....	42	133	20	80	39	126
Kalenhalli.....	22	224	-	-	18	224
Purlehalli.....	11	200	-	-	8	200
Valagerahalli.....	73	349	-	-	62	349
District.....	34	230	11	178	29	224

The average amount repaid per family was low among both cultivators and non-cultivators. The amount repaid per repaying family was, however, sizeable in both the groups. This would indicate that the families who repaid made substantial repayments.

The following table gives the data on repayments made by the four classes of cultivators.

TABLE 5.7—REPAYMENTS PER FAMILY AND PER REPAYING FAMILY AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data. In rupees]

Village	BIG CULTIVATORS		LARGE CULTIVATORS		MEDIUM CULTIVATORS		SMALL CULTIVATORS	
	Repay-ments per family	Repay-ments per repaying family	Repay-ments per family	Repay-ments per repaying family	Repay-ments per family	Repay-ments per repaying family	Repay-ments per family	Repay-ments per repaying family
	1	2	3	4	5	6	7	8
Arehalli	543	1,520	194	1,016	6	113	15	325
Hirisave.....	14	300	35	365	11	475	9	138
Kannambadi.....	18	175	12	117	11	257	4	210
Rudrapatna.....	18	400	8	265	10	140	5	300
Hollahalli.....	133	200	67	157	49	130	10	70
Kalenhalli.....	13	70	18	143	24	194	23	700
Purlehalli.....	67	400	24	400	5	100	6	100
Valagerahalli.....	53	177	104	348	99	509	10	70
District.....	77	252	53	257	37	240	11	134

The average amount repaid per family was generally higher among the big and the large cultivators than among the medium and the small cultivators. Even among the big and the large cultivators, the average amount repaid per family was substantial only in Arehalli, Hollahalli and Valagerahalli. The variations in the repayments per repaying family do not show any consistent pattern ; in four villages the repayments per repaying family were of the highest order among the big cultivators, in three villages, among the medium cultivators and in the remaining one village, among the small cultivators.

The share of the different classes of cultivators in the total repayments by cultivators may be seen from the following table.

TABLE 5.8—SHARE OF THE FOUR CLASSES OF CULTIVATORS IN TOTAL CULTIVATED HOLDINGS, DEBT, BORROWINGS AND REPAYMENTS OF CULTIVATORS

[General Schedule data]

Class of cultivators	Share in total cultivated holdings	Share in total debt	Share in total borrowings	Share in total repayments
	(Per cent)	(Per cent)	(Per cent)	(Per cent)
	1	2	3	4
Big cultivators.....	33.0	28.0	26.3	25.3
Large cultivators.....	61.0	49.9	49.2	48.4
Medium cultivators.....	29.3	31.8	33.8	41.8
Small cultivators.....	9.7	18.3	17.0	9.9

The medium cultivators accounted for a larger proportion of repayments than of borrowings, while the small cultivators accounted for a smaller proportion of repayments than of borrowings.

5.5 REPAYMENTS IN RELATION TO BORROWINGS AND DEBT PLUS REPAYMENTS

The repayments during the year might have been made towards borrowings during the year as also towards the debt outstanding at the beginning of the year. The total amount in relation to which repayments are made is, thus, the borrowings during the year plus the debt at the beginning of the year. The repayments in relation to this total amount would be a better indicator of repayment performance than the repayments per family or per repaying family. The borrowings during the year plus the debt outstanding at the beginning of the year may be taken to be equal to the outstanding debt at the end of the year plus repayments made during the year. The table below gives repayments in relation to (1) borrowings during the year and (2) debt at the end of the year plus repayments during the year.

TABLE 5.9—REPAYMENTS AS PERCENTAGE OF BORROWINGS AND DEBT PLUS REPAYMENTS

[General Schedule data]

Group	Repayments as percentage of borrowings	Repayments as percentage of debt plus repayments
Big cultivators.....	17.7	5.9
Large cultivators.....	18.1	6.3
Medium cultivators.....	22.8	8.3
Small cultivators.....	10.6	3.6
All cultivators.....	18.4	6.5
Non-cultivators.....	19.8	5.9
All families.....	18.5	6.4

The data emphasize the poor repayment performance during the year covered by the enquiry. In none of the groups did repayments amount to even one-fourth of the borrowings. For every group of families repayments formed only less than 10 per cent of the debt plus repayments. There is no significant difference in position between the cultivators and non-cultivators. Among the various classes of cultivators, the medium cultivators showed a slightly better performance than other classes of cultivators. The small cultivators were the worst performers.

The poor repayment performance would appear to be largely the result of the adverse seasonal conditions which prevailed during the year covered by the investigations and one or two years immediately preceding the investigations. These would have seriously affected the resources position of every group of families, including the big cultivators. It is significant that the repayment performance was extremely

poor in the villages which were particularly affected by the adverse seasonal conditions.

5.6 SOURCE OF FINANCE FOR REPAYMENTS

We obtained information in relation to an important aspect of repayments, viz., the sources of finance for repayments. The sources which were enumerated in this connexion are current income, past savings, borrowings, sale of assets and other sources. 'Current income' was defined as the income accruing during the period for which details regarding borrowings, repayments, expenditure, etc., were collected. 'Past savings' was specified as a source of finance to record the resources which accrued prior to the period covered by the enquiry, but were utilized during the period of the enquiry. It is doubtful whether the respondents were able to clearly demarcate between the resources which accrued during the Survey year and the previous years. The two sources, viz., current income and past savings, are, therefore, best considered together.

The table below gives the proportion of repayments financed out of each source, for all families together.

TABLE 5.10—SOURCE OF FINANCE FOR REPAYMENTS : ALL FAMILIES
[General Schedule data]

Source of finance	Proportion of repayments financed through the source
	(Per cent)
Current income	28·1
Past savings	2·8
Sale of assets	24·9
Borrowings	40·0
Other sources	4·2

It is seen that the major part of even the small repayments during the year had to be financed out of borrowings and sale of assets. Sale of assets, mostly sale of livestock, financed about 25 per cent of the repayments, while 40 per cent of the repayments were financed through borrowings. To the extent that repayment is made through borrowing, i.e., by incurring fresh debt, there is no 'real' repayment. The Survey year, thus, witnessed very little 'real' repayment.

Data relating to source of finance for repayments were collected in the intensive enquiry also. These data could be used to study the relative importance of the various sources for the two strata of cultivators, namely, the upper and the lower strata cultivators. Table 5.11 gives the relevant data.

These data also show that sale of assets was an important source of finance for repayments. Borrowings as source of finance for repayments were reported only in the lower strata; about 27 per cent of their total repayments were financed through borrowings.

TABLE 5.II—SOURCE OF FINANCE FOR REPAYMENTS OF THE UPPER AND THE LOWER STRATA CULTIVATORS

[Intensive enquiry data]

Strata	PROPORTION OF REPAYMENTS FINANCED THROUGH DIFFERENT SOURCES (PER CENT)				
	Current income	Past savings	Sale of assets	Borrowings	Other sources
	1	2	3	4	5
Upper strata cultivators.....	41·7	24·7	23·0	—	5·6
Lower strata cultivators.....	18·7	23·1	26·6	26·6	—
All cultivators.....	34·9	25·7	27·6	7·9	3·9

CHAPTER 6

FAMILY EXPENDITURE

The data collected in relation to expenditure on certain specified items of family expenditure are discussed in this chapter. The main object in collecting these data was to ensure that the respondents remembered all important occasions of borrowings. Accordingly, only the main items in connexion with which substantial borrowing was likely were enumerated in the schedules. Purchase of durable consumer goods, special occasions of expenditure such as death, marriage and other ceremonies, construction and repairs of residential houses and other buildings, education, sickness and litigation were all covered in the schedules. No information regarding expenditure on current consumption account, such as on food-stuffs, entertainment, etc., was collected, as it was thought that this type of expenditure is usually met out of current income. The total expenditure on family consumption account, reported in the schedules, has in later contexts been referred to as the 'total family expenditure'. It is necessary to note that this 'total' has reference only to the total expenditure on the items specified in the schedules.

6.1 TOTAL EXPENDITURE ON SPECIFIED ITEMS OF FAMILY EXPENDITURE

Before proceeding to a discussion of the individual items of expenditure, we may indicate the magnitude of the total expenditure on the recorded items and the relative importance of the various constituent items. The items in relation to which the data were collected, are the following :

- (1) Construction and repairs of residential houses and other buildings.
- (2) Purchase of household utensils, furniture, etc.
- (3) Clothing, shoes, bedding, etc.
- (4) Death ceremonies.
- (5) Marriage and other ceremonies.
- (6) Medical expenses.
- (7) Educational expenses.
- (8) Litigation charges.

Table 6.1 gives, for all villages together, the data on average expenditure per family on each of the items and the percentage expenditure on each item to the total recorded family expenditure, separately for cultivators, non-cultivators and all families.

The average family expenditure per rural family was Rs 486 ; among cultivators the family expenditure per family was Rs 520, while among non-cultivators, it was lower at Rs 373. In the case of all items except purchase of household utensils,

furniture, etc., educational expenses and litigation charges, the average expenditure per family among non-cultivators was lower than among cultivators.

TABLE 6.1—EXPENDITURE ON RECORDED ITEMS OF FAMILY EXPENDITURE AND RELATIVE IMPORTANCE OF THE ITEMS

[General Schedule data. Amount in rupees per family]

Item	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Expendi- ture	Percent- age to total	Expendi- ture	Percent- age to total	Expendi- ture	Percent- age to total
	1	2	3	4	5	6
1. Construction and repairs of residential houses and other buildings.....	41	7.9	5	1.3	33	6.7
2. Purchase of household utensils, furniture, etc.....	250	48.1	253	67.8	251	51.6
3. Purchase of clothing, shoes, bedding, etc.....	121	23.2	75	20.1	110	22.7
4. Death ceremonies.....	7	1.3	1	0.3	6	1.2
5. Marriage and other ceremonies.....	81	15.5	21	5.8	67	13.7
6. Medical expenses.....	12	2.3	5	1.3	10	2.2
7. Educational expenses.....	6	1.2	9	2.5	7	1.5
8. Litigation charges.....	2	0.4	4	1.0	2	0.5
Total.....	520	100.0	373	100.0	486	100.0

Purchase of household utensils, furniture, etc., was the most important constituent item of family expenditure ; the item accounted for slightly over half the total family expenditure of rural families. Next in importance was purchase of clothing, shoes, bedding, etc. ; this item accounted for about 23 per cent of the total family expenditure. About 14 per cent of the total expenditure was on marriage and other ceremonies ; other items were of minor importance.

The inter-village variations in the total family expenditure and the expenditure on the constituent items may now be considered. For purposes of discussion, the constituent items may be classified into four groups. Firstly, construction and repairs of residential houses and other buildings is in a class by itself and may be treated separately. Purchase of household utensils, furniture, etc., and clothing, shoes, bedding, etc., may be considered together under the head 'purchase of durable consumer goods'. Death, marriage and other ceremonies may be combined to form a third group, while the remaining three items may be constituted as another group of items. Table 6.2 gives the average expenditure per family on all the recorded items of family expenditure, and on each of the four classified groups of family expenditure, in the different villages.

The variations in the size of family expenditure indicate the variations in the standards of living. The average family expenditure per cultivating family was about Rs 400 to Rs 500 in four of the villages, namely, Rudrapatna, Hollahalli,

Kalenahalli and Valagerahalli. In Arehalli, Hirisave and Purlehalli the family expenditure per cultivating family was at higher levels, while in Kannambadi it was low at Rs 325. Among the villages which reported comparatively high level of expenditure, Arehalli stands apart from the rest. Apparently, this village has a more prosperous economy than other villages. The cultivators of Arehalli reported a relatively high level of investment activity and their repayment performance was also better than that of cultivators in other villages.

TABLE 6.2—LEVEL OF FAMILY EXPENDITURE IN THE SELECTED VILLAGES
[General Schedule data. In rupees per family]

Village	CULTIVATORS				
	Total	Construction and repairs of residential houses and other buildings	Purchase of durable consumer goods	Death, marriage and other ceremonies	Medical, educational and litigation expenses
	1	2	3	4	5
Arehalli.....	724	33	549	113	28
Hirisave.....	570	52	392	88	38
Kannambadi.....	325	17	237	54	16
Rudrapatna.....	479	22	356	68	33
Hollahalli.....	425	—	301	123	1
Kalenahalli.....	391	3	303	73	13
Purlehalli.....	862	157	607	58	39
Valagerahalli.....	496	37	331	105	23
District.....	520	41	371	88	21

Village	NON-CULTIVATORS					ALL FAMILIES				
	Total	Construction and repairs of residential houses and other buildings	Purchase of durable consumer goods	Death, marriage and other ceremonies	Medical, educational and litigation expenses	Total	Construction and repairs of residential houses and other buildings	Purchase of durable consumer goods	Death, marriage and other ceremonies	Medical, educational and litigation expenses
	6	7	8	9	10	11	12	13	14	15
Arehalli.....	813	18	659	77	59	776	24	613	92	47
Hirisave.....	655	17	568	55	15	595	42	444	78	31
Kannambadi...	444	10	295	110	29	337	17	243	60	17
Rudrapatna ..	348	—	303	22	23	445	17	342	56	30
Hollahalli.....	95	—	95	—	—	374	—	269	104	1
Kalenahalli....	201	—	199	—	2	352	2	282	58	10
Purlehalli.....	298	—	290	—	8	689	109	510	40	30
Valagerahalli ..	209	—	196	1	12	453	31	311	89	22
District.....	373	5	328	23	18	486	33	361	72	20

Based on the size of family expenditure among non-cultivators, the eight villages may be classified into three groups. The first of these comprise Arehalli and Hirisave; in these villages the family expenditure per family among non-cultivators was higher than in all the other villages ; further, in these villages the non-cultivators reported a higher level of family expenditure than cultivators. Hollahalli, Kalenahalli and Valagerahalli constitute a second group of villages in which the family expenditure among non-cultivators was low, averaging about Rs 200 or less. In all these villages the level of family expenditure among non-cultivators was much below that among cultivators. Kannambadi, Rudrapatna and possibly Purlehalli constitute a third group. In these villages the average expenditure per non-cultivating family varied from about Rs 300 to Rs 450. The variation in the relative position of cultivators and non-cultivators in these villages is interesting. In one of these villages the level of expenditure was higher among non-cultivators than among cultivators ; in another village it was relatively low, though not very low, among non-cultivators, while in the third village the non-cultivators were strikingly inferior to the cultivators. The contrasts in the level of expenditure among non-cultivators and their relative position *vis-a-vis* cultivators in the different villages presumably stem from the inter-village differences in the composition of this group of families. The non-cultivator group embraces all occupational categories such as landless labourers, non-cultivating landlords, traders, artisans, etc., with varying levels of income and living.

Among the four groups into which the family expenditure items have been classified, purchase of durable consumer goods was, by far, the most important. Among cultivators the expenditure on this group of items was more than Rs 300 per family in all villages except Kannambadi. Among non-cultivators, except in Arehalli and Hirisave, the expenditure on purchase of durable consumer goods was of the order of Rs 300 or less per family. Expenditure on ceremonies was generally next in importance to purchase of durable consumer goods. The average expenditure on ceremonies generally varied between Rs 50 and Rs 100 per cultivating family in the different villages. The expenditure per cultivating family on the other two groups of expenditure, namely, construction and repairs of residential houses and other buildings and medical, educational and litigation expenses, was generally less than Rs 50. The non-cultivators in Hollahalli, Kalenahalli, Purlehalli and Valagerahalli reported very little expenditure on the three groups of items other than purchase of durable consumer goods.

Table 6·3 gives the average total family expenditure as also expenditure on each of the four groups of family expenditure items among the four classes of cultivators. The share of each class of cultivators in the total expenditure by cultivators is also given in the table.

The total family expenditure decreased with the decline in the size of cultivated holdings. The expenditure on the various groups of items except construction and repairs of residential houses and other buildings also showed this feature. The

average expenditure per family on construction and repairs of residential houses and other buildings was the highest at Rs 99 among the large cultivators and varied from Rs 13 to Rs 18 among other classes of cultivators. The big cultivators had probably no need to incur heavy expenditure on the item, their housing condition being satisfactory, while the medium and the small cultivators perhaps had only small resources to undertake expenditure of the type.

TABLE 6.3—LEVEL OF FAMILY EXPENDITURE AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data. Amount in rupees]

Class of cultivators	EXPENDITURE PER FAMILY				
	Total	Construction and repairs of residential houses and other buildings	Purchase of durable consumer goods	Death, marriage and other ceremonies	Medical, educational and litigation expenses
	1	2	3	4	5
Big cultivators.....	1,228	18	772	391	46
Large cultivators.....	873	99	538	202	35
Medium cultivators.....	400	16	325	45	15
Small cultivators.....	312	13	260	25	14

Class of cultivators	SHARE OF THE CLASS IN TOTAL EXPENDITURE BY ALL CULTIVATORS (PER CENT)				
	Total	Construction and repairs of residential houses and other buildings	Purchase of durable consumer goods	Death, marriage and other ceremonies	Medical, educational and litigation expenses
	6	7	8	9	10
Big cultivators.....	26.4	4.9	23.3	50.1	25.1
Large cultivators.....	52.3	74.7	45.1	71.9	52.8
Medium cultivators.....	29.2	15.2	33.2	19.4	26.7
Small cultivators.....	18.5	10.1	21.7	8.7	20.5

The order of importance of the various groups of items for the large and medium cultivators was the same as in the case of all cultivators. For the big and small cultivators, the group 'medical, educational and litigation expenses' was more important than construction and repairs of residential houses and other buildings. All groups of items except purchase of durable consumer goods were of comparatively minor importance for the medium and small cultivators and especially for the latter class. The expenditure among non-cultivators was of the same order as that among the

small cultivators, except in regard to purchase of durable consumer goods, for which item the non-cultivators spent as much as the medium cultivators.

The data relating to the share of each class of cultivators in the total expenditure by all cultivators present an interesting picture. The expenditure on residential houses and other buildings and that on ceremonies were heavily concentrated in the upper deciles, more than 70 per cent of the total expenditure on these items being reported by the large cultivators. The contribution of the big cultivators was small for the former item, while as much as 50 per cent of the total expenditure on the latter item was incurred by this class. The heavy concentration of the expenditure on ceremonies among the large cultivators, and in particular among the big cultivators, is as could be expected. This expenditure is likely to be influenced very largely by social conventions and behaviour patterns. The concentration of expenditure in the upper deciles is found to be the lowest in the case of expenditure on durable consumer goods. It is significant to note in this context that some of the items included under 'consumer goods' assume priority next only to food articles in the family budget and are somewhat compulsive in character. Medical, educational and litigation expenses were also relatively less heavily concentrated in the upper deciles. It would appear that the inequality among the different classes of cultivators is less in the case of expenses of a compulsive nature than in other expenses. The concentration in total family expenditure was found to be less than the concentration in the cultivated holdings.

6.2 EXPENDITURE ON INDIVIDUAL ITEMS

The data regarding the individual items of family expenditure are discussed below. The proportion of families incurring expenditure, the average expenditure per family and the average expenditure per reporting family have been used in the discussions.

6.2.1 Construction and repairs of residential houses and other buildings

Table 6.4 gives the proportion of families who reported expenditure on the item and the average expenditure per reporting family, for cultivators, non-cultivators and all families.

Only a very small percentage of the rural families reported expenditure on the item. The expenditure per reporting family was, however, high in most of the villages. By definition, the item covered expenditure on new constructions as well as the expenditure on repairs to existing houses and other buildings. The small proportion of families reporting expenditure on the item and the high expenditure per reporting family would seem to indicate that only new constructions and major repairs were reported and that minor repairs were ignored.

6.2.2 Purchase of durable consumer goods

There are two items included under this head, viz., purchase of household utensils, furniture, etc., and purchase of clothing, shoes, bedding, etc. Almost all the families reported expenditure on each of these items. The average expenditure

TABLE 6.4—CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS

[General Schedule data]

Village	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Proportion of families reporting expenditure (Per cent)	Expenditure per reporting family (Rs)	Proportion of families reporting expenditure (Per cent)	Expenditure per reporting family (Rs)	Proportion of families reporting expenditure (Per cent)	Expenditure per reporting family (Rs)
	1	2	3	4	5	6
Arehalli.....	2.2	1,517	3.0	598	2.7	904
Hirisave.....	6.6	790	3.4	490	5.7	737
Kannambadi.....	11.2	155	4.8	200	10.6	157
Rudrapatna.....	6.5	340	-	-	4.9	340
Hollahalli.....	-	-	-	-	-	-
Kalenahalli.....	2.9	85	-	-	2.3	85
Purlehalli.....	9.3	1,700	-	-	6.4	1,700
Valagerahalli.....	10.5	349	-	-	8.9	349
District.....	6.0	685	0.9	555	4.8	680

per family on each of the items is given in the table below, separately for cultivators, non-cultivators and all families.

TABLE 6.5—PURCHASE OF DURABLE CONSUMER GOODS

[General Schedule data. In rupees per family]

Village	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Expenditure on purchase of household utensils, furniture, etc.	Expenditure on purchase of clothing, shoes, bedding, etc.	Expenditure on purchase of household utensils, furniture, etc.	Expenditure on purchase of clothing, shoes, bedding, etc.	Expenditure on purchase of household utensils, furniture, etc.	Expenditure on purchase of clothing, shoes, bedding, etc.
	1	2	3	4	5	6
Arehalli.....	398	151	526	133	474	140
Hirisave.....	247	145	450	117	307	137
Kannambadi.....	153	84	223	72	160	83
Rudrapatna.....	234	122	230	74	233	110
Hollahalli.....	202	99	72	24	182	88
Kalenahalli.....	217	87	153	46	204	78
Purlehalli.....	435	172	212	79	367	143
Valagerahalli.....	197	134	146	50	189	121
District.....	250	121	253	75	251	110

As between the two items, purchase of household utensils, furniture, etc., was more important. The variations in the expenditure on the two items among the villages are similar. The expenditure on purchase of clothing, shoes, bedding, etc., was higher among cultivators than among non-cultivators.

6.2.3 Death, marriage and other ceremonies

The data relating to the proportion of families reporting expenditure on each of the two items included under 'death, marriage and other ceremonies' are given below.

TABLE 6.6—DEATH, MARRIAGE AND OTHER CEREMONIES : PROPORTION OF FAMILIES REPORTING EXPENDITURE

[General Schedule data]

Village	PROPORTION OF FAMILIES REPORTING EXPENDITURE (PER CENT)					
	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Death ceremonies	Marriage and other ceremonies	Death ceremonies	Marriage and other ceremonies	Death ceremonies	Marriage and other ceremonies
	1	2	3	4	5	6
Arehalli.....	—	20.9	2.0	5.5	1.2	11.8
Hirisave.....	10.4	48.3	3.4	14.8	8.4	38.5
Kannambadi.....	3.2	10.2	—	28.6	2.9	12.0
Rudrapatna.....	2.3	11.2	1.4	4.1	2.1	9.4
Hollahalli.....	4.5	4.5	—	—	3.8	3.8
Kalناهalli.....	2.9	10.8	—	—	2.3	8.6
Purlehalli.....	—	7.4	—	—	—	5.1
Valagerahalli.....	6.3	57.9	—	11.8	5.4	50.9
District.....	3.8	21.2	0.9	4.7	3.1	17.3

Only a small proportion of the families had to incur expenditure in connexion with death ceremonies. Marriage and other ceremonies were celebrated by a larger proportion of the families. The proportion of families reporting expenditure was generally higher among cultivators than among non-cultivators in the case of both the items.

The proportion of families reporting expenditure on marriage and other ceremonies varied considerably from village to village. Among cultivators, in two of the villages the proportion exceeded 40 per cent ; in one village it was about 20 per cent, while in the other five villages it was of the order of 10 per cent or less. It would appear that the coverage in regard to the item was not uniform in all the villages. Apparently, while in some villages only marriage and other important ceremonies which necessitated fairly large expenditure were reported, in other villages all occasions of festivals were reported.

Table 6.7 gives the average expenditure per family and per reporting family on each of the two items. The size of expenditure was higher on marriage and other ceremonies than on death ceremonies except in the case of non-cultivators in Hirisave. The average expenditure per reporting family on death ceremonies was generally less than Rs 200, while that on marriage and other ceremonies was generally more than Rs 400. The expenditure per reporting family on marriage and other ceremonies

among cultivators was low in Hirisave and Valagerahalli; these are the two villages in which the incidence of this expenditure was the most widespread. The co-existence of widespread incidence of expenditure and low level of expenditure per reporting family would appear to lend support to the presumption made earlier regarding the coverage of the item.

TABLE 6.7—DEATH, MARRIAGE AND OTHER CEREMONIES : EXPENDITURE PER FAMILY AND PER REPORTING FAMILY

[General Schedule data. In rupees]

Village	DEATH CEREMONIES					
	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Expenditure per family	Expenditure per reporting family	Expenditure per family	Expenditure per reporting family	Expenditure per family	Expenditure per reporting family
	1	2	3	4	5	6
Arehalli.....	—	—	1	58	1	58
Hirisave.....	17	160	13	370	16	186
Kannambadi.....	4	140	—	—	4	140
Rudrapatna.....	7	280	—	30	5	238
Hollahalli.....	2	50	—	—	2	50
Kalenahalli.....	4	120	—	—	3	120
Purlehalli.....	—	—	—	—	—	—
Valagerahalli.....	20	317	—	—	17	317
District.....	7	185	1	152	6	183

Village	MARRIAGE AND OTHER CEREMONIES					
	CULTIVATORS		NON-CULTIVATORS		ALL FAMILIES	
	Expenditure per family	Expenditure per reporting family	Expenditure per family	Expenditure per reporting family	Expenditure per family	Expenditure per reporting family
	7	8	9	10	11	12
Arehalli.....	113	544	76	1,379	91	774
Hirisave.....	71	146	43	288	62	162
Kannambadi.....	50	487	110	387	56	463
Rudrapatna.....	61	548	22	533	51	547
Hollahalli.....	120	2,650	—	—	102	2,650
Kalenahalli.....	69	641	—	—	55	641
Purlehalli.....	58	788	—	—	40	788
Valagerahalli.....	85	147	1	8	72	142
District.....	81	381	21	455	67	386

6.2.4 Medical, educational and litigation expenses

There are three items included under this group, viz., medical expenses, educational expenses and litigation charges. The proportion of families reporting expenditure on these items and the average expenditure reported in the different

villages were generally small. Considering the data for all villages together, it is seen that medical expenses assumed the most important place from the standpoint of the proportion of families reporting expenditure; educational expenses and litigation expenses followed in that order. Table 6.8 brings out the inter-village variations in the proportion of families reporting expenditure on each of the items.

TABLE 6.8—MEDICAL, EDUCATIONAL AND LITIGATION EXPENSES: PROPORTION OF FAMILIES REPORTING EXPENDITURE

[General Schedule data]

Village	PROPORTION OF FAMILIES REPORTING EXPENDITURE (PER CENT)								
	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Medi- cal expen- ses	Educa- tional expen- ses	Litiga- tion charges	Medi- cal expen- ses	Educa- tional expen- ses	Litiga- tion charges	Medi- cal expen- ses	Educa- tional expen- ses	Litiga- tion charges
	1	2	3	4	5	6	7	8	9
Arehalli.....	14.4	5.0	1.4	9.5	5.0	1.0	11.5	5.0	1.2
Hirisave.....	9.5	5.7	2.4	—	6.8	2.3	6.7	6.0	2.3
Kannambadi....	11.8	8.6	3.2	9.5	14.3	4.8	11.5	9.1	3.4
Rudrapatna....	11.2	14.5	—	4.1	10.8	—	9.4	13.5	—
Hollahalli.....	4.5	—	—	—	—	—	3.8	—	—
Kalenahalli....	18.6	2.9	2.0	7.7	3.8	—	16.4	3.1	1.6
Purlehalli.....	33.3	5.6	—	8.3	4.2	—	25.6	5.1	—
Valagerahalli....	21.1	7.4	2.1	—	—	5.9	17.9	6.3	2.7
District.....	17.0	5.1	1.0	5.6	4.3	1.3	14.3	4.9	1.1

The order of importance of the items in the different villages was generally the same as that revealed by the district data, exceptions in this regard being Rudrapatna in the case of both cultivators and non-cultivators and Hirisave and Kannambadi in the case of non-cultivators. In these exceptional cases the proportion of families reporting expenditure on education was higher than that reporting medical expenses.

The incidence of medical expenses was most widespread in Purlehalli, Valagerahalli and Kalenahalli. A larger proportion of cultivators than non-cultivators incurred expenditure on the item.

The proportion of families incurring expenditure on education was uniformly low—generally less than 10 per cent. Education of children, thus, appears to be a minor interest of the rural community. Unlike in other family expenditure items (barring purchase of consumer goods), the proportion of families reporting expenditure on education did not show any significant difference as between cultivators and non-cultivators. In one of the villages, namely, Hollahalli, none of the families reported expenditure on education. Hollahalli is a typical small village of the *malnad*, cut off from other villages and, possibly, unfavourably situated in regard to educational facilities.

Only a negligible proportion of the rural families appeared to be engaged in litigation; the proportion reporting expenditure on the item was generally less than 3 per cent. In three villages none of the rural families incurred expenditure on the item.

Table 6.9 sets out the expenditure per family and per reporting family on each of the three items, namely, medical expenses, educational expenses and litigation charges.

**TABLE 6.9—MEDICAL, EDUCATIONAL AND LITIGATION EXPENSES :
EXPENDITURE PER FAMILY AND PER REPORTING FAMILY**

[General Schedule data. In rupees]

Village	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Medi- cal ex- penses	Edu- cational ex- penses	Liti- gation charges	Medi- cal ex- penses	Edu- cational ex- penses	Liti- gation charges	Medi- cal ex- penses	Edu- cational ex- penses	Liti- gation charges
	1	2	3	4	5	6	7	8	9
	Expenditure per family								
Arehalli.....	10	17	1	17	30	11	14	25	7
Hirisave.....	9	15	14	—	12	3	6	14	11
Kannambadi.....	6	7	3	8	20	1	6	9	3
Rudrapatna.....	11	21	—	4	19	—	9	21	—
Hollahalli.....	1	—	—	—	—	—	1	—	—
Kalenahalli.....	8	1	4	2	—	—	7	1	3
Purlehalli.....	34	6	—	4	4	—	25	5	—
Valagerahalli.....	14	9	1	—	—	12	12	8	2
District.....	12	6	2	5	9	4	10	7	2
	Expenditure per reporting family								
Arehalli.....	71	334	100	183	609	1,125	125	496	613
Hirisave.....	90	273	590	—	175	125	90	240	457
Kannambadi.....	53	84	85	83	143	20	55	93	76
Rudrapatna.....	100	146	—	107	173	—	101	152	—
Hollahalli.....	25	—	—	—	—	—	25	—	—
Kalenahalli.....	43	22	200	20	10	—	41	19	200
Purlehalli.....	102	102	—	48	100	—	96	101	—
Valagerahalli.....	65	128	30	—	—	200	65	128	87
District.....	72	127	192	84	216	279	73	145	216

Medical expenses generally averaged less than Rs 100 per reporting family. Educational expenses averaged more than Rs 100 per reporting family in five villages; the expenditure per reporting family was high both among cultivators and non-cultivators, in Arehalli. In Hirisave and Rudrapatna also the expenditure on education per reporting family was high. It would appear that a small percentage of the rural families were spending considerable amount on education, presumably the higher education, of their children. It was seen that very few of the families were engaged in litigation; those who were involved in litigation had to incur substantially heavy expenditure on that account.

6.3 SOURCE OF FINANCE FOR FAMILY EXPENDITURE

The data presented in the earlier sections reveal that generally the rural families had to spend substantial amounts in connexion with family expenditure. For some items, only a small percentage of the families incurred expenditure ; but those who had to incur expenditure had to spend heavy amounts. It would be of interest to know the extent to which the rural families could finance these expenditures from their own resources and the extent to which they had to depend on borrowings, sale of assets and other sources to meet these expenditures. Table 6.10 gives the data in regard to source of finance for family expenditure. Data in relation to borrowings for different items of expenditure are also given in the table.

TABLE 6.10—SOURCE OF FINANCE FOR FAMILY EXPENDITURE AND BORROWINGS FOR FAMILY EXPENDITURE : ALL FAMILIES

[General Schedule data]

Item	Average expenditure per family (Rs)	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF TOTAL EXPENDITURE ON THE ITEM				Amount financed by borrowings per family (Rs)	BORROWINGS FOR THE PURPOSE	
		Current income and past savings	Sale of assets	Borrowings	Other sources		Amount per family (Rs)	Percentage to total borrowings for family expenditure
1. Construction and repairs of residential houses and other buildings.....	33	56.6	10.0	31.1	2.3	10	10	12.3
2. Purchase of household utensils, furniture, etc.....	251	53.5	0.6	7.7	38.2	19	24	29.3
3. Purchase of clothing, shoes, bedding, etc.....	110	56.9	1.8	11.2	30.1	12	11	13.3
4. Death ceremonies..	6	24.9	6.9	66.3	1.9	4	4	4.6
5. Marriage and other ceremonies.....	67	43.4	4.3	50.7	1.6	34	29	34.7
6. Medical expenses...	10	59.1	7.0	21.4	12.5	2	3	3.5
7. Educational expenses.....	7	53.6	2.0	18.1	26.3	1	1	1.6
8. Litigation charges..	2	59.7	10.9	26.9	2.5	1	1	0.7
Total.....	486	52.9	2.3	17.2	27.6	84	83	100.0

It is seen that 50 per cent to 60 per cent of the total expenditure on the various items except death ceremonies and marriage and other ceremonies was financed out of owned resources comprising current income and past savings. For marriage and other ceremonies only about 43 per cent of the expenditure could be met from these sources, while for death ceremonies the proportion of expenditure financed out of these resources was much lower, at about 25 per cent. Probably, because of its unexpected incidence and the urgency of undertaking the expenditure, the families could not find large owned resources to finance expenditure on death ceremonies.

Sale of assets was not an important source of finance for expenditure ; the proportion of expenditure financed through this source was only about 2 per cent for all items put together, and of the order of 10 per cent or less in the case of every item.

The proportion of expenditure financed through borrowings was the highest at about 66 per cent in the case of death ceremonies. Marriage and other ceremonies came next in importance ; as much as 51 per cent of the total expenditure on the item was met through borrowings. In the case of construction and repairs of residential houses and other buildings, medical expenses, educational expenses and litigation expenses also, borrowings played a prominent role, 18 per cent to 31 per cent of the expenditure on these items having been met through the source. Borrowings played a minor role in financing the expenditure on purchase of durable consumer goods. 'Other sources' accounted for a fairly large proportion of the total expenditure on durable consumer goods and educational expenses.

The data on purpose of borrowing show that the most important item of family expenditure for which borrowings were resorted to was marriage and other ceremonies. Although this item accounted for only about 14 per cent of the total family expenditure, about 35 per cent of the total borrowings for family expenditure were incurred in connexion with it. Purchase of household utensils, furniture, etc., purchase of clothing, shoes, bedding, etc., and construction and repairs of residential houses and other buildings were, in that order, other important purposes of borrowing. The first two of these items together accounted for about 43 per cent of the total borrowings for family expenditure. Thus, although borrowings constituted a minor source of finance for these items of expenditure, they were important purposes of borrowing.

The data discussed above reveal that the rural families were able to finance their family expenditure, to a large extent, from current income and past savings ; when heavy expenditure was involved or when the occasion for incurring the expenditure was unexpected, they had to resort to borrowing to finance a substantial proportion of the expenditure.

6.4 BORROWINGS FOR 'OTHER' FAMILY EXPENDITURE

It was noted earlier that information in relation to family expenditure was collected only in respect of certain specified items. While collecting data on borrowings, a complete classification of all purposes of borrowing was provided. Here, under the main head 'family expenditure', in addition to the purposes on which expenditure data were collected, two items, namely, 'other occasional expenditure' and 'other family expenditure' were included. The borrowings for these purposes were extremely small, averaging Re 1 per hundred families. The main constituent among these 'other' expenditure items is food, the expenditure on which would get the first priority on the available cash and kind resources. Among cultivators the expenditure on the item is likely, very largely, to be incurred in kind, from the proceeds of the farm. Borrowings for these 'other' expenditure purposes are, thus, expected to be very small.

CHAPTER 7

CAPITAL EXPENDITURE

In this chapter data on capital expenditure incurred by the rural families are discussed. These data assume significance for two reasons. In the first instance, as in the case of certain items of family expenditure, some of the items of capital expenditure may be important occasions of borrowings. The study of the size and directions in which capital expenditure has been incurred and the importance of borrowing in financing the expenditure would, therefore, be of significance in the analysis of the demand for credit. Secondly, when capital expenditure is incurred in certain directions, it adds to the productive capacity of a family. The data on capital expenditure would, thus, reflect the extent to which and the directions in which the rural community found it possible to undertake expenditure leading to an improvement in its economic position.

Data were collected under three main heads of capital expenditure. These are financial investment expenditure, capital expenditure in non-farm business and capital expenditure in agriculture. A separate section has been devoted to the discussion on each of these main items. The discussions are based on the proportion of families reporting expenditure, the size of expenditure reported and the sources through which the expenditure was financed. Data on these aspects were collected both in the General Schedule and in the intensive enquiry. The analysis that follows is mainly based on the General Schedule data.

7.1 FINANCIAL INVESTMENT EXPENDITURE

Financial investment expenditure comprised three items, viz., (1) purchase of shares in co-operative societies, banks, etc., (2) additions to deposits in co-operative societies, postal savings and other banks, etc., and (3) purchase of National Savings Certificates, Treasury Bonds, etc. None of the investigated families reported expenditure on any of these items in the General Schedule; one of the families reported an expenditure of Rs 100 on purchase of shares in co-operative societies, banks, etc., in the intensive enquiry schedule. Apparently financial investments were not popular with the rural community. Even purchase of shares in co-operative societies, banks, etc., was extremely rare.

The intensive enquiry collected information relating to financial assets held at the time of the enquiry. The data in relation to financial assets confirm what has been observed above, namely, the little interest which the rural community had in financial investments. Financial assets were divided into three categories, viz., (1) shares in co-operative societies, banks, etc., (2) deposits in co-operative societies, banks, etc., and (3) postal savings, National Savings Certificates, etc.

None of the selected cultivating families reported assets in the form of deposits in co-operative societies, banks, etc., or in the shape of postal savings, National Savings Certificates, etc., while slightly less than 1 per cent of the families reported holding of shares in co-operative societies, banks, etc. The average value of shares held by these families was Rs 111 per reporting family. The families which reported holding of shares belonged to the big cultivator class.

The information collected in the Questionnaire on pattern of savings, completed during the intensive enquiry, may usefully supplement the above discussion. The respondents were asked to indicate whether they held certain specified types of financial assets. The financial assets specified were (1) deposits in postal savings banks, (2) National Savings Certificates or Treasury Bonds, (3) deposits or shares in co-operative societies and banks, (4) insurance policies and (5) deposits with private bankers or shopkeepers. Cultivators who did not hold any of these were required to give information as to whether the absence of such holdings was on account of the lack of margin for savings or because of preference to utilize savings in other directions. Questions were also asked in relation to the reasons for not investing in institutional channels like postal savings bank, Treasury Bonds, etc. The results obtained through the questionnaire are discussed below.

Only one cultivator of the upper strata reported holding of deposits in postal savings bank. Five cultivators of the upper strata and two cultivators of the lower strata reported holding of deposits or shares in co-operative societies and banks, while six cultivators of the upper strata and one cultivator of the lower strata reported holding of insurance policies. None of the selected cultivators reported savings in any of the other specified channels.

There are some apparent discrepancies between the data obtained in the Questionnaire on pattern of savings and the data on financial assets and financial investment expenditure, set out earlier. For example, deposits in postal savings bank were reported neither in the schedule on assets nor in the expenditure schedules, while one of the families reported holding of these in the questionnaire. The discrepancies are, however, minor, and the data obtained in the questionnaire also emphasize the virtual insignificance of financial investments.

The large majority of the cultivators—65 out of the 80 selected from the upper strata and 36 out of the 40 selected from the lower strata—reported that the absence of investment in the specified channels was due to lack of margin for savings. In response to questions regarding preference for alternative channels of use of savings, four cultivators of the upper strata and one cultivator of the lower strata reported that they preferred to hold the savings in cash rather than invest them in co-operative societies and banks. Three cultivators of the upper strata and one cultivator of the lower strata replied that they preferred to utilize savings for lending to others. Presumably, lending to others is a more attractive alternative form of utilization of funds; all the families who indicated preference for lending reported that they realized interest on money lent at 12 per cent per annum or more. There was also

an instance of a cultivator from the upper strata reporting preference to purchase land. We had specified purchase of gold and jewellery as one of the alternative uses of savings; none of the families reported preference for using funds in this direction.

Only a few cultivators, presumably only those who had margin for savings, replied to the questions on the reasons for not holding savings in particular institutional channels. Two of the cultivators, both from the upper strata, reported that they did not invest in postal savings bank because of lack of local facilities. Two cultivators of the upper strata cited this reason for not holding deposits in co-operative societies or banks. A larger number of cultivators answered the question regarding insurance policies. Two cultivators, both from the upper strata, pleaded lack of local facilities. Six cultivators of the upper strata and three of the lower strata did not take out insurance policies because of difficulties in paying premia regularly. Two cultivators of the upper strata reported insurance as 'too complicated'.

7.2 CAPITAL EXPENDITURE IN NON-FARM BUSINESS

Data relating to capital expenditure in non-farm business were collected under a single item; no classification of the expenditure, as in the case of financial investment expenditure or capital expenditure in agriculture, was attempted. The data show that only an extremely small proportion of the rural families incurred expenditure on non-farm business during the year. The following table gives the proportion of families reporting expenditure on the item and the average expenditure on the item per family and per reporting family.

TABLE 7.1—CAPITAL EXPENDITURE IN NON-FARM BUSINESS
[General Schedule data]

Village	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Pro- por- tion of fami- lies report- ing expen- diture	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fami- lies report- ing expen- diture	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fami- lies report- ing expen- diture	Expen- diture per family	Expen- diture per report- ing family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6	7	8	9
Arehalli.....	0.7	4	600	3.5	59	1,671	2.4	36	1,538
Hirisave.....	0.5	9	2,000	3.4	41	1,200	1.3	19	1,400
Kannambadi.....	1.1	3	250	4.8	24	500	1.4	5	333
Rudrapatna.....	0.5	-	100	-	-	-	0.3	-	100
Hollahalli.....	-	-	-	-	-	-	-	-	-
Kalenahalli.....	-	-	-	-	-	-	-	-	-
Purlehalli.....	-	-	-	-	-	-	-	-	-
Valagerahalli.....	5.3	8	144	-	-	-	4.5	6	144
District.....	1.2	3	203	1.0	14	1,374	1.2	5	439

The proportion of families reporting expenditure on the item was uniformly low in all the villages. In three of the villages none of the families reported expenditure on the item, while in two other villages, only cultivators reported expenditure on the item. In the three villages in which non-cultivators reported expenditure on the item, the proportion of families reporting expenditure was higher, though not significantly higher, among non-cultivators than among cultivators. Non-farm business was, apparently, of minor interest even for the non-cultivators.

The three villages in which the non-cultivators reported expenditure on the item are Arehalli, Hirisave and Kannambadi. It would be noted that the non-cultivators of Arehalli and Hirisave were found to be prominent in regard to other indicators such as credit activity and level of family expenditure, as compared to non-cultivators in most other villages.

The families who incurred expenditure in non-farm business appeared to have spent substantial amounts; for all villages together, the average expenditure per reporting family was about Rs 450. The expenditure per reporting family was substantially higher among non-cultivators than among cultivators.

The data on capital expenditure in non-farm business among the four classes of cultivators are brought out in the table below.

TABLE 7.2—CAPITAL EXPENDITURE IN NON-FARM BUSINESS AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Class of cultivators	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family
	(Per cent)	(Rs)	(Rs)
	1	2	3
Big cultivators.....	4.4	8	181
Large cultivators.....	2.6	7	257
Medium cultivators.....	1.1	1	97
Small cultivators.....	—	—	—

The few cultivators who incurred expenditure on the item mostly belonged to the upper deciles. The major part of the small expenditure reported on the item was also incurred by the cultivators of the upper deciles. The small cultivators did not report any expenditure on the item.

About 71 per cent of the expenditure incurred on the item by rural families was financed through borrowings. Owned resources financed 23 per cent, sale of assets 2 per cent and other sources 4 per cent, of the expenditure on the item. The dependence on borrowed funds in the finance of capital expenditure in non-farm business was, thus, substantial.

7.3 CAPITAL EXPENDITURE IN AGRICULTURE

Information relating to capital expenditure in agriculture is collected under nine specific items and a residual miscellaneous item, viz., 'other capital expenditures in agriculture'. The nine specific items are (1) purchase of land, (2) purchase of livestock, (3) reclamation of land, (4) bunding and other land improvements, (5) digging and repair of wells, (6) development of other irrigation resources, (7) laying of new orchards and plantations, (8) purchase of implements, machinery and transport equipment and (9) construction of farm houses, cattle sheds, etc. Land is the most cherished asset of the cultivator; livestock is his most important farm equipment. The expenditures on purchase of these two items, therefore, assume special significance and are discussed in detail in the next two sub-sections. Here, the data collected on sale of land and livestock have also been set out and considered together with the data on purchase of land and livestock to give an indication of the net addition to these assets.

7.3.1 Purchase of land

The following table gives the data relating to expenditure on purchase of land, separately for cultivators, non-cultivators and all families.

TABLE 7.3—EXPENDITURE ON PURCHASE OF LAND

[General Schedule data]

Village	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Pro- por- tion of fam- ilies report- ing pur- chase	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fam- ilies report- ing pur- chase	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fam- ilies report- ing pur- chase	Expen- diture per family	Expen- diture per report- ing family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6	7	8	9
Arehalli.....	2.9	74	2,573	1.0	3	250	1.8	32	1,799
Hirisave.....	3.3	15	444	1.1	17	1,500	2.7	15	576
Kannambadi.....	7.0	45	642	-	-	-	6.3	40	642
Rudrapatna.....	8.4	80	956	-	-	-	6.3	60	956
Hollahalli.....	-	-	-	-	-	-	-	-	-
Kalenahalli.....	3.9	31	788	-	-	-	3.1	25	788
Purlehalli.....	7.4	29	390	-	-	-	5.1	20	390
Valagershalli.....	7.4	61	830	-	-	-	6.3	52	830
District.....	4.9	35	726	0.3	2	728	3.8	28	726

The proportion of families reporting expenditure on the item was small. The transactions reported in the schedules were entered into mostly by cultivators; among non-cultivators purchase of land was reported by about 1 per cent of the families in two of the villages, namely, Arehalli and Hirisave.

The average expenditure per reporting family exceeded Rs 500 in almost all villages ; it was about Rs 2,600 among cultivators in Arehalli.

The following table gives the data for the four classes of cultivators.

TABLE 7.4—EXPENDITURE ON PURCHASE OF LAND AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Class of cultivators	Proportion of families reporting purchase	Expenditure per family	Expenditure per reporting family	Expenditure by the class as percentage of total expenditure by cultivators
	(Per cent)	(Rs)	(Rs)	
	1	2	3	4
Big cultivators.....	9·1	99	1,086	31·3
Large cultivators.....	9·5	71	751	62·9
Medium cultivators.....	3·3	21	645	22·6
Small cultivators.....	2·2	17	752	14·5

About 10 per cent of the big and the large cultivators reported purchase of land ; the proportion of families reporting purchase of land was much smaller among the medium and the small cultivators. The average expenditure per reporting family was high, exceeding Rs 600, among all classes of cultivators ; it was at the highest level at Rs 1,086 among the big cultivators, while among other classes it varied from about Rs 650 to Rs 750. The large cultivators accounted for about 60 per cent of the total expenditure incurred by cultivators.

The most important source of finance for the expenditure on purchase of land was borrowings ; about two-fifths of the expenditure by rural families was met through this source. About one-third of the expenditure was met through owned resources, mainly past savings. Sale of assets was resorted to finance about 16 per cent of the expenditure, while about 8 per cent of the expenditure was met through other sources.

Net purchase or net sale of land

Data regarding sale of land was also collected in the enquiry. The tables on page 67 present these data.

The proportion of families reporting sale of land was much smaller than the proportion of families reporting purchase of land. Sale transactions were reported only in five villages ; except in one of these villages the proportion of families reporting sale was less than 2 per cent. Most of the sale transactions recorded in the schedules were reported by the cultivating families. The amount received from sale of land per reporting family was high, averaging Rs 550 or more, in all the villages.

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TABLE 7.5—RECEIPTS FROM SALE OF LAND

[General Schedule data]

Village	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Pro- por- tion of fami- lies report- ing sale	Recei- pts per family	Recei- pts per report- ing family	Pro- por- tion of fami- lies report- ing sale	Recei- pts per family	Recei- pts per report- ing family	Pro- por- tion of fami- lies report- ing sale	Recei- pts per family	Recei- pts per report- ing family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6	7	8	9
Arehalli.....	-	-	-	-	-	-	-	-	-
Hirisave.....	0.5	3	700	-	-	-	0.3	2	700
Kannambadi.....	1.1	6	550	-	-	-	1.0	5	550
Rudrapatna.....	-	-	-	1.4	20	1,500	0.3	5	1,500
Hollahalli.....	-	-	-	-	-	-	-	-	-
Kalenahalli.....	2.0	15	750	-	-	-	1.6	12	750
Purlehalli.....	-	-	-	-	-	-	-	-	-
Valagerahalli.....	5.3	34	650	-	-	-	4.5	29	650
District.....	1.5	10	674	0.1	2	1,500	1.2	8	692

The data presented in the table below show that the proportion of families reporting sale transactions was slightly higher among the big and the large cultivators than among the medium and the small cultivators.

TABLE 7.6—RECEIPTS FROM SALE OF LAND AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Class of cultivators	Proportion of families reporting sale	Receipts per family	Receipts per reporting family
	(Per cent)	(Rs)	(Rs)
	1	2	3
Big cultivators.....	2.3	10	424
Large cultivators.....	3.5	23	654
Medium cultivators.....	0.7	5	731
Small cultivators.....	0.6	4	666

In the table on page 68 data on net purchase or net sale of land are presented in respect of the four classes of cultivators, all cultivators, non-cultivators and all families in the different villages.

Net sale of land was reported only by the medium cultivators of Hirisave and Kalenahalli and the non-cultivators of Rudrapatna ; in all other cases, either there was a net purchase of land or there was no transfer of land. For all villages together,

the position was one of balance between purchase and sale for non-cultivators, while among every class of cultivators there was net purchase of land. The net purchase was small among the medium and the small cultivators. The net purchase formed only a small proportion of the value of owned land.

TABLE 7.7—NET PURCHASE (+) OR NET SALE (-) OF LAND

[General Schedule data. In rupees per family]

Village	Big cul- tivators	Large cul- tivators	Medium cul- tivators	Small cul- tivators	All cul- tivators	Non- cul- tivators	All families
	1	2	3	4	5	6	7
Arehalli	+678	+245	-	-	+74	+3	+32
Hirisave	+72	+30	-1	+9	+12	+17	+13
Kannambadi	+89	+85	+11	+26	+39	-	+35
Rudrapatna	+227	+166	+63	+17	+80	-20	+55
Hollahalli	-	-	-	-	-	-	-
Kalenahalli	+68	+31	-7	+32	+16	-	+13
Purlehalli	-	+76	-	+15	+29	-	+20
Valagerahalli	+160	+12	+61	-	+27	-	+23
District	+89	+48	+16	+12	+25	-	+19

Transfer of ownership rights over lands in the rural areas could be between the urban residents on the one hand, and the rural community on the other, or within each of the two groups. Our data reflect only the transactions in which the rural families were involved, i.e., transactions within the rural community and transactions of the rural families with urban residents. Purchases and sales within the community balance each other; any observed net balance revealed by our data would, therefore, be attributable to transactions with the urban residents. The data seem to indicate that there was net transfer of lands from the urban residents holding proprietary rights over them to rural residents, in particular the more prosperous among the cultivators, namely, the big cultivators.

7.3.2. Purchase of livestock

Data relating to the proportion of families reporting expenditure on purchase of livestock and the average expenditure on the item per family and per reporting family are presented in Table 7.8. Livestock included both plough cattle and milch cattle.

A fairly large proportion of the cultivating families reported purchase of livestock; in most of the villages the proportion exceeded 20 per cent. The proportion reporting purchase of livestock was small among non-cultivators, except in three of the villages where it was between 10 per cent and 20 per cent. The average expenditure per reporting family generally varied between Rs 150 and Rs 300 among cultivators, while it was generally between Rs 100 and Rs 200 among non-cultivators.

TABLE 7.8—EXPENDITURE ON PURCHASE OF LIVESTOCK

[General Schedule data]

Village	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Pro- por- tion of fami- lies report- ing pur- chase	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fami- lies report- ing pur- chase	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fami- lies report- ing pur- chase	Expen- diture per family	Expen- diture per report- ing family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6	7	8	9
Arehalli.....	22.3	34	151	1.0	2	205	9.7	15	154
Hirisave.....	29.9	84	280	1.1	2	150	21.4	60	278
Kannambadi.....	14.4	30	208	19.0	14	75	14.9	28	190
Rudrapatna.....	16.8	49	288	1.4	1	105	12.8	36	283
Hollahalli.....	68.2	127	186	—	—	—	57.7	107	186
Kalناهalli.....	39.2	127	325	11.5	14	123	33.6	104	311
Purlehalli.....	22.2	62	280	4.2	21	500	16.7	49	297
Valagerahalli.....	44.2	129	291	11.8	17	143	39.3	112	284
District.....	38.7	98	253	5.2	10	200	30.9	77	251

The data on purchase of livestock among the four classes of cultivators may be seen from the following table.

TABLE 7.9—EXPENDITURE ON PURCHASE OF LIVESTOCK AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Class of cultivators	Proportion of families reporting purchase	Expenditure per family	Expenditure per reporting family	Expenditure by the class as percentage of total expenditure by culti- vators	Expenditure per acre of cultivated holdings
	(Per cent)	(Rs)	(Rs)		(Rs)
	1	2	3	4	5
Big cultivators.....	52.3	309	590	35.4	22
Large cultivators.....	47.3	182	385	57.9	19
Medium cultivators.....	38.2	71	187	27.7	19
Small cultivators.....	30.3	46	150	14.4	30

The proportion of families reporting expenditure and the average expenditure per family and per reporting family varied with the size of cultivated holdings. The large cultivators accounted for nearly 60 per cent of the total expenditure incurred on the item by cultivators. The expenditure on purchase of livestock per acre of cultivated holdings was the highest among the small cultivators.

Owned resources financed only about 29 per cent of the expenditure on purchase of livestock. Sale of assets financed about 32 per cent and borrowings, 37 per cent, of the expenditure on the item, while 2 per cent of the expenditure was met through other sources.

The data set out above show that purchase of livestock was an important item of expenditure for every class of cultivators and that cultivators had to resort to borrowing to meet a fairly large proportion of the expenditure on the item. The role of sale of assets, which consisted mostly of sale of livestock, in financing expenditure on the item was significant. It would indicate that in a number of cases both sale and purchase of livestock coexisted. We shall revert to this aspect of the livestock transactions in the discussion on net purchase or net sale of livestock.

Net purchase or net sale of livestock

As in the case of land, an attempt may be made to examine the net purchase or net sale of livestock. None of the non-cultivating families reported sale of livestock. The data relating to sale of livestock by cultivators are presented below.

TABLE 7.10—RECEIPTS FROM SALE OF LIVESTOCK : CULTIVATORS

[General Schedule data]

Village	Proportion of families reporting sale	Receipts per family	Receipts per reporting family
	(Per cent)	(Rs)	(Rs)
	1	2	3
Arehalli.....	2.2	3	150
Hirisave.....	19.4	65	336
Kannambadi.....	14.4	20	135
Rudrapatna.....	5.6	14	253
Hollahalli.....	22.7	52	228
Kalenahalli.....	37.3	80	214
Purlehalli.....	14.8	81	550
Valageraballi.....	32.6	95	292
District.....	23.5	65	277

Sale of livestock was generally less widespread than purchase of livestock. In two villages, namely, Kannambadi and Kalenahalli, the proportion of families reporting sale and the proportion of families reporting purchase were almost of the same order. The receipts from sale of livestock per reporting family generally varied between Rs 200 and Rs 300.

The data on sale of livestock among the four classes of cultivators are presented in Table 7.11.

The proportion of families reporting sale and the average receipts per family and per reporting family were higher among the big and the large cultivators than among the medium and the small cultivators.

TABLE 7.11—RECEIPTS FROM SALE OF LIVESTOCK AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Class of cultivators	Proportion of families reporting sale	Receipts per family	Receipts per reporting family
	(Per cent)	(Rs)	(Rs)
	1	2	3
Big cultivators.....	28.5	134	468
Large cultivators.....	32.6	117	358
Medium cultivators.....	23.8	55	229
Small cultivators.....	13.8	25	183

The table below gives data on the net purchase or net sale of livestock among the various classes of cultivators, all cultivators, non-cultivators and all families in the different villages.

TABLE 7.12—NET PURCHASE (+) OR NET SALE (–) OF LIVESTOCK

[General Schedule data. In rupees per family]

Village	Big cultivators	Large cultivators	Medium cultivators	Small cultivators	All cultivators	Non-cultivators	All families
	1	2	3	4	5	6	7
Arehalli.....	+122	+ 48	+29	+14	+31	+ 2	+14
Hirisave.....	+ 30	+ 5	+36	+ 8	+19	+ 2	+14
Kannambadi.....	+ 26	+ 31	+ 3	–	+10	+14	+10
Rudrapatna.....	+144	+ 76	+20	+12	+35	+ 1	+25
Hollahalli.....	+245	+124	+62	+42	+75	–	+63
Kalناهalli.....	+322	+174	–31	+23	+47	+14	+40
Purlehalli.....	+208	– 50	–12	+ 3	–19	+21	– 7
Valagerahalli.....	+ 34	+ 33	+40	+26	+34	+17	+31
District.....	+175	+ 65	+17	+20	+33	+10	+28

As in the case of land, in almost every group of families and every village the transactions of the year resulted in net purchase of livestock. The net purchase was small among the medium and the small cultivators and the non-cultivators, while it was fairly large among the big and the large cultivators.

The net purchase worked out above would not represent the net addition to assets. This is because the purchases reported may not, in all cases, be clear additions to assets. Purchase of livestock may be undertaken to replace cattle which are old or otherwise incapacitated or lost by death. Apart from this, there is the possibility of some livestock purchases merely representing purchases to recoup sales made earlier, so as to make up the normal complement of livestock. If transactions of this type take place, the families concerned will be reporting both purchase and sale of livestock. In this connexion, it would be of interest to note that, according to the intensive enquiry, about 28 per cent of the families of the upper strata

and 12 per cent of the families of the lower strata reported both purchase and sale of livestock.

7.3.3 Capital expenditure in agriculture : Items other than land and livestock

Data relating to capital expenditure in agriculture other than on purchase of land and livestock are discussed in this section. Information was collected in respect of eight items of capital expenditure including a residual item termed 'other capital investments in agriculture'. The total expenditure on this group of eight items will be referred to in the following discussions as 'other' capital expenditure in agriculture. To avoid any possible confusion, the residual item will be referred to as 'miscellaneous' capital expenditure in agriculture.

Table 7.13 gives the data relating to the proportion of families reporting expenditure and the average expenditure per family and per reporting family, on each of the items of 'other' capital expenditure in agriculture.

TABLE 7.13—'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE

[General Schedule data]

Item	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Pro- por- tion of fami- lies report- ing expen- diture	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fami- lies report- ing expen- diture	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fami- lies report- ing expen- diture	Expen- diture per family	Expen- diture per report- ing family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6	7	8	9
1. Reclamation of land.....	0.6	2	326	0.2	2	1,110	0.5	2	392
2. Bunding and other land improvements	4.1	4	109	0.2	2	945	3.2	4	119
3. Digging and repair of wells.....	1.0	3	294	0.1	-	60	0.8	2	288
4. Development of other irrigation resources.....	-	-	-	-	-	-	-	-	-
5. Laying of new orchards and plantations.....	0.5	1	278	0.3	1	407	0.5	1	294
6. Purchase of imple- ments, machinery and transport equipment.....	8.2	20	242	0.1	-	400	6.3	15	243
7. Construction of farm houses, cattle sheds, etc.....	0.8	2	263	-	-	-	0.6	2	263
8. 'Miscellaneous' capi- tal expenditure in agriculture.....	78.5	67	86	1.8	1	34	60.7	52	86

TABLE 7.14—' OTHER ' CAPITAL EXPENDITURE IN AGRICULTURE AMONG THE FOUR CLASSES OF CULTIVATORS

[General Schedule data]

Item	BIG CULTIVATORS			LARGE CULTIVATORS		
	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6
1. Reclamation of land.....	1.9	13	693	0.8	5	621
2. Bunding and other land improvements.....	19.8	24	121	8.8	11	122
3. Digging and repair of wells.....	3.8	17	436	1.5	7	444
4. Development of other irrigation resources.....	-	-	-	-	-	-
5. Laying of new orchards and plantations.....	1.5	4	274	0.5	1	274
6. Purchase of implements, machinery and transport equipment.....	17.2	56	326	12.0	35	295
7. Construction of farm houses, cattle sheds, etc.	2.9	17	592	1.0	6	592
8. 'Miscellaneous' capital expenditure in agriculture	96.4	285	295	92.9	146	157

Item	MEDIUM CULTIVATORS			SMALL CULTIVATORS		
	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	7	8	9	10	11	12
1. Reclamation of land.....	0.8	1	115	0.1	-	217
2. Bunding and other land improvements.....	1.5	2	131	2.7	1	45
3. Digging and repair of wells.....	1.5	3	179	-	-	-
4. Development of other irrigation resources.....	-	-	-	-	-	-
5. Laying of new orchards and plantations.....	0.9	3	297	0.1	-	45
6. Purchase of implements, machinery and transport equipment.....	9.5	20	212	2.8	4	142
7. Construction of farm houses, cattle sheds, etc.	0.5	-	41	0.8	-	19
8. 'Miscellaneous' capital expenditure in agriculture	79.9	40	50	62.4	22	35

Only an extremely small proportion of the non-cultivating families reported expenditure on these items. This is as could be expected, since, among non-cultivators,

only the few non-cultivating landowners would be undertaking capital expenditure in agriculture. Among cultivators the expenditure on 'miscellaneous' capital expenditure in agriculture was widespread. The proportion of cultivating families reporting expenditure was about 8 per cent in the case of purchase of implements, machinery and transport equipment and about 4 per cent in the case of bunding and other land improvements. In respect of all other items the proportion of cultivating families reporting expenditure was negligible, being of the order of 1 per cent or less.

The average expenditure per reporting cultivating family on the different items generally varied between Rs 200 and Rs 300 ; it was low at Rs 86 on 'miscellaneous' capital expenditure in agriculture.

The position of the four classes of cultivators in regard to the expenditure on the different items is indicated in Table 7.14 on page 73.

Items other than 'miscellaneous' capital expenditure in agriculture, bunding and other land improvements and purchase of implements, machinery and transport equipment, were of minor importance for all classes of cultivators. The proportion of families reporting expenditure and the expenditure per family and per reporting family were generally at higher levels among the big and the large cultivators than among the medium and the small cultivators. As may be seen from the table below, in the case of most items the major part of the expenditure was undertaken by the big cultivators.

TABLE 7.15—SHARE OF THE FOUR CLASSES OF CULTIVATORS IN 'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE BY CULTIVATORS

[General Schedule data]

Item	EXPENDITURE BY THE CLASS AS PERCENTAGE OF TOTAL EXPENDITURE BY CULTIVATORS			
	Big cultivators	Large cultivators	Medium cultivators	Small cultivators
	1	2	3	4
1. Reclamation of land.....	77.2	77.9	17.6	4.5
2. Bunding and other land improvements.....	60.0	74.5	17.2	8.3
3. Digging and repair of wells....	61.9	66.9	33.1	—
4. Development of other irrigation resources.....	—	—	—	—
5. Laying of new orchards and plantations.....	31.3	31.3	67.9	0.8
6. Purchase of implements, machinery and transport equipment...	31.8	55.6	38.2	6.2
7. Construction of farm houses, cattle sheds, etc.....	93.7	93.7	4.1	2.2
8. 'Miscellaneous' capital expenditure in agriculture.....	47.3	67.6	22.4	10.0

The data relating to source of finance for 'other' capital expenditure in agriculture are presented in Table 7.16 on page 75.

TABLE 7.16—SOURCE OF FINANCE FOR 'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE : ALL FAMILIES

[General Schedule data]

Item	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF TOTAL EXPENDITURE ON THE ITEM		
	Current income and past savings	Borrowings	Sale of assets and other sources
	1	2	3
1. Reclamation of land.....	39.7	59.6	0.6
2. Bunding and other land improvements..	68.3	22.4	9.3
3. Digging and repair of wells.....	59.5	35.5	5.0
4. Development of other irrigation resources	-	-	-
5. Laying of new orchards and plantations..	38.5	59.3	2.2
6. Purchase of implements, machinery and transport equipment.....	34.9	42.1	23.0
7. Construction of farm houses, cattle sheds, etc.....	95.8	-	4.2
8. 'Miscellaneous' capital expenditure in agriculture.....	79.8	7.8	12.4

Borrowings constituted the most important source for financing the expenditure on reclamation of land, laying of new orchards and plantations and purchase of implements, machinery and transport equipment. Borrowings were resorted to a substantial extent for financing expenditure on bunding and other land improvements and digging and repair of wells also. This source, however, was of minor importance in meeting the expenditure on the most important item of the group, namely, 'miscellaneous' capital expenditure in agriculture. Sale of assets and other sources were not generally important in financing 'other' capital expenditure in agriculture.

The table below presents the data relating to expenditure per family on purchase of land and livestock and 'other' capital expenditure in agriculture.

TABLE 7.17—'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE PER FAMILY AND PER ACRE OF CULTIVATED HOLDINGS

[General Schedule data. In rupees]

Item	Big cultivators	Large cultivators	Medium cultivators	Small cultivators	All cultivators
	1	2	3	4	5
1. Expenditure on purchase of land per family.....	99	71	21	17	35
2. Expenditure on purchase of livestock per family....	309	182	71	46	98
3. 'Other' capital expenditure in agriculture per family.....	416	211	68	28	100
4. 'Other' capital expenditure in agriculture per acre of cultivated holdings	29	22	18	18	21

'Other' capital expenditure in agriculture was more than the expenditure on purchase of land among all classes of cultivators. 'Other' capital expenditure was somewhat more important than purchase of livestock among the big and the large cultivators. For the medium and the small cultivators, purchase of livestock was more important than 'other' capital expenditure in agriculture. 'Other' capital expenditure per acre of cultivated holdings was highest at Rs 29 for the big cultivators. It was Rs 22 for the large cultivators and Rs 18 for the medium and the small cultivators. Unlike the expenditure on purchase of livestock, the expenditure on this item per acre of cultivated holdings was lower among the small cultivators than among the big and the large cultivators.

7.4 SALE OF ASSETS

In the previous sections the expenditure on purchase of various types of assets and the expenditure leading to improvements in land and other assets were discussed. It was noted that part of the expenditure was financed through sale of assets. We had also occasion to discuss the extent of sale of land and livestock. Data relating to liquidation of certain other types of assets were also collected in the enquiry. These assets are implements and machinery, houses and buildings, ornaments and bullion and financial and other assets. In Table 7.18 the data on average receipts per family from the sale of these assets are presented. The data on receipts from sale of land and livestock are also set out for purposes of comparison. It would be seen that the average amount received through sale of assets other than livestock was small among all classes of cultivators and non-cultivators.

TABLE 7.18—RECEIPTS FROM SALE OF ASSETS

[General Schedule data. In rupees per family]

Group	Total	Sale of land	Sale of live-stock	Sale of imple-ments and machi-nery	Sale of houses and buildings	Sale of orna-ments and bullion	Sale of financial and other assets
	1	2	3	4	5	6	7
Big cultivators.....	163	10	134	18	2	-	-
Large cultivators.....	154	23	117	14	1	-	-
Medium cultivators.....	63	5	55	3	-	-	1
Small cultivators.....	35	4	25	3	2	-	-
All cultivators.....	83	10	65	6	1	-	-
Non-cultivators.....	6	2	-	4	1	-	-
All families.....	65	8	50	6	1	-	-

7.5 INVESTMENT—DISINVESTMENT

In this section the data relating to capital transactions of the year are brought together and the balance on these transactions is worked out. The transactions considered in this analysis are the capital expenditure in agriculture and non-farm business, financial investment expenditure, repayment of old debts, borrowings

and sale of assets. The first three of these items represent expenditure on additions to or improvements in physical or financial assets. Repayments represent the reduction in liabilities. The expenditures in connexion with these items lead to an improvement in the economic position and these items have, therefore, been referred to as 'investment' items. Borrowings increase the liabilities and sale of assets reduces the physical or other assets. These are, therefore, acts which reduce the economic worth. These items have been referred to as 'disinvestment' items. The balance between the investment and disinvestment accounts reflects the net change in the physical and financial assets and liabilities and would, therefore, be an indicator of the change in fortunes of the community during the year of the enquiry.

The net investment-disinvestment as defined above does not take into account two items of capital transactions. These are the expenditure on ornaments and bullion and lending, in relation to which information was not collected. The adjustments necessary on account of these items would, perhaps, be small except for some cultivators of the upper deciles.

The table below shows the net investment-disinvestment position in respect of the four classes of cultivators, all cultivators, non-cultivators and all families.

TABLE 7.19—INVESTMENT-DISINVESTMENT

[General Schedule data. In rupees per family]

Group	INVESTMENT					DISINVESTMENT			Net investment (+) or net disinvestment (-)	Expenditure on construction and repairs of residential houses and other buildings
	Total	Capital expenditure in agriculture	Capital expenditure in non-farm business	Financial investment expenditure	Repayment of old debts	Total	Borrowings	Sale of assets		
	1	2	3	4	5	6	7	8	9	10
Big cultivators.....	908	823	8	-	77	596	433	163	+ 312	18
Large cultivators.....	524	465	7	-	53	446	292	154	+ 78	99
Medium cultivators.....	199	161	1	-	37	227	164	63	- 28	16
Small cultivators.....	100	90	-	-	11	137	102	35	- 37	13
All cultivators.....	270	233	3	-	34	268	185	83	+ 2	41
Non-cultivators.....	43	18	14	-	11	60	54	6	- 17	5
All families.....	217	183	5	-	29	220	155	65	- 3	33

There was a net disinvestment for non-cultivators and a small surplus of investment over disinvestment for cultivators taken as a whole. Among cultivators the net investment position was confined to the big and the large cultivators ; for the medium and the small cultivators the transactions of the year resulted in deficit on the capital account.

The expenditure on construction and repairs of residential houses and other buildings is partly in the nature of capital expenditure and partly of repair and replacement. If the expenditure on this item is also taken on the investment side, there is a substantially large net investment in the case of large cultivators ; the addition of this item does not materially change the net investment of the big cultivators. On the other hand, even with the addition of this item, the medium and the small cultivators and the non-cultivators show a net disinvestment.

The following table gives the net investment-disinvestment among the different classes of cultivators, all cultivators, non-cultivators and all families in the selected villages.

TABLE 7.20—NET INVESTMENT (+) OR NET DISINVESTMENT (–) IN THE SELECTED VILLAGES

[General Schedule data. In rupees per family]

Village	Big culti- vators	Large culti- vators	Medium culti- vators	Small culti- vators	All culti- vators	Non- culti- vators	All families
	1	2	3	4	5	6	7
Arehalli.....	+1,375	+497	– 24	– 11	+137	–17	+47
Hirisave.....	+ 193	+ 47	– 35	– 56	– 18	–40	–24
Kannambadi.....	+ 18	+ 63	– 22	– 45	– 4	–12	– 5
Rudrapatna.....	+ 196	+ 15	+ 11	– 26	+ 2	–32	– 7
Hollahalli.....	+ 577	+181	+ 2	– 23	+ 51	–17	+40
Kalenahalli.....	+ 109	– 3	– 42	+ 18	– 12	+ 3	– 9
Purlehalli.....	+ 275	+ 2	–107	–111	– 74	–28	–60
Valagerahalli.....	+ 191	+ 74	+ 1	– 39	+ 12	+ 3	+11

Cultivators as a whole showed a net investment in four villages, namely, Arehalli, Rudrapatna, Hollahalli and Valagerahalli. Non-cultivators had a slight surplus of investment over disinvestment in two of the villages. The big cultivators had a net investment position in all the villages ; in most of the villages the surplus of investment over disinvestment in their case was substantial. The large cultivators showed a net investment in all villages except Kalenahalli. For the medium and the small cultivators, generally the position was one of net disinvestment. In a few cases the addition of the expenditure on construction and repairs of residential houses and other buildings converted the deficit into a surplus of investment over disinvestment.

The intensive enquiry data, presented in Table 7-21, show that both the upper and the lower strata cultivators had an unfavourable balance between investment and disinvestment.

TABLE 7.21—INVESTMENT-DISINVESTMENT OF THE UPPER AND THE LOWER STRATA CULTIVATORS

[Intensive enquiry data. In rupees per family]

Strata	INVESTMENT					DISINVESTMENT			Net investment (+) or net disinvestment (-)	Expenditure on construction and repairs of residential houses and other buildings
	Total	Capital expenditure in agriculture	Capital expenditure in non-farm business	Financial investment expenditure	Repayment of old debts	Total	Borrowings	Sale of assets		
Upper strata cultivators	459	393	-	1	65	471	346	125	-12	30
Lower strata cultivators	136	109	-	-	27	228	182	46	-92	4
All cultivators	298	251	-	-	46	350	264	85	-52	17

The average positive or negative balance for a group of families does not reveal how the fortunes of individual families of the group varied during the year. The position indicated by the average may, in certain cases, be even misleading. For example, a negative balance may be the result of substantial net disinvestment by a few families, and the large majority of the families may be with small net investment. It would be of interest, therefore, to consider the position of individual families. The tabulation of the data necessary for the purpose has been possible only in respect of the selected cultivating families covered in the intensive enquiry. Table 7.22 gives the frequency distribution of the 80 selected cultivating families of the upper strata and 40 selected cultivating families of the lower strata, according to the size of net investment or net disinvestment.

The families are almost equally divided into two groups, namely, those with net investment and those with net disinvestment. This is true of both the strata of cultivators. This would indicate that the tendency to show a positive or negative balance in our calculations was not greater among the upper strata than among the lower strata. The distribution of the families according to the size of net investment or disinvestment, however, shows some variations between the two strata. The positive balance shown by the families of the upper strata was generally more pronounced than that shown by the families of the lower strata. The pattern of distribution of the families showing the negative balance is similar in the two strata ; in both the strata a fairly large proportion of the families showed

substantial net disinvestment. Thus, in the lower strata, while the families with positive balance showed only small net investment, a good proportion of those who showed negative balance recorded heavy net disinvestment.

In the above calculations, apart from the limitation arising from the non-inclusion of some items, there is an assumption regarding the investment effect of all capital expenditure. Part of the reported capital expenditure may only be the expenditure incurred in connexion with the repair and replacement of assets. Again, in the sale of assets reported, there would be an element which represents sale of livestock in the course of current business operations rather than a disinvestment. It is not possible with the help of the data collected by us to make adjustments for these factors.

TABLE 7.22—DISTRIBUTION OF SELECTED CULTIVATING FAMILIES ACCORDING TO SIZE OF NET INVESTMENT OR NET DISINVESTMENT

[Intensive enquiry data]

Strata	NET DISINVESTMENT					
	Total	Rs 50 or less	Rs 50 to Rs 100	Rs 100 to Rs 200	Rs 200 to Rs 500	Above Rs 500
	1	2	3	4	5	6
Upper strata cultivators.....	38	10	6	7	7	8
Lower strata cultivators.....	19	3	4	4	6	2

Strata	NET INVESTMENT						Neither investment nor disinvestment
	Total	Rs 50 or less	Rs 50 to Rs 100	Rs 100 to Rs 200	Rs 200 to Rs 500	Above Rs 500	
	7	8	9	10	11	12		13
Upper strata cultivators..	40	13	7	12	2	6	2
Lower strata cultivators..	19	16	1	1	1	-	2

CHAPTER 8

CURRENT FARM OPERATIONS

The data on current farm expenditure and receipts, collected in the intensive enquiry, are discussed in this chapter. The data were collected in two rounds of visits. The first round of visits covered the period April to September 1951 and the second round, the period October 1951 to March 1952. Data were collected in relation to specified items of expenditure on each of the crops cultivated, the value of gross produce of each of the crops harvested, the sale proceeds of crops and fodder and the receipts from certain specified sources such as wages, remittances, carting, etc. The chapter is divided into six sections. In the first section the data on value of gross produce are discussed. In the second section the data on farm expenditure are presented. The next section deals with the cash receipts. The seasonality in farm expenses and receipts are discussed in the fourth section. The next section is devoted to present the available data on farm produce and farm expenses of some of the important crops, worked out on a per acre basis. In the last section the farm business data are presented for groups of families classified according to value of gross produce, the proportion of value of gross produce of cash crops to value of total gross produce and the major crop grown. The data presented in the chapter are subject to certain limitations which are discussed in detail in the appropriate contexts.

Before proceeding to the detailed analysis, the relative importance of the various crops in the economy of the selected cultivators may be indicated. The following table gives the proportion of area sown under each crop and the proportion of value of gross produce obtained from each crop.

TABLE 8.1—AREA SOWN AND VALUE OF GROSS PRODUCE
[Intensive enquiry data]

Crop	UPPER STRATA CULTIVATORS		LOWER STRATA CULTIVATORS	
	Percentage area sown under the crop	Percentage value of gross produce obtained from the crop	Percentage area sown under the crop	Percentage value of gross produce obtained from the crop
	1	2	3	4
1. Rice.....	25.1	42.1	15.9	39.3
2. Millets.....	39.1	26.6	44.4	28.7
3. Gram.....	15.6	3.1	20.1	3.8
4. Cotton.....	6.1	11.3	4.2	7.0
5. Sugar-cane.....	0.7	4.8	0.9	8.4
6. Spices.....	3.7	4.6	3.7	3.6
7. Oilseeds.....	3.5	5.6	3.7	6.5
8. Other crops.....	6.2	1.9	7.1	2.7

The total area sown averaged 6.2 acres per family in the upper strata and 2.2 acres per family in the lower strata. The value of gross produce was Rs 531 per family in the upper strata and Rs 189 per family in the lower strata. Rice and millets were the principal crops cultivated in both the strata ; these crops accounted for about 60 per cent of the area sown and about 70 per cent of the value of gross produce. Gram was raised over 15 per cent of the total area sown by the upper strata and 20 per cent of the total area sown by the lower strata. The crop contributed only about 3 per cent of the value of gross produce in both the strata. Cash crops such as cotton, sugar-cane, spices and oilseeds were of minor importance for both the strata. Food crops barring rice made a smaller contribution to value of gross produce than to area sown.

8.1 VALUE OF GROSS PRODUCE

The value of gross produce is the value of total produce of all kinds of crops, including fodder, harvested during the year April 1951 to March 1952. It does not include the value of livestock products such as milk and milk products or poultry products. The value of gross produce is likely to have been underestimated to some extent. This underestimation might have arisen, chiefly, due to two reasons. Firstly, some of the minor crops such as vegetables, which are mostly consumed on the farm, may not have been reported at all. Secondly, because of the price control and procurement in force at the time of the enquiry, there might have been a tendency to under-report the physical quantities of foodgrains. The valuation might also have been done at the controlled rather than the free-market prices.

The table below sets out the frequency distribution of the selected families according to value of gross produce.

TABLE 8.2—DISTRIBUTION OF SELECTED CULTIVATING FAMILIES ACCORDING TO VALUE OF GROSS PRODUCE

[Intensive enquiry data]

Value of gross produce	UPPER STRATA CULTIVATORS		LOWER STRATA CULTIVATORS	
	Number of families	Percentage to total	Number of families	Percentage to total
	1	2	3	4
Nil.....	—	—	—	—
Less than Rs 100.....	3	3.8	11	27.5
Rs 100 - Rs 200.....	12	15.0	14	35.0
Rs 200 - Rs 300.....	10	12.5	6	15.0
Rs 300 - Rs 400.....	14	17.5	6	15.0
Rs 400 - Rs 600.....	20	25.0	3	7.5
Rs 600 - Rs 1,000.....	12	15.0	—	—
Rs 1,000 - Rs 3,000.....	8	10.0	—	—
Rs 3,000 and above.....	1	1.3	—	—
Total.....	80	100.0	40	100.0

The value of gross produce was less than Rs 300 in the case of about 78 per cent of the families in the lower strata. On the other hand, for about 70 per cent of the families in the upper strata the value of gross produce was Rs 300 or more. There is, thus, broad agreement between the classifications based on the size of cultivated holdings and the value of gross produce.

Table 8.2 shows that for the vast majority of cultivators of the lower strata the value of gross produce was less than Rs 400. Even among cultivators of the upper strata the value of gross produce was generally low; almost half the number of families in the strata had gross produce worth less than Rs 400. The value of gross produce was underestimated to some extent due to reasons stated earlier. In the year of the enquiry it would have been less than normal due to the adverse seasonal conditions which prevailed. But even assuming a cent per cent correction in the reported value to account for these factors, the value of gross produce does not work out to more than Rs 800 for almost all the families in the lower strata and for nearly half the number of families in the upper strata. This reflects the small size of the large proportion of the farm business units.

8.2 CURRENT FARM EXPENDITURE

We did not collect full details regarding current farm expenditure. Our information relates to (1) value of seed and manure used on the farm, both owned and purchased, (2) value of fodder and other cattle feed purchased and payments made for grazings, pastures, etc., (3) cash wages paid to casual labour and purchase of grain for payment of wages, (4) disposals in kind at harvest to landlord, co-sharers, casual labourers, village artisans and others and (5) cash expenditure on items such as land revenue, rent to landlord, wages to permanent farm servants, etc. No attempt was made to evaluate the labour put in the farm by the farmer and members of his family, of the work done on the farm by the owned draught animals and of the owned fodder consumed on the farm. In the discussions that follow, 'total current farm expenditure' has reference to the total expenditure on the items specified in our schedules; it should not be construed as an all inclusive total.

In the analysis cash and kind expenditures have been set out separately. There is one limitation in this classification of expenditure. This stems from the fact that in respect of remuneration to annual or permanent farm servants, an all inclusive total was recorded under general cash expenses, and no attempt was made to separate the cash and kind components of this total.

In Table 8.3 the expenses on various items are set out, separately for the upper and the lower strata cultivators and for all cultivators. It is seen that the total current farm expenditure averaged Rs 425 per family in the upper strata; it was considerably lower at Rs 156 per family in the lower strata. In the upper strata slightly over half the total expenditure was incurred in cash; the proportion of cash expenditure to total expenditure was 40 per cent in the lower strata. In regard to two items, viz., seed and manure, we have the classification of the total

expenditure into its cash and kind components ; on both these items the proportion of cash to total expenditure was higher among the upper strata than among the lower strata. The cash expenditure on manure was small in both the strata.

TABLE 8.3—CURRENT FARM EXPENDITURE

[Intensive enquiry data]

Item	UPPER STRATA CULTIVATORS		LOWER STRATA CULTIVATORS		ALL CULTIVATORS	
	Expendi- ture per family	Proportion to total current farm ex- penditure	Expendi- ture per family	Proportion to total current farm ex- penditure	Expendi- ture per family	Proportion to total current farm ex- penditure
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6
I. Cash expenditure						
1. Purchase of seed....	40.4	9.5	8.9	5.7	24.6	8.5
2. Purchase of manure	20.6	4.8	1.5	1.0	11.1	3.8
3. Purchase of fodder, cattle feed, etc.....	27.0	6.4	4.7	3.0	15.9	5.5
4. Cash wages.....	76.9	18.1	24.1	15.4	50.5	17.4
5. Other cash expendi- ture.....	61.1	14.4	23.7	15.2	42.4	14.6
Total current farm cash ex- penditure	226.0	53.2	62.9	40.2	144.4	49.7
II. Expenditure in kind						
1. Owned seed.....	28.2	6.6	12.9	8.2	20.5	7.1
2. Owned manure....	85.7	20.2	34.9	22.3	60.3	20.7
3. Wages in kind other than at harvest....	1.0	0.2	1.2	0.8	1.1	0.4
4. Disposals in kind immediately after harvest.....	84.0	19.8	44.6	28.5	64.3	22.1
Total current farm kind ex- penditure	198.8	46.8	93.5	59.8	146.2	50.3
III. Total current farm expenditure	424.8	100.0	156.4	100.0	290.6	100.0

Cash wages and other cash expenditure were the two important constituents of total cash farm expenditure. Among items of expenditure in kind, disposals in kind at harvest and value of owned manure were the most important. All items of expenditure in kind generally, and disposals at harvest in particular, were proportionately more important for the lower strata than for the upper strata.

It is seen from Table 8.4 on page 85 that cash wages were incurred mostly in connexion with transplanting, sowing, etc., inter-culturing and harvesting operations.

TABLE 8.4—CASH WAGES TO HIRED LABOUR

[Intensive enquiry data. In rupees per family]

Strata	Total	Ploughing	Harrowing	Preparing seed beds	Transplanting, sowing, etc.	Interculturing	Harvesting	Threshing, etc.	Processing	Other operations
	1	2	3	4	5	6	7	8	9	10
Upper strata cultivators....	76.9	7.1	0.6	3.3	14.7	20.1	18.7	0.9	4.2	7.3
Lower strata cultivators....	24.1	1.8	0.2	0.7	3.9	3.9	3.9	0.2	6.2	3.4
All cultivators.....	50.5	4.5	0.4	2.0	9.3	12.0	11.3	0.5	5.2	5.4

Other cash expenditure comprised twelve items. On six of the items, namely, (1) cash contributions to tenants, co-sharers and partners, (2) hire of implements and bullocks, (3) transport charges for marketing, (4) sale commissions, (5) storage and other marketing costs and (6) cash rent paid to landlord, none of the selected families reported expenditure. The relative importance of the remaining items for the two strata of cultivators is brought out in the following table.

TABLE 8.5—OTHER CASH EXPENDITURE

[Intensive enquiry data]

Item	UPPER STRATA CULTIVATORS		LOWER STRATA CULTIVATORS		ALL CULTIVATORS	
	Expenditure per family	Proportion to total other cash expenditure	Expenditure per family	Proportion to total other cash expenditure	Expenditure per family	Proportion to total other cash expenditure
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6
1. Purchase of materials (other than seed, manure and fodder) for farming..	1.0	1.6	—	—	0.5	1.2
2. Maintenance and repair of implements and machinery.....	4.8	7.9	—	—	2.4	5.7
3. Salaries paid to annual or permanent farm servants	7.4	12.1	—	—	3.7	8.7
4. Land revenue and other agricultural charges.....	23.4	38.3	6.4	26.7	14.9	35.0
5. Interest paid on loans...	24.0	39.3	17.2	72.3	20.6	48.6
6. Other cash farm expenses	0.5	0.8	0.2	0.9	0.4	0.8
Total.....	61.1	100.0	23.7	100.0	42.4	100.0

Interest paid on loans and land revenue and other agricultural charges were the two prominent items of other cash expenditure. The latter item was, in absolute terms and proportionately, more important for the upper strata than for the lower strata.

Total disposals in kind, which accounted for a substantial proportion of the total farm expenditure, comprised four sub-items, viz., (1) rent share to landlord and co-sharer, (2) wages to labour for harvesting, etc., (3) remuneration to artisans and services and (4) other payments at harvest time. The expenditure on each of the constituent items is set out in Table 8.6.

TABLE 8.6—TOTAL DISPOSALS IN KIND
[Intensive enquiry data. In rupees per family]

Strata	Total	Rent share to landlord and co-sharer	Wages to labour for harvesting, etc.	Remuneration to artisans and services	Other payments at harvest time
	1	2	3	4	5
Upper strata cultivators.....	84.0	39.5	16.6	14.7	13.2
Lower strata cultivators.....	44.6	28.6	7.1	4.6	4.1
All cultivators.....	64.3	34.1	11.9	9.6	8.6

Rent share to landlord and co-sharer was the most important item of disposals in kind. The expenditure on the item per family was at a higher level among the upper strata than among the lower strata. The expenditure on the item per acre of area sown was, however, much higher among the lower strata than among the upper strata. This reflects the difference in composition of cultivated holdings, in terms of owned and leased land, between the upper and the lower strata.

Source of finance for current farm cash expenditure

Data relating to source of finance for current farm cash expenditure show that owned resources financed the bulk of the current farm cash expenditure. Borrowings and sale of assets were of minor importance ; each of these sources financed about 3 per cent of the expenditure in the upper strata and about 6 per cent of the expenditure in the lower strata. Other sources financed about 15 per cent of the expenditure in the upper strata and about 13 per cent of the expenditure in the lower strata.

8.3 CASH RECEIPTS

The enquiry did not attempt an exhaustive study of the cash receipts of the selected cultivators. Information on cash receipts was obtained only in respect of certain specified sources. The receipts through sale of crops and fodder, milk and milk products, poultry and poultry products, seed and plants, and manure, as also earnings from carting, moneylending and lease of land were enquired into.

Remittances received and cash wages earned were also taken into account. Provision was, however, not made for collecting information regarding cash receipts from sources such as hiring of bullocks and implements, and the various non-farm occupations like trading, cottage and small-scale industries, etc. For some cultivators these sources might have been important and their cash receipts are likely to have been underestimated.

TABLE 8.7—SOURCE OF FINANCE FOR CASH EXPENDITURE ON FARM: EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF TOTAL EXPENDITURE ON THE ITEM

[Intensive enquiry data]

Item	UPPER STRATA CULTIVATORS			
	Current income and past savings	Sale of assets	Borrowings	Other sources
	1	2	3	4
1. Purchase of seed.....	89.2	8.8	0.6	1.5
2. Purchase of manure.....	97.1	—	—	2.9
3. Purchase of fodder.....	62.4	6.4	—	31.3
4. Cash wages to hired labour.....	80.0	1.8	9.5	8.7
5. Other cash expenditure.....	68.8	1.4	0.2	29.5
Total.....	78.1	3.3	3.4	15.2

Item	LOWER STRATA CULTIVATORS				ALL CULTIVATORS			
	Current income and past savings	Sale of assets	Borrowings	Other sources	Current income and past savings	Sale of assets	Borrowings	Other sources
	5	6	7	8	9	10	11	12
1. Purchase of seed....	93.3	3.7	—	2.9	89.9	7.9	0.5	1.7
2. Purchase of manure..	100.0	—	—	—	97.4	—	—	2.6
3. Purchase of fodder..	41.9	—	—	58.1	59.3	5.4	—	35.2
4. Cash wages to hired labour.....	80.8	—	14.4	4.9	80.2	1.3	10.7	7.8
5. Other cash expenditure.....	67.7	16.6	—	15.7	68.5	5.7	0.2	25.6
Total.....	75.2	6.8	5.5	12.5	77.4	4.1	3.9	14.6

It is likely that receipts from some of the specified items were underestimated. Sale of crops and fodder is one such item. Because of the price control in force, the sales might have been valued at the controlled rates even when they were effected at much higher rates. Further, some of the minor sales might not have been reported. This latter factor might be of some importance also in the case of receipts from sale of other products such as milk and milk products, poultry and poultry products, etc.

Table 8.8 below presents the data on cash receipts of the upper and the lower strata cultivators and all cultivators.

TABLE 8.8—CASH RECEIPTS FROM SPECIFIED SOURCES

[Intensive enquiry data]

Item	UPPER STRATA CULTIVATORS		LOWER STRATA CULTIVATORS		ALL CULTIVATORS	
	Receipts per family	Propor- tion to total cash receipts	Receipts per family	Propor- tion to total cash receipts	Receipts per family	Propor- tion to total cash receipts
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6
1. Sale of crops and fodder	450.9	64.4	146.2	44.0	298.6	57.7
2. Sale of milk and milk products.....	46.1	6.6	37.4	11.3	41.7	8.1
3. Sale of poultry and poultry products.....	—	—	2.2	0.7	1.1	0.2
4. Sale of seed and plants..	7.9	1.1	13.4	4.0	10.7	2.1
5. Sale of manure.....	—	—	—	—	—	—
6. Cash wages.....	173.1	24.7	122.9	37.0	148.0	28.7
7. Remittances received...	—	—	2.7	0.8	1.4	0.3
8. Carting.....	15.5	2.2	4.4	1.3	9.9	1.9
9. Cash rent.....	—	—	1.8	0.5	0.9	0.2
10. Interest received.....	6.9	1.0	1.2	0.4	4.1	0.8
Total.....	700.3	100.0	332.3	100.0	516.3	100.0

Cash receipts averaged Rs 700 per family in the upper strata and Rs 332 per family in the lower strata. In both the strata receipts were predominantly from sale of crops and fodder and wages. Sale of crops and fodder was the most important item, accounting for about 64 per cent of the total receipts, in the upper strata. The lower strata derived 44 per cent of their total receipts from this source. Cash wages were proportionately more important for the lower than for the upper strata. All the other sources except sale of milk and milk products were of minor importance for both the strata. Cash receipts from sale of milk and milk products formed about 7 per cent of the total cash receipts of the upper strata and about 11 per cent of the total cash receipts of the lower strata.

The data reveal that the average amount received per family from sale of crops and fodder was low in the lower strata. It is seen that cash wages constituted an important item of receipts even for the upper strata. This would indicate that even among the upper strata several families had to supplement their income from farming by working for others. Another noteworthy feature revealed by the data is the minor importance of the variety of sources such as carting, sale of poultry and poultry products, etc. It would appear that only very few cultivators were engaged in subsidiary occupations like poultry farming, carting, etc.

8.4 SEASONALITY IN FARM BUSINESS EXPENDITURE AND CASH RECEIPTS

As already mentioned, the farm business data were collected separately for two periods, viz., April to September 1951 and October 1951 to March 1952. The data for the two periods would reveal the seasonality in the farm expenditure and receipts. In the table below the value of gross produce, cash receipts and farm expenditure are given separately for the two periods.

TABLE 8.9—SEASONALITY IN FARM BUSINESS

[Intensive enquiry data. In rupees per family]

Item	APRIL-SEPTEMBER 1951		OCTOBER 1951-MARCH 1952	
	Upper strata cultivators	Lower strata cultivators	Upper strata cultivators	Lower strata cultivators
	1	2	3	4
	Value of gross produce.....	-	-	531	189
Total cash receipts.....	425	185	276	148
Cash receipts from sale of crops and fodder.....	309	96	142	51
Cash receipts from other sources....	115	89	134	97
Total current farm expenditure	268	81	157	76
Current farm cash expenditure.....	154	33	72	30

For both the upper and the lower strata, the farm produce accrued during the six-month period October to March, but the sale proceeds of crops and fodder were, for the major part, realized during the period April to September. In the upper strata cash farm expenditure was largely incurred during the first period, in which the major part of the cash receipts accrued. In the lower strata the cash farm expenditure was almost evenly spread over the two periods. In both the strata, in both the periods, the current cash farm expenditure was less than the cash receipts from sale of crops and fodder.

8.5 VALUE OF GROSS PRODUCE AND CULTIVATION EXPENSES OF IMPORTANT CROPS

The data collected by us cannot be put to use in estimating the cost of cultivation of individual crops. As mentioned earlier, we do not have exhaustive data in relation to cultivation expenses. Even among the items on which data were collected, crop-wise allocation is not possible in two cases; for expenses on fodder and other cash expenditure, crop-wise allocation was considered difficult and no attempt was made in that direction. The data on seed, manure, cash wages paid for the various farm operations and the disposals in kind at harvest are available crop-wise. These data are, however, of interest in indicating the variation in the pattern of expenditure among different crops and are, therefore, discussed in this section.

In Table 8.10 the area sown per family, and the value of gross produce and the expenses on seed, manure, cash wages and disposals in kind, on a per acre basis, are presented, in respect of the important crops cultivated by the selected families.

TABLE 8.10—VALUE OF GROSS PRODUCE AND CULTIVATION EXPENSES PER ACRE OF AREA SOWN

[Intensive enquiry data. Area sown in acres per family. Amount in rupees]

Crop	UPPER STRATA CULTIVATORS						LOWER STRATA CULTIVATORS					
	Area sown	Value of gross produce	EXPENDITURE				Area sown	Value of gross produce	EXPENDITURE			
			Seed	Ma-nure	Cash wages	Dis-posals in kind			Seed	Ma-nure	Cash wages	Dis-posals in kind
	1	2	3	4	5	6	7	8	9	10	11	12
1. Rice.....	1.4	157.0	10.1	22.8	24.7	44.3	0.3	218.2	11.3	21.3	14.5	97.6
2. Millets....	2.2	63.4	3.5	17.5	8.8	9.3	0.9	57.0	3.3	18.5	7.0	10.5
3. Gram.....	0.9	18.8	5.8	2.4	0.8	—	0.4	16.8	6.7	3.9	1.0	—
4. Cotton....	0.4	172.2	3.3	13.1	5.4	—	0.1	146.1	5.2	17.4	2.0	6.1
5. Spices....	0.2	116.2	18.6	13.9	16.6	—	0.1	85.1	2.8	3.4	11.4	—

The value of produce per acre of area sown varied considerably from crop to crop. The highest value of produce per acre of area sown was recorded for cotton in the upper strata and for rice in the lower strata. In both the strata gram yielded the lowest return per acre. The millet crop, which from the standpoint of area sown was the most important, also yielded low value of produce per acre. Except for rice, the value of produce per acre of area sown was somewhat higher in the upper strata than in the lower strata.

The expenses on seed and manure varied from crop to crop ; they were generally the highest for the rice crop. As between the two strata, there is no consistent difference in the per acre expenses incurred on these items. Cash wages were generally higher among the upper strata. This may be due to the fact that the members of the families of the lower strata themselves supplied a large share of the labour required and, therefore, had to depend to a lesser extent on hired labour. The disposals in kind, of which rent share to landlord and co-sharer was the main constituent, was important only for the rice crop. For this crop, disposals overshadowed all other items of expenditure. The disposals were at a substantially higher level among the lower strata than among the upper strata. This indicates the greater extent of tenancy and share-cropping in the lower strata.

8.6 FARM BUSINESS DATA ACCORDING TO SIZE OF BUSINESS AND TYPE OF FARMING

8.6.1 Size of business

The classification of families into the upper and the lower strata corresponds very largely with the classification based on the value of gross produce, which is an

indicator of the size of farm business. The above discussions, therefore, bring out the variations in expenditure, receipts, etc., as between two broad size-groups of cultivators. A finer classification of families into size-groups has been made on the basis of their value of gross produce and the data on farm business expenses and receipts have been tabulated for each size-group. The results of this tabulation are presented in Table 8.11.

TABLE 8.11—FARM BUSINESS EXPENSES AND RECEIPTS ACCORDING TO VALUE OF GROSS PRODUCE

[Intensive enquiry data. Amount in rupees per family]

Value of gross produce	Proportion of families (Per cent)	Area sown per family (Acres)	Value of gross produce	CURRENT FARM EXPENDITURE		
				Total	Cash	Kind
	1	2	3	4	5	6
Less than Rs 200.....	37.6	2.5	116.8	136.6	69.7	66.9
Rs 200 - Rs 400.....	36.3	3.7	294.7	252.4	117.1	135.2
Rs 400 - Rs 600.....	14.5	5.2	478.0	375.0	179.9	195.2
Rs 600 - Rs 1,000.....	6.9	7.2	763.6	422.3	188.7	233.6
Rs 1,000 and above.....	4.7	10.9	1,851.7	1,364.9	778.9	586.0

Value of gross produce	CASH RECEIPTS			Capital expenditure in agriculture	Borrowings	Repayments	Outstanding debt
	Total	Sale of crops and fodder	Other				
	7	8	9				
Less than Rs 200.....	320.7	121.8	198.9	126.8	140.8	27.6	422.3
Rs 200 - Rs 400.....	448.7	227.0	221.7	175.9	279.8	64.0	554.2
Rs 400 - Rs 600.....	744.9	435.9	309.0	311.3	302.8	51.0	810.3
Rs 600 - Rs 1,000.....	1,143.0	971.0	172.0	231.9	184.2	45.8	507.7
Rs 1,000 and above.....	978.5	854.0	124.5	1,668.9	1,126.8	10.9	1,765.1

Current farm expenses exceeded the value of gross produce among cultivators with value of gross produce less than Rs 200. The value of gross produce was somewhat higher than the current farm expenses among cultivators whose gross produce was valued between Rs 200 and Rs 600. It is only in the groups with value of gross produce exceeding Rs 600, i.e., for about 10 per cent of the cultivators, that we find a sizeable margin between the value of gross produce and current farm expenses. It should, however, be noted that the balance between value of gross produce and current farm expenses, shown by our data, is subject to the underestimation in the value of gross produce. On the other hand, the farm expenses were also underestimated due to non-inclusion of the value of labour put in by the farmer and the members of his family, the work done by owned livestock and the cost of owned fodder fed to the livestock. It is not possible to indicate in what directions and to what extent the balances are to be modified to obtain the correct picture. The gross produce of the Survey year was presumably depressed below normal levels

on account of adverse seasonal conditions. When this is taken into account, it may be correct to assume that normally the balances would be higher than indicated by our data, but it is interesting to note that even after making a 50 per cent allowance in the reported value of gross produce, the margin between the value of gross produce and current farm expenses averages only about Rs 100 per family for the cultivating families in the first two gross produce groups.

The data relating to credit operations show the relatively heavy incidence of debt and borrowings in the low gross produce groups. In the 'Rs 600-Rs 1,000' group, the borrowings and debt were relatively low. Presumably, the large cash receipts which accrued during the year kept down the need for borrowed funds. Borrowings and outstanding debt were at the highest level in the 'Rs 1,000 and above' gross produce group. In this group substantial capital expenditure in agriculture was also reported.

8.6.2 Type of farming indicated by the proportion of value of gross produce of cash crops to value of total gross produce

The crops cultivated may have a significant influence on the farm business receipts and expenses. The farm business data for families classified according to the proportion of value of cash crops to value of total gross produce are presented in Table 8.12. In this context cash crops include all crops other than foodgrains.

TABLE 8.12—FARM BUSINESS EXPENSES AND RECEIPTS OF FAMILIES CLASSIFIED ACCORDING TO PROPORTION OF VALUE OF GROSS PRODUCE OF CASH CROPS TO VALUE OF TOTAL GROSS PRODUCE

[Intensive enquiry data. Amount in rupees per family]

Proportion of value of gross produce of cash crops to value of total gross produce	Proportion of families (Per cent)	Area sown per family (Acres)	Value of gross produce	CURRENT FARM EXPENDITURE		
				Total	Cash	Kind
				4	5	6
<i>Nil</i>	57.5	3.9	287.3	278.6	126.7	151.9
<i>0 - 50 per cent</i>	22.6	5.6	487.3	386.5	195.7	190.8
<i>50 per cent and above</i>	19.9	3.8	425.1	216.4	137.5	78.9

Proportion of value of gross produce of cash crops to value of total gross produce	CASH RECEIPTS			Capital expenditure in agriculture	Borrowings	Repayments	Outstanding debt
	Total	Sale of crops and fodder	Other				
	7	8	9				
<i>Nil</i>	318.9	99.0	219.9	263.0	245.3	35.5	485.4
<i>0 - 50 per cent</i>	703.5	474.4	229.1	304.5	412.5	60.9	943.8
<i>50 per cent and above</i>	874.4	675.5	198.9	156.2	150.1	52.9	517.7

The value of gross produce per acre of area sown increased with the increase in the proportion of value of gross produce of cash crops to value of total gross produce. The farm expenses per acre of area sown, on the other hand, decreased with the increase in the proportion. This trend is to be expected, since we have seen that in

this district the expenses on seed, manure, cash wages and disposals in kind were higher for the rice crop than for the cash crops. The proportion of cash expenses to total expenses was lowest in the group producing no cash crop at all and highest in the group with the largest percentage of cash crop produce. Cash receipts from sale of crops and fodder were very low in the group which did not produce any cash crops. The margin between value of gross produce and farm expenses is found to be the highest in the group in which the proportion of value of produce from cash crops to value of total gross produce was the highest.

8.6.3 Type of farming indicated by the major crop grown

Table 8.13 gives the farm business data for families classified according to major crop grown. Major crop is defined as the crop which yielded the highest value of produce, among all crops cultivated.

TABLE 8.13—FARM BUSINESS EXPENSES AND RECEIPTS OF FAMILIES CLASSIFIED ACCORDING TO MAJOR CROP GROWN

[Intensive enquiry data. Amount in rupees per family]

Major crop	Proportion of families (Per cent)	Area sown per family (Acres)	Value of gross produce	CURRENT FARM EXPENDITURE		
				Total	Cash	Kind
	1	2	3	4	5	6
Rice.....	33.1	3.9	473.3	389.3	145.8	243.5
Milleta.....	42.9	4.4	280.3	269.9	157.5	112.4
Gram.....	2.6	3.4	67.3	104.2	51.9	52.3
Oilseeds.....	2.7	2.2	217.4	102.5	67.8	34.7
Cotton.....	10.0	4.0	498.5	166.7	83.1	83.6
Other crops.....	8.7	3.4	289.2	273.4	196.8	76.6

Major crop	CASH RECEIPTS			Capital expenditure in agriculture	Borrowings	Repayments	Outstanding debt
	Total	Sale of crops and fodder	Other				
	7	8	9				
Rice.....	362.4	102.1	260.3	299.2	331.2	31.6	615.5
Milleta.....	522.0	316.7	205.3	250.2	250.0	45.7	659.9
Gram.....	295.3	176.5	118.8	358.5	151.9	85.4	376.2
Oilseeds.....	633.7	615.6	18.1	30.4	25.2	24.1	649.3
Cotton.....	1,005.9	900.4	105.5	88.1	137.0	8.6	241.7
Other crops.....	538.7	200.7	338.0	296.2	331.6	125.4	657.0

The value of gross produce per acre of area sown is found to be of the lowest order for the cultivators who derived the major part of the value of produce from millets and gram. For cultivators with gram as the major crop the current farm expenses averaged higher than the value of gross produce. There was substantial margin between the value of gross produce and current farm expenses for the cultivators with cotton and oilseeds as the major crops.

CHAPTER 9

CREDIT NEEDS REPORTED BY CULTIVATORS

In the intensive enquiry the selected cultivators were asked for information in regard to their credit needs for undertaking certain specified items of capital expenditure. Apart from the quantum of credit required, the terms such as the rate of interest at which and the period for which the credit was required, were called for. The cultivators were also asked whether they experienced difficulty in meeting expenses for current agricultural operations due to lack of finance. Information regarding the preference for utilization of credit, if readily available, as among certain specified channels of farm expenses, was also sought. All these data are discussed in this chapter. Wherever the relevant data in regard to actual performance are available, an attempt has been made to compare them with the data on reported requirements.

The question regarding difficulty in meeting expenses for current agricultural operations was answered by 78 out of the 80 cultivators of the upper strata and 38 out of the 40 cultivators of the lower strata. All who answered the question, except one cultivator of the upper strata, reported experiencing difficulty in meeting current farm expenses due to lack of finance. The data on current farm expenses actually incurred by the cultivators show that only very little expenditure on the account was financed through borrowed funds. Also, the data on purpose of borrowing show negligible borrowings for current farm expenditure. It is possible that the demand for funds could not be fully satisfied and the level of expenditure actually undertaken in some or all directions was depressed due to want of adequate funds. In relation to the question regarding preference for use of funds, if available, three channels for use of funds were specified, namely, intensive tillage, better manuring and seed. Almost all the selected cultivators desired to undertake expenditure for these purposes.

The data on credit needs were collected in respect of eight specified items. These are (1) increasing the size of holdings by purchase of land, (2) increasing the size of holdings by tenancy, (3) undertaking cultivation of more remunerative but costly crops like cash crops or garden crops, (4) purchase of bullocks, (5) purchase of implements and machinery, (6) bunding, land improvement and land reclamation, (7) digging of wells and (8) making use of other irrigation resources. The reported credit needs for these items are presented in Table 9.1. The available data on actual expenditure on the items and details of actual expenditure on each item financed through borrowings are also set out in the table.

TABLE 9.1—CREDIT NEEDS REPORTED AND EXPENDITURE INCURRED FOR SPECIFIED ITEMS OF CAPITAL EXPENDITURE IN AGRICULTURE

[Intensive enquiry data. Amount in rupees per family]

	Total	Purchase of land	Increasing holdings by tenancy*	Cultivation of costly but more remunerative crops*	Purchase of livestock	OTHER CAPITAL EXPENDITURE IN AGRICULTURE				
						Total	Purchase of implements and machinery	Bunding, land improvement and land reclamation	Digging of wells	Other irrigation resources
	1	2	3	4	5	6	7	8	9	10
Upper strata cultivators										
Credit needs.....	2,588 (100·0)	1,005 (38·8)	27 (1·0)	116 (4·5)	304 (11·8)	1,136 (43·9)	374 (14·4)	237 (9·2)	525 (20·3)	- (-)
Expenditure.....	393 (100·0)	48 (12·2)			138 (35·1)	207 (52·7)	..	..	..	..
Expenditure financed by borrowings.....	98	4			63	31	..	..	..	..
Lower strata cultivators										
Credit needs.....	1,214 (100·0)	723 (59·6)	3 (0·2)	25 (2·1)	216 (17·8)	247 (20·3)	139 (11·4)	98 (7·9)	12 (1·0)	- (-)
Expenditure.....	109 (100·0)	1 (0·9)			61 (56·0)	47 (43·1)	..	..	..	..
Expenditure financed by borrowings.....	46	1			32	13	..	..	..	..

(Note: Figures in brackets denote percentages to total)

* Information on actual expenditure on these items was not obtained.

For purchase of land the coverage is the same in both the expenditure and credit needs data. As regards livestock, the credit needs relate to bullocks only, whereas the actual expenditure relates to all farm animals, but mainly plough and milch cattle. In regard to increasing size of holdings by tenancy, expenditure data were not collected. In respect of cultivation of costly but remunerative crops also, expenditure details are not available; expenditure on this item would have been reported partly under current farm expenditure and partly under 'other' capital expenditure in agriculture. For these two items the data on reported credit needs only are presented in the table. The credit needs for purchase of implements and machinery, bunding, land improvement and land reclamation, digging of wells, and development of other irrigation resources have been set out against 'other' capital expenditure in agriculture (capital expenditure in agriculture excluding expenditure on purchase of land and livestock).

The credit needs averaged Rs 2,588 per family in the upper strata and Rs 1,214 per family in the lower strata. The credit needs were at substantially high levels

as compared to the expenditures actually incurred; in the upper strata they were about six times, and in the lower strata, about twelve times, the expenditure actually incurred. The gap between the borrowed funds which were actually utilized in the specified directions and the amount desired to be utilized in these directions was much wider. The credit needs were, thus, much more than what the existing credit system was able to supply.

Purchase of land was the most important item for which credit was needed by the cultivators. In the upper strata about two-fifths of the credit needs were reported to be for this purpose, while in the lower strata this item overshadowed all others, accounting for three-fifths of the total credit needs. The expenditure actually incurred on purchase of land was only about 12 per cent of the total capital expenditure by the upper strata; the corresponding proportion in the lower strata was only 1 per cent. Purchase of livestock, on the other hand, was proportionately more important in the expenditure data than in the requirements data.

The upper strata reported substantial credit needs for all items of 'other' capital expenditure in agriculture and especially digging of wells. Among items of 'other' capital expenditure in agriculture, purchase of implements and machinery was the most important item for the lower strata. Cultivation of costly but more remunerative crops was not an important purpose of credit needs for both the strata.

All except two cultivators of the upper strata replied to the question regarding interest which they were prepared to pay for credit. All who answered the question said that they desired to have credit at rates of interest of 3 per cent or less per annum. The intensive enquiry data in regard to borrowings show that more than 90 per cent of the loans carried interest at rates of 10 per cent and above, in both the strata. The cultivators, thus, desired to have their credit needs satisfied at much cheaper rates of interest than those which they had to pay on their borrowings.

Information was also asked about the period for which the cultivators required credit. All except one cultivator of the upper strata replied to the relevant question. Three cultivators from the upper strata and an equal number of cultivators from the lower strata desired to have 'medium-term' credit, i.e., for a period of two to five years. All other selected cultivators wanted 'long-term' credit, i.e., for a period of more than five years. All except two of the cultivators of the upper strata answered the question regarding the security which they were prepared to offer for credit. Among those who answered, one cultivator of the lower strata was prepared to offer only personal security; all other cultivators were prepared to give security of immovable property for credit. The data on borrowings show that only about 14 per cent of the borrowings of the selected cultivators were secured by immovable property.

The data presented in this chapter reveal that the cultivators experienced difficulty in meeting current farm expenses due to lack of finance. It is also seen that the cultivators wanted substantial credit for undertaking development plans. Primarily, the cultivators desired to expand the size of business by increasing the size of holdings. Simultaneous with this desire to expand the business unit, the cultivators wanted to undertake improvements in land and also add to their livestock and other farm equipment. The credit for all these development purposes was desired at rates much lower than those at which it was available to them. This probably indicates that the cultivators considered investment of borrowed funds economical only if the burden of interest was low.

CHAPTER 10

CREDIT AGENCIES

In this and the three chapters that follow, we attempt an assessment of the role of the various agencies supplying credit in the rural areas. The relative importance of the agencies in the finance of rural credit is brought out in this chapter. The three chapters that follow are devoted one each to Government, co-operatives and other agencies. The role of these agencies is assessed in detail in those chapters. The data collected on the 'supply' aspect of credit are also set out in those chapters.

For purposes of our enquiry, the agencies supplying rural credit were classified into nine categories, viz., Government, co-operatives, relatives, landlords, agriculturist moneylenders, professional moneylenders, traders and commission agents, commercial banks and others. All borrowings from Government, through various departments and under various Acts and schemes such as the Grow More Food campaign, were classified as from Government. Borrowings from all types of co-operative institutions such as primary co-operative credit societies, central co-operative banks and land mortgage banks were grouped under borrowings from co-operatives. Interest-free loans obtained from relatives were treated as borrowings from relatives; loans bearing interest taken from a relative were classified as from one or the other of the appropriate agency such as the agriculturist moneylender, professional moneylender, etc., according to the business of the relative. Loans made by landlords to their own tenants were classified as loans from landlords; loans given by a landlord to persons who were not his tenants were classified under the appropriate agency depending on the business of the landlord. An agriculturist moneylender was defined as one whose major profession was agriculture and whose moneylending business was comparatively of minor importance. The professional moneylender was defined to comprise all those who earned a substantial part of their income from moneylending and who could not be classified as agriculturist moneylenders. Borrowings from persons who were, in the main, traders, commission agents, etc., were classified as borrowings from 'traders and commission agents', hereafter referred to as traders. Borrowings from all banks, scheduled and non-scheduled, were classified as borrowings from commercial banks. Borrowings from agencies other than those mentioned above were classified as borrowings from 'others'.

The average amount borrowed per rural family during the year of the enquiry was Rs 155. The cultivators borrowed on an average Rs 185 per family and the non-cultivators, Rs 54 per family. The agriculturist moneylender was by far the most important credit agency from which rural families obtained credit; as much as 83 per cent of the total borrowings of cultivators and 71 per cent of the total borrowings

of non-cultivators were from this agency. About 12 per cent of the borrowings of cultivators and 26 per cent of the borrowings of non-cultivators were from traders. Commercial banks supplied about 3 per cent of the credit obtained by each group of families. The remaining credit agencies did not supply any credit at all or supplied only negligible proportions of the total credit obtained. In particular, very little borrowings were obtained from Government and the co-operatives. The relevant details are presented in the following table.

TABLE 10.1—BORROWINGS PER FAMILY CLASSIFIED ACCORDING TO CREDIT AGENCY

[General Schedule data. Amount in rupees]

Group	Total borrowings	Government	Co-operatives	Relatives	Landlords (to tenants)	Agriculturist moneylenders	Professional moneylenders	Traders and commission agents	Commercial banks	Others
Cultivators	185	— (—)	— (0·2)	2 (0·9)	1 (0·6)	154 (83·1)	— (—)	22 (11·7)	6 (3·5)	— (—)
Non-cultivators	54	— (—)	— (0·2)	— (—)	— (—)	39 (71·0)	— (—)	14 (25·6)	2 (3·2)	— (0·1)
All families . .	155	— (—)	— (0·2)	1 (0·8)	1 (0·5)	127 (82·1)	— (—)	20 (12·9)	5 (3·5)	— (—)

(Note: Figures in brackets denote percentages to total borrowings)

The debt per rural family at the end of the period of the enquiry was Rs 415 ; the average debt was Rs 490 per family among cultivators and Rs 171 per family among non-cultivators. Table 10.2 gives the debt classified according to credit agency. Separate details were not obtained in respect of co-operatives and commercial banks and the debt owed to both these agencies together only are available. These data also emphasize the negligible role played by Government, co-operatives and commercial banks in the finance of rural credit.

The major part of the debt was owed to agriculturist moneylenders among both cultivators and non-cultivators. About 7 per cent of the debt of cultivators and 11 per cent of the debt of non-cultivators were owed to traders. Other credit agencies were of minor importance for cultivators. About 9 per cent of the debt of non-cultivators was owed to Government.

Table 10.3 gives the creditor-purpose-wise classification of borrowings reported in the intensive enquiry. In this table the reported purposes have been grouped into eight broad categories. These categories include short-term and long-term under each of agricultural, non-agricultural and consumption purposes ; the other two categories are repayment of old debts and 'other' purposes. In this context, long-term agricultural purposes include medium-term agricultural purposes also. It

TABLE 10.2—DEBT PER FAMILY CLASSIFIED ACCORDING TO CREDIT AGENCY

[General Schedule data. Amount in rupees]

Group	Total debt	Government	Co-operatives and commercial banks	Relatives	Landlords (to tenants)	Agriculturist money-lenders	Professional money-lenders	Traders and commission agents	Others
Cultivators.....	490	- (0.1)	10 (2.0)	2 (0.3)	3 (0.7)	440 (89.9)	- (0.1)	33 (6.7)	1 (0.2)
Non-cultivators.....	171	16 (9.2)	10 (5.8)	- (-)	- (0.1)	127 (73.8)	- (0.1)	19 (11.0)	- (-)
All families.....	415	4 (0.9)	10 (2.4)	1 (0.3)	3 (0.6)	367 (88.3)	- (0.1)	30 (7.2)	1 (0.2)

(Note: Figures in brackets denote percentages to total debt)

may be mentioned here that the reported purposes of borrowings were identified as 'long-term' or 'short-term' and that this classification has nothing to do with the period for which the loans were contracted.

TABLE 10.3—BORROWINGS CLASSIFIED ACCORDING TO CREDITOR AND PURPOSE

[Intensive enquiry data]

Agency	Total amount borrowed per family	PROPORTION OF BORROWINGS FOR THE PURPOSE (PER CENT)							
		AGRICULTURAL PURPOSES		NON-AGRICULTURAL PURPOSES		CONSUMPTION PURPOSES		Repayment of old debts	Other purposes
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term		
		(Rs)	2	3	4	5	6	7	8	9
1. Government.....	-	-	-	-	-	-	-	-	-
2. Co-operatives.....	-	-	-	-	-	-	-	-	-
3. Relatives.....	1.1	-	100.0	-	-	-	-	-	-
4. Landlords (to tenants).....	-	-	-	-	-	-	-	-	-
5. Agriculturist money-lenders.....	225.3	-	38.7	-	-	20.8	37.1	3.4	-
6. Professional money-lenders.....	2.1	-	65.2	-	-	34.8	-	-	-
7. Traders and commission agents.....	35.6	-	74.3	-	-	10.3	15.4	-	-
8. Commercial banks..	-	-	-	-	-	-	-	-	-
9. Others.....	-	-	-	-	-	-	-	-	-
Total.....	264.1	-	44.0	-	-	19.4	33.7	2.9	-

Borrowings of the selected cultivators were, for the major part, from agriculturist moneylenders. Nearly 60 per cent of the borrowings from this agency were for consumption purposes and most of the balance was for long-term agricultural purposes. Traders and commission agents, who ranked next in importance to, but far behind, agriculturist moneylenders, advanced loans mostly for long-term agricultural purposes. The major part of the small credit obtained from professional moneylenders was also for long-term agricultural purposes. Loans from relatives were exclusively for these purposes.

The outstanding debt owed by the selected cultivators, classified according to purpose and credit agency, is presented in the table below.

TABLE 10.4—DEBT CLASSIFIED ACCORDING TO CREDITOR AND PURPOSE
[Intensive enquiry data]

Agency	Total debt owed per family (Rs)	PROPORTION OF DEBT OUTSTANDING ON LOANS BORROWED FOR THE PURPOSE (PER CENT)							
		AGRICULTURAL PURPOSES		NON-AGRICULTURAL PURPOSES		CONSUMPTION PURPOSES		Repayment of old debts	Other purposes
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term		
		1	2	3	4	5	6	7	8	9
Government.....	0.7	—	—	—	—	—	100.0	—	—
Co-operatives.....	3.0	—	3.0	—	—	—	—	97.0	—
Other agencies.....	591.8	—	43.5	—	—	21.2	30.2	5.1	—

The small amount owed to co-operatives was almost entirely outstanding against loans borrowed for repayment of old debts. Presumably, the amount was owed to land mortgage banks, which, as will be seen later, were the only active co-operative agencies in Mysore State at the time of the Survey. Debt owed to co-operatives against repayment of old debts formed about 9 per cent of the total debt owed against this purpose.

The data set out in this chapter bring out clearly the insignificant role of Government and co-operatives in rural finance. It was primarily the agriculturist moneylender on whom the rural families had to depend for credit. Next in importance to the agriculturist moneylender, but far behind him, was the trader. Other agencies of credit had practically no place in the rural credit structure. The virtual absence of the professional moneylender from the scene is an important feature shown by the data. It may not be his non-existence, but his being classified as agriculturist moneylender or as some other agency by the respondents, that is reflected by the data. The classification of private credit agencies was, no doubt, subject to an important limitation ; this is discussed in Chapter 13.

CHAPTER II

GOVERNMENT FINANCE

An attempt is made in this chapter to assess the role of the State as a credit agency for agricultural finance. The chapter is divided into three sections. In the first section the legislative basis and the organization and administration of Government finance are discussed. In the next section the data relating to advances by Government for agricultural purposes, during the year of the enquiry, in Hassan district are discussed. The data collected in relation to borrowings from and debt owed to Government by rural families are also utilized in these discussions. The third section deals with the loan operations of Government. The data set out in the section are, in the main, those collected through case studies of sanctioned and rejected applications for loans from Government.

11.1 LEGAL STRUCTURE AND ADMINISTRATION OF GOVERNMENT FINANCE

The legislative basis, structure and organization of Government finance for agriculturists in Mysore State at the time of the Survey were largely similar to those prevalent in the former Part A States. In the former Part A States, two Central enactments, viz., the Land Improvement Loans Act, 1883, and the Agriculturists' Loans Act, 1884, were the Acts which empowered State Governments to disburse loans to agriculturists. The former Act enabled Government to advance loans for effecting improvements in land, 'improvement' being defined as any work which adds to the letting value of land, while the latter Act empowered Government to give loans for relief of distress, purchase of seed or cattle or any other purpose not specified in the Land Improvement Loans Act, but connected with agricultural objects. Analogous to the two Central Acts, Mysore had the Mysore Land Improvement Loans Act, 1890, and Section 194 of the Mysore Land Revenue Code, 1888. The loans made under the Act of 1890 are known as 'land improvement loans', while those issued under the Land Revenue Code are called *taccavi* loans. Since 1942 Government have also been advancing loans and subsidies for certain specific purposes such as land improvement and purchase of seed and manure, under the Grow More Food campaign. The main provisions of the two Mysore enactments and the rules framed under them in regard to the administration of loans are described below. The important features of the administration of Government finance under the Grow More Food schemes are also set out.

11.1.1 The Mysore Land Improvement Loans Act, 1890, and Section 194 of the Mysore Land Revenue Code, 1888.

Loans are advanced for land improvement purposes under the Mysore Land Improvement Loans Act. For the purpose of this Act, 'improvement' has been defined as any work which adds to the letting value of land and includes the following :

- (1) the construction and repairs of wells, tanks and other works for the storage, supply or distribution of water for the purposes of agriculture, or for the use of men and cattle employed in agriculture ;
- (2) the preparation of land for irrigation or cultivation ;
- (3) the drainage, reclamation from rivers or other waters, or protection from floods or from erosion or other damage by water, of land used for agricultural purposes or waste land which is culturable ;
- (4) the reclamation, clearance, enclosure or permanent improvement of land for agricultural purposes ;
- (5) the renewal or reconstruction of any of the foregoing works or alterations therein or additions thereto ; and
- (6) such other works as the Government of Mysore may, from time to time, declare to be improvements for the purpose of the Act.

Loans under the Mysore Land Improvement Loans Act are subject to a minimum of Rs 50 ; no upper limit to the size of the loan has been fixed.

Taccavi loans under Section 194 of the Mysore Land Revenue Code are advanced for the following purposes :

- (1) purchase of seed, cattle, fodder and manure ;
- (2) agricultural objects such as building of houses in tracts newly made available for occupation, rebuilding of houses destroyed by fire or flood or the building of tiled in place of thatched houses in rural areas, purchase of agricultural implements (including carts), erection of appliances for processing of agricultural produce, erection of contrivances for raising water, etc. ;
- (3) erection of sugar-cane mills or purchase of agricultural machinery such as boilers, oil-engines, etc. ; and
- (4) the relief of distress, to enable the holders of land and their dependents to subsist until the ripening of the next harvest.

Individual loans under categories (1) and (4) above are subject to a maximum of Rs 200. The maximum size of a loan in category (2) may be Rs 1,000. A loan of up to Rs 5,000 may be sanctioned under category (3).

Loans under the two Acts are administered by officers of the Revenue Department. Amildars (including Deputy Amildars) can sanction loans up to Rs 250 and Sub-Divisional Assistant Commissioners can grant loans up to Rs 500, while Deputy Commissioners are empowered to sanction loans up to Rs 1,000. Loans above Rs 1,000, but not exceeding Rs 2,500, may be sanctioned by the Revenue Commissioner ; loans above Rs 2,500 require the sanction of Government. The rules do not preclude the sanction of more than one loan to an individual. It is, however, insisted that loans granted to an individual should be for distinct purposes and covered by separate and independent security.

An application for loan is to be made to a revenue officer not below the rank of Revenue Inspector. On receipt of the application, the revenue officer has to hold a local enquiry with reference to the title and value of the land offered as security, the sufficiency of the security offered, the *bona fides* and the solvency of the applicant, etc. The officer holding the enquiry shall also receive and consider objections to the grant of loan from any person. After making the local enquiry, the officer forwards the application, together with his report on the enquiry, to the authorities concerned, for sanctioning the loan. When the amount applied for exceeds Rs 500, the local enquiry is to be conducted by an officer not below the rank of an Amildar or Deputy Amildar. When the proposed loan exceeds Rs 500, the professional opinion of the Executive Engineer, in regard to the feasibility, the probable cost and merits generally, of the proposed work, is to be obtained.

For loans under the Mysore Land Improvement Loans Act, the land to be improved, including the site of the proposed work, is demanded as security. In case the value of the applicant's interest in this land does not exceed by one-fourth the amount of the loan applied for, collateral security is demanded. The collateral security will consist of other land belonging to the applicant or the lands belonging to other persons who offer themselves as sureties, or both. For loans under Section 194 of the Mysore Land Revenue Code, the applicant's saleable interest in lands held by him is accepted as security, if the value of such interest exceeds by one-fourth the amount of the loan applied for. In cases where the value of such interest is lower than the prescribed minimum, collateral security consisting of immovable property is demanded. Loans under the two Acts can also be advanced to a group of cultivators on their joint personal security. In the case of the Mysore Land Improvement Loans Act, the maximum amount of such a loan will be five times the annual assessment of the lands registered in the names of the applicants. Under Section 194 of the Mysore Land Revenue Code, loans repayable within two years and not exceeding Rs 100 may be granted on the joint personal security of a group of cultivators; the condition regarding the annual assessment on the lands belonging to the applicants being not less than one-fifth of the loan amount should be satisfied in this case also. Loans under Section 194 of the Mysore Land Revenue Code for building tiled houses are issued on the security of the property benefiting by the grant and on the execution of proper agreement making such loans a first charge on houses so built. Artisans and others who do not hold any land are given loans for house building purposes on their personal security.

Loans for the relief of distress are disbursed in monthly or bi-monthly instalments. Other loans are ordinarily disbursed in two instalments; loans not exceeding Rs 100 each may be disbursed in one sum at the discretion of the sanctioning authority. Provision is made for expeditious disbursement of small loans not exceeding Rs 50 each, under Section 194 of the Mysore Land Revenue Code, for purchase of seed, fodder, etc., in times of scarcity or distress. In such cases officers are empowered to conduct summary enquiry on the spot and disburse loans forthwith.

The rules framed under the Acts also provide for the inspection of works for which loans are granted. Ordinarily loans are charged simple interest at 5 per cent per annum. Loans for relief of distress are advanced at a concessional rate of interest.

Loans advanced by Government are repayable in fixed annual instalments. The time allowed for repayment is fixed with reference to the object of the loan and the circumstances of the borrower, subject to the following maximum limits.

PURPOSE OF THE LOAN	PERIOD OF REPAYMENT
I Loans under the Mysore Land Improvement Loans Act	
1. for construction and repair of wells.....	30 years
2. for other purposes :	
2.1 if the loan does not exceed Rs 500.....	10 years
2.2 if the loan exceeds Rs 500 but does not exceed Rs 1,000.....	15 years
2.3 if the loan exceeds Rs 1,000.....	20 years
II Loans under Section 194 of the Mysore Land Revenue Code	
1. for purchase of seed.....	1 year
2. for relief of distress and purchase of agricultural implements or machinery.....	3 years
3. for other purposes.....	10 years

The date for repayment of each instalment is fixed so as to coincide with the date of one of the land revenue *kists*. The first instalment is not demanded within twelve months from the date of disbursement of the last instalment of the loan. It is also not ordinarily put off for more than two and a half years from the said date. On proof of failure of the crops of the borrower from causes beyond his control or in case of any other exceptional calamity, collection of an instalment may be suspended for a year. Complete remission of outstanding instalments is ordinarily not given ; in very hard cases the Revenue Commissioner may grant remission of an amount not exceeding Rs 100, and any remission of higher amount is subject to the orders of Government. Penal interest is charged on instalments not paid before the close of the revenue year in which payment falls due. All loans and interest thereon are recoverable as arrears of land revenue.

11.1.2 The Grow More Food campaign

The Grow More Food campaign was initiated in Mysore as early as in 1942. The main lines of action between the years 1942 and 1949 consisted of inducements and concessions designed to encourage extensive and intensive cultivation of food crops. The movement was placed on a planned basis in 1949-50, from when the Grow More Food schemes are being implemented year after year with the financial assistance of the Government of India. With a view to co-ordinate the activities of the various departments implementing the Grow More Food schemes and, thus,

ensure an integrated approach and direction to the problem, a separate Department of Food Production was organized in 1949-50. While the implementation of the various schemes continued to be the responsibility of the respective departments, the Department of Food Production exercised general supervision and control over all schemes. The schemes, though generally applicable to the entire State, were particularly concentrated in the areas with assured supply of water.

The schemes under the Grow More Food campaign may be broadly classified into three categories, viz., (1) supply schemes, (2) works schemes and (3) service and miscellaneous schemes. These schemes are briefly discussed below.

Supply schemes

Schemes of this type include multiplication and distribution of improved varieties of paddy seeds, distribution of manures, preparation and distribution of urban compost and supply of agricultural implements. The Department of Agriculture administers these schemes. Co-operative institutions are drawn upon for the implementation of the distribution part of the programmes. Distribution of materials at subsidized rates and on loan basis with easy terms of repayment are important features of the schemes of this category. Manure loans are specially important.

Works schemes

The important schemes of this type are (1) minor and major irrigation schemes such as sinking of irrigation wells, construction of major irrigation works, desilting of tanks, lift irrigation schemes in river valleys, extension of power supply to irrigation pump-sets, etc., and (2) land improvement schemes consisting of reclamation of waste and marshy lands by proper drainage, contour-bunding, terracing, etc. The scheme relating to sinking of wells is administered by the Revenue Department. Under the scheme *raiya*s who wish to sink irrigation wells are given subsidy. The subsidy is limited to Rs 500 per well in the drought-stricken districts and Rs 250 per well in other areas. Other schemes are executed directly by the Government departments. Extension of power supply to irrigation pumps is done by the Electrical Department, while all other schemes are implemented by the Public Works Department.

Service and miscellaneous schemes

A number of schemes such as the provision of technical services, grant of lands for cultivation, loan programmes for intensive cultivation, etc., are included under this category of schemes.

II.2 ROLE OF THE STATE AS A CREDIT AGENCY

In this section an attempt is made to assess the role of the State as a credit agency. The data collected from the families covered in the Survey, in both the General Schedule and the intensive enquiries, as also the information collected directly from Government regarding the volume of Government finance made available for agricultural purposes, are utilized in the discussions.

11.2.1 Loans advanced by Government

In the table below the data on the total amount sanctioned for agricultural purposes in Hassan district during 1950-1, under the different Acts and schemes, are presented.

TABLE II.1—GOVERNMENT FINANCE FOR AGRICULTURAL PURPOSES DURING 1950-1

[Amount in rupees]

Act or scheme	APPLICATIONS RECEIVED		APPLICATIONS SANCTIONED			PURPOSE FOR WHICH AMOUNT WAS SANCTIONED		
	Number	Amount applied for	Number	Amount applied for	Amount sanctioned	Purchase of manure	Well-digging and irrigation	Land improvement
	1	2	3	4	5	6	7	8
1. Mysore Land Improvement Loans Act, 1890.....	68	49,150	34	10,875	9,825	-	-	9,825
2. Section 194 of the Mysore Land Revenue Code, 1888.....	190	84,020	106	39,350	31,700	31,700*	-	-
3. Grow More Food campaign: Loans....	222	18,334	221	18,303	17,429	17,429	-	-
4. Grow More Food campaign: Cash subsidies	113	68,261	26	24,870	11,500	-	11,500	-

* Includes the amount sanctioned for purchase of fodder, implements and draught animals.

Only about half the number of applications received under the Mysore Land Improvement Loans Act and Section 194 of the Mysore Land Revenue Code was sanctioned during the year. The amount applied for in the sanctioned applications accounted for only less than one-fourth of the total amount applied for under the former Act and less than half the total amount applied for under the latter Act. Only about 80 per cent to 90 per cent of the amount applied for in the sanctioned applications was actually sanctioned. With the exception of one application, all loan applications received under the Grow More Food campaign were sanctioned. The amount actually sanctioned on these applications was about 95 per cent of the amount applied for. In all, the loan applications received by Government put in a demand for Rs 1.52 lakhs. As against this, the amount actually sanctioned was only Rs 0.59 lakhs or about 39 per cent of the demand.

Although 113 applications for cash subsidies under the Grow More Food campaign were received, only 26 applications were sanctioned during the year. The average amount of subsidy asked for in the sanctioned applications was about Rs 950; the amount actually sanctioned works out to about Rs 440 per application. Only about 17 per cent of the total amount of subsidy demanded was sanctioned during the year.

Loans under the Grow More Food campaign were advanced for purchase of manure. These are presumably the manure loans distributed in kind under the campaign. Loans under Section 194 of the Mysore Land Revenue Code were given for purchase of manure, fodder, implements and draught animals. The cash subsidies under the Grow More Food campaign were given for well-digging and irrigation.

The total amount sanctioned as loans and subsidies during 1950-1 amounted to Rs 0.70 lakhs. The total number of cultivating families in the district at the time of the enquiry is estimated at about one lakh. The inadequacy of Government finance for agriculture may be judged from the fact that it did not average even one rupee per cultivating family.

11.2.2 Borrowings from and debt owed to Government

Data relating to borrowings from and debt owed to Government, collected in the General Schedule, are presented in Table 11.2, separately for the four classes of cultivators, all cultivators, non-cultivators and all families.

TABLE 11.2—BORROWINGS FROM AND DEBT OWED TO GOVERNMENT

[General Schedule data]

Group	BORROWINGS FROM GOVERNMENT			DEBT OWED TO GOVERNMENT		
	Proportion of families borrowing from Government	Average amount borrowed from Government per family borrowing from Government	Borrowings from Government as percentage of total borrowings	Proportion of families indebted to Government	Average debt owed to Government per family indebted to Government	Debt owed to Government as percentage of total debt
	(Per cent)	(Rs)		(Per cent)	(Rs)	
	1	2	3	4	5	6
Big cultivators.....	0.2	150	0.1	0.5	185	0.1
Large cultivators.....	0.1	150	—	0.2	185	—
Medium cultivators.....	0.1	50	—	0.2	88	—
Small cultivators.....	—	—	—	0.3	162	0.1
All cultivators.....	0.1	100	—	0.2	138	0.1
Non-cultivators.....	—	—	—	0.3	6,100	9.2
All families.....	—	100	—	0.2	1,764	0.9

The insignificant role of Government finance is fully brought out by these data. Government did not advance even one in a thousand parts of the credit obtained by the rural families. The small cultivators and the non-cultivators did not get any loans from Government; one in a thousand among the medium and the large cultivators and two in a thousand among the big cultivators reported loans from Government. Among the big and the large cultivators, the average amount obtained from Government per family who obtained loans from the agency was

Rs 150 ; the corresponding amount was only Rs 50 among the medium cultivators. The borrowings from Government were obtained for current and capital expenditure on farm. The data relating to debt owed to Government by cultivators do not show a position different from that revealed by the borrowings data.

Government finance for cultivators was meagre and it reached hardly one or two out of every thousand cultivators. Even the meagre finance that was made available by Government appeared to be available in a larger measure to the upper classes of cultivators than to the lower classes.

Although none of the non-cultivators reported borrowing from Government, about 0·3 per cent of the non-cultivators were indebted to Government. The average debt owed to Government per non-cultivating family indebted to Government works out to Rs 6,100. This debt formed about 9 per cent of the total debt of non-cultivators. The heavy amount involved per reporting family suggests that the loans were taken for some costly land improvement purpose or for installation of some costly agricultural machinery. The requirement of landed property as security for Government loans would point to the indebted persons being substantial non-cultivating landlords. The entire debt was reported from one village, namely, Arehalli. It would be recalled that the non-cultivators in this village were generally prominent with respect to credit transactions, level of family expenditure, etc.

11.3 LOAN OPERATIONS AND WORKING

In this section the data collected through case studies of sanctioned and rejected applications for loans from Government are discussed. In all, 94 sanctioned applications and 38 rejected applications were included in the case studies. The other data set out in the section are the extracts from some of the replies to the General Questionnaire on Agricultural Credit. All these data throw light on a variety of aspects of Government finance.

11.3.1 Purpose and duration of loans

A total amount of Rs 33,925 was disbursed through the 94 sanctioned applications covered in the case studies. Of the sanctioned applications, 46, through which a total amount of Rs 14,850 was disbursed, were for purchase of livestock. Digging and repair of wells was the purpose in respect of fifteen of the applications ; a sum of Rs 4,725 was disbursed as subsidy on these applications*. Loans for land improvements numbered seventeen ; the total amount disbursed through these loans was Rs 4,650. The remaining sixteen loans, through which Rs 9,700 were given, were for other purposes, more than one purpose and unspecified purposes. Table 11.3 shows the average size and duration of loans for purchase of livestock and land improvements.

* In twelve applications only part of the total subsidy sanctioned had been disbursed. The disbursement of the balance amounting to Rs 2,825 was to be made after verification of the work.

TABLE II.3—CASE STUDIES OF LOANS: LOANS DISBURSED FOR VARIOUS PURPOSES* CLASSIFIED ACCORDING TO DURATION

Purpose	Number of loans dis-bursed	Average size of loans dis-bursed (Rs)	AMOUNT DISBURSED FOR THE DURATION AS PERCENTAGE OF THE TOTAL AMOUNT DISBURSED		
			Five years	Above five years	Duration not specified
			1	2	3	4	5
Purchase of livestock	46	323	81.5	18.5	—
Land improvements.....	17	274	67.7	28.0	4.3

* Excluding loans disbursed for other purposes, more than one purpose and unspecified purposes.

The average size of loans was about Rs 300. The loans were mostly advanced for a duration of five years.

11.3.2 Security offered and rate of interest charged

All the loans studied (excluding the fifteen cases of subsidy) were secured by immovable property and were charged interest at 5 per cent per annum.

11.3.3 Time-lag between the date of application and the date of disbursement

Data relating to the time-lag between the date of application and the date of disbursement were collected in respect of the applications (for loans and subsidy) included in the case studies. The table below presents these data.

TABLE II.4—CASE STUDIES OF LOANS: TIME-LAG BETWEEN THE DATE OF APPLICATION AND THE DATE OF DISBURSEMENT

	PERCENTAGE OF NUMBER OF LOANS AND OF AMOUNT DISBURSED WITH THE TIME-LAG						
	One month or less	One to three months	Three to five months	Five to eight months	More than eight months	Time-lag not specified	Dis-burse-ment in more than one instal-ment
	1	2	3	4	5	6	7
Number of loans disbursed.....	21.3	23.4	8.5	10.6	9.6	2.1	24.5
Amount disbursed.....	11.7	20.9	8.7	11.1	21.2	1.0	25.4

The time-lag between the date of application and the date of disbursement was more than three months in the case of 29 per cent of the number of applications which accounted for 41 per cent of the amount disbursed. Only 21 per cent of the applications, which accounted for 12 per cent of the amount, were disbursed within a month of the date of application.

The case studies showed that 29 applications were disbursed at the applicants' places of residence and the remaining 65 applications were disbursed outside the applicants' places of residence. Extraordinary steps for the recovery of loans had not been instituted in any of the cases studied.

11.3.4 Rejected applications

The reasons for the rejection of applications for Government finance were enquired into. Of the 38 rejected applications studied, seventeen had been rejected for 'miscellaneous' reasons. Lack of security or adequate security was the reason for rejection of seven applications ; six applications were rejected because the purposes for which the loans were required were not 'approved' purposes. The exhaustion of the funds allotted for the year was the reason for rejection of three applications. Applicant's inability to avail of the sanctioned loan in time, official delay in scrutiny of the application and the existence of old dues to Government were respectively the reasons for the rejection of three applications. In the remaining two applications the reasons for rejection were not specified. It is significant that non-availability of funds and official delay in scrutinizing the applications were reasons for rejection of some of the applications.

11.3.5 Opinions of knowledgeable persons

The replies to the General Questionnaire on Agricultural Credit, obtained from respondents in Mysore State, draw pointed attention to the inadequacy of Government finance. They also highlight the defects in the administration of even the small quantum of finance made available by Government. One of the respondents said that "the present amounts are totally inadequate to meet the needs of the farmer for manure, seed and such things". Commenting on the administration of Government loans, the respondent said that "it naturally involves the inevitable delays of correspondence and red tape". Another respondent was more forthright in his criticism of the administration of Government loans. According to him, "Government steadfastly and unmistakably keeps aloof from the function of affording direct agricultural credit as a normal feature". He also highlighted the defects in the working of the system in the following terms : ". . . people are averse to go to Government for such help (*taccavi* loans) because (1) there is too much formality and too many taluk officials to contact and propitiate, (2) too great a delay, (3) considerable leakage of the sum when it should be sanctioned because it is felt to be easy money. . ."

CHAPTER 12

CO-OPERATIVE FINANCE

The role of the co-operative institutions in the finance of agricultural credit and in the marketing of agricultural produce is assessed in this chapter. The assessment has been done mainly on the basis of data collected from the selected co-operative institutions as well as the rural families covered in the enquiry. In particular instances data available from published sources have also been used in the study. Before presenting the data, the legislative basis and the structure of the Co-operative Movement in relation to agricultural credit and marketing in Mysore State are indicated briefly.

12.1 LEGAL FRAMEWORK, STRUCTURE AND WORKING OF THE CO-OPERATIVE MOVEMENT

12.1.1 Legal framework

The Co-operative Movement in Mysore State dates back to the year 1905 when the Mysore Co-operative Societies Act, 1905, was enacted. The Movement has had a fairly continuous development since then. It has been the subject of review several times. In the two decades preceding the Rural Credit Survey, there were two such reviews; one was in 1935 by the Chandrasekhara Aiyer Committee and the other was in 1950 by the Mysore State Seminar on Co-operation. The Chandrasekhara Aiyer Committee made far reaching recommendations for the re-organization of the Co-operative Movement. Many of these were accepted and implemented by the Government. Based on the recommendations of the Committee, the Mysore Co-operative Societies Act, 1918, which was in force then was replaced by the amended Act, namely, the Mysore Co-operative Societies Act, 1948. This Act was in force at the time of our Survey. The Act had provisions similar to those found in the co-operative laws prevalent in other States. Some of the important provisions of the Mysore Act are summarized in the following paragraphs. The Seminar on Co-operation held in 1950, among other things, suggested revision of some of the provisions of the Act.

The Mysore Co-operative Societies Act, 1948, laid down that a co-operative society shall have one or more of the following objects :

- (1) the furtherance of thrift and providence among the members ;
- (2) the attraction of capital and the grant of credit to the members ;
- (3) the supply to members of raw material, seed or manure ;
- (4) the sale on behalf of members of agricultural produce or manufactured goods ;

- (5) the manufacture of goods or growth of produce by the members co-operatively ;
- (6) the purchase of foodstuffs, clothing or other articles of consumption, or of animals, implements or other stock required in agriculture or industry and their retail sale to members ;
- (7) the purchase of machinery and its use in common by members ;
- (8) the building of houses or purchase of lands for members ;
- (9) the carrying out or development, by joint action, of an improvement whether agricultural or industrial ;
- (10) the insurance of the persons, families and property of the members including livestock, co-operatively ;
- (11) any other object calculated to promote the economic interest of the members of a society in accordance with co-operative principles ; and
- (12) the facilitating of the operations of a society.

Under the Act every society of which a member is a registered society is to be limited liability society. In other cases limited liability is optional. The management of the society vests in an elected committee and the affairs of the society are to be conducted in accordance with the bye-laws registered with the Registrar of Co-operative Societies. Subject to any prior claim of the Government in respect of land revenue or any money recoverable as land revenue or of a landlord in respect of rent or any money recoverable as rent, any debt or outstanding demand due to a society by any member shall be a first charge on the crops for the raising of which or the livestock, agricultural implements, raw materials, land, building or other materials for the purchase of which the loan was granted. Arrears of loans payable to a society are recoverable as arrears of land revenue. The Act empowers the Registrar to supervise the working of the societies and also to inspect them and audit their accounts. The Registrar has powers to supersede the committee of management of the societies. An appeal against the decisions of the Registrar could be made to Government.

The Act also contains some special provisions relating to co-operative land mortgage banks. The co-operative land mortgage banks may grant loans to members only on the mortgage (without possession) of agricultural land which is situate in Mysore State and is free from all encumbrances other than those, if any, to be redeemed. Loans may be granted for (1) the redemption of subsisting mortgages on agricultural land ; (2) the liquidation of other prior debts of agriculturists ; (3) the improvement or the better cultivation of agricultural land ; and (4) current agricultural operations. Loans for current agricultural operations could, however, be granted only to a member who has been previously granted a loan for any of the other purposes and whose mortgage is subsisting. A mortgage executed in favour of a land mortgage bank has priority over any claim of the Government, arising from a loan under the Land Improvement Loans Act, 1890, granted after the

execution of the mortgage. The Act empowers land mortgage banks to issue debentures with the prior sanction of the Government.

12.1.2 Structure of the Co-operative Movement

At the time of the Survey, the structure for short-term and medium-term agricultural credit in Mysore State consisted of primary agricultural credit societies as units at the base and the Mysore State Co-operative Apex Bank as the unit at the State level. The central banks in Mysore State were in the process of being wound up and had ceased being effective financing units. The primaries derived their working funds from the owned resources and deposits and through borrowing, mainly from the apex bank. Some of the primary units undertook activities other than credit and were, thus, multi-purpose in character. The apex bank depended for funds on its owned resources, loans and deposits from co-operative institutions and other sources including Government. In addition to the primary credit societies, there were also a few grain banks functioning in the State.

The long-term agricultural credit structure had primary land mortgage banks, established at the rate of one for each taluka, at the base and the Mysore Central Co-operative Land Mortgage Bank at the apex. The primary units acted as the intermediaries between the ultimate borrower and the central institution. They received applications, conducted preliminary investigation in regard to the security and administered the loans after they were sanctioned by the central institution. The primaries were allowed a margin of only one per cent between the rate of interest at which funds were made available to them and the rate at which funds were lent out by them. The Central Land Mortgage Bank depended for funds on its paid-up share capital and other owned funds, loans and deposits and debentures guaranteed in respect of principal and interest by the State Government.

The structure in relation to marketing of agricultural produce had some primary units at the base affiliated to the State Marketing Co-operative Society. The primary units in this structure had generally jurisdiction extending to one or more talukas, sometimes cutting across the district boundaries. They dealt in and financed the marketing of some agricultural product or products. Some of the societies were also engaged in the supply of seed, manure, implements, etc., and the distribution of controlled commodities. The State Co-operative Marketing Society was set up in 1945; its objectives, among others, were to (1) arrange for the marketing of agricultural produce of its individual members and individual members of member-societies; (2) do the business of licensed warehouse-keeper; (3) generally co-ordinate the activities of its member-societies and (4) grant advances on the pledge of produce of members, sent for sale. It was reported that the Society had not been able, up to the time of our enquiry, to do anything in the nature of agricultural marketing; its activities were mostly confined to the distribution of consumer goods. The primary marketing societies depended on the State Co-operative Apex Bank for finance.

12.1.3 Working of the various co-operative institutions during the year 1950-1

A brief discussion on the working of the various types of societies mentioned above may now be attempted. The data relate to the whole of Mysore State and are for the year ended 30 June 1951. The *Statistical Statements relating to the Co-operative Movement in India* for the year 1950-1 and the *Review of the Co-operative Movement in India*, 1950-2, published by the Agricultural Credit Department of the Reserve Bank of India, are the sources for these data.

Primary agricultural credit societies

There were in all 2,654 primary agricultural credit societies (including grain banks) in Mysore State at the end of June 1951. Of these, 25 were grain banks, 1,290 were limited liability societies and 1,339 were unlimited liability societies. These societies had a total membership of 96,147 and they advanced Rs 36.9 lakhs during 1950-1. The repayments made during the year amounted to Rs 33.5 lakhs and the outstandings at the end of the year were Rs 30.6 lakhs of which nearly 38 per cent were overdue. The total working capital of the societies was Rs 54.9 lakhs of which about 70 per cent were owned funds, 12 per cent, loans from apex bank and other sources and the balance of 18 per cent, deposits from individuals and societies.

The membership averaged only 36 per society. The loans advanced during the year averaged only Rs 38 per member. The number of rural families in Mysore, according to the 1951 Census, may be estimated at about 14 lakhs. The membership of primary agricultural credit societies as on 30 June 1951 averaged 68 per thousand rural families and the advances made by them during the year 1950-1 averaged less than Rs 3 per rural family. These figures bring out in bold relief the extremely poor spread of the Co-operative Movement and the insignificant role played by the co-operatives in the finance of agricultural credit.

Primary land mortgage banks

There were 79 primary land mortgage banks in Mysore State as on 30 June 1951. A total of 27,274 members were enrolled with these banks. The total working capital of the banks was Rs 83.6 lakhs of which as much as Rs 75.6 lakhs consisted of loans held from the Central Co-operative Land Mortgage Bank. The banks advanced a total amount of Rs 22.3 lakhs to individuals during 1950-1. The repayments by individuals during the period amounted to Rs 3.2 lakhs. Loans outstanding with individuals at the end of the year amounted to Rs 76.6 lakhs and only Rs 1.2 lakhs out of these were overdue. The primary land mortgage banks appeared to be functioning satisfactorily, but the volume of credit provided by them was insignificant in the total picture of credit requirements for long-term purposes.

The Mysore State Co-operative Apex Bank

The Mysore State Co-operative Apex Bank had 211 individuals and 1,992 banks and societies as its members. The Bank's working capital amounted to Rs 62.1 lakhs, made up of owned funds amounting to Rs 9.6 lakhs, loans amounting to Rs 4.8

lakhs and deposits of Rs 47.7 lakhs. During 1950-1 loans amounting to Rs 29.3 lakhs were advanced to banks and societies and Rs 0.5 lakh to individuals. The advances to banks and societies averaged only Rs 1,472 per society. Repayments by individuals amounted to Rs 0.4 lakh and by banks and societies, to Rs 20.6 lakhs. Loans outstanding at the end of the year with individuals amounted to Rs 2.4 lakhs and with banks and societies, Rs 38.7 lakhs ; out of the latter amount, as much as Rs 7.4 lakhs were overdue.

One point of significance which may be noted here is the fact that out of the total amount of about Rs 39 lakhs due to the apex bank from banks and societies, about Rs 6 lakhs were held by the agricultural credit societies and about Rs 4 lakhs were held by the agricultural non-credit societies, but the balance of the amount, constituting a much larger share, was held by non-agricultural co-operatives. This would appear to indicate that even the limited finances of the apex bank were being utilized in a larger measure to finance the non-agricultural societies than the agricultural societies.

The Mysore Central Co-operative Land Mortgage Bank

The Mysore Central Co-operative Land Mortgage Bank had a total of 354 members as on 30 June 1951. Of these, 213 were individuals and the remaining 141 consisted of the 79 primary land mortgage banks and 62 other primary societies. The Bank had a working capital of Rs 85.0 lakhs, of which Rs 71.0 lakhs were raised through issue of debentures and the balance was made up of loans from Government (Rs 5.0 lakhs), loans and deposits from banks and societies (Rs 2.0 lakhs) and owned funds (Rs 7.1 lakhs). The Bank advanced Rs 22.3 lakhs to banks and societies during 1950-1. An amount of Rs 4.2 lakhs was received as repayments during the period. Loans amounting to Rs 75.6 lakhs were outstanding with banks and societies at the end of the period. Only a small amount out of the outstandings was overdue.

Primary marketing societies

As on 30 June 1951 there were 88 primary marketing societies in Mysore State. These societies had a total membership of 13,663, consisting only of individuals. The paid-up share capital of these societies amounted to Rs 3.5 lakhs. They issued loans amounting to Rs 2.3 lakhs during 1950-1. The value of goods sold by these societies during the year amounted to Rs 79.0 lakhs ; this amount includes the value of seed, manure, etc., and consumption goods distributed by the societies and it has not been possible to know the value of agricultural produce marketed by these societies. The membership of the marketing societies had extended to hardly ten in a thousand rural families and the marketing business done by them could have been only a negligible fraction of the total.

The Mysore State Co-operative Marketing Society

The membership of the Mysore State Co-operative Marketing Society comprised 170 individuals and 741 societies. The Society had not advanced any loans during 1950-1, nor it had any outstandings with individuals or societies at the beginning

of the year. It had working capital of Rs 1.1 lakhs, made up of owned funds amounting to Rs 0.85 lakh and deposits from individuals amounting to Rs 0.27 lakh. The Society sold goods worth Rs 17.5 lakhs during the year.

Government loans to the co-operatives

At the end of June 1951, a total amount of Rs 12.1 lakhs was held as loans from Government by the co-operatives in Mysore State. Of this, Rs 5.0 lakhs were held by the Central Land Mortgage Bank, Rs 3.5 lakhs by state non-credit societies other than the State Marketing Society, Rs 0.9 lakh by agricultural credit societies, Rs 2.6 lakhs by non-agricultural credit societies and the balance of Rs 0.1 lakh by agricultural and non-agricultural non-credit societies. Government aid in the shape of loans to the Co-operative Movement as a whole was, thus, small. In particular, the short and medium-term agricultural credit structure obtained very little financial accommodation from the Government.

12.2 PRIMARY CO-OPERATIVE CREDIT SOCIETIES

We now proceed to discuss the data collected from the different co-operative institutions studied in the Survey. A separate section has been devoted to set out the data relating to the primary credit societies, land mortgage banks and marketing societies studied in the Survey. In this section the data collected in respect of the primary co-operative credit societies are presented.

In all, nine primary co-operative credit societies were studied in the enquiry. Of these, three societies were 'dormant'; a society was defined as 'dormant' if it had not issued any loan during 1949-50 and 1950-1 and did not have any other activity at the time of the enquiry. Of the six 'working' societies, four were functioning in the selected villages and the remaining two, in the selected marketing/tahsil centres. The loan operations and other activities of the working societies are discussed below.

12.2.1 Membership and working capital

The working societies had generally jurisdiction extending over five or more villages, but in practice the membership of each society was largely drawn from the village in which it was situated. All the societies were functioning for several years prior to the Survey. All were managed by honorary secretaries; two of them had paid staff to assist the secretaries. Table 12.1 on page 118 gives, society-wise, the particulars of membership and working funds as on 30 June 1951.

The membership was generally small. The working capital (defined as the total of owned funds and borrowed funds outstanding) was less than Rs 6,000 in the case of four societies. Except in the case of one society, the working capital per member was less than Rs 100. The working capital was, for the major part, made up of owned funds. Generally the deposits held by the societies were extremely small. Loans from the apex bank or other sources were outstanding only in the case of one society.

TABLE 12.1—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : MEMBERSHIP AND WORKING CAPITAL AS ON 30 JUNE 1951

[Amount in rupees]

Society	Number of members	Working capital (columns 3+6+7)	OWNED FUNDS			BORROWED FUNDS OUTSTANDING	
			Total	Paid-up share capital	Reserve and other funds	Deposits	Borrowings from state or central bank
Society No. 1	54	5,331	5,311	1,920	3,391	20	-
			(99.6)	(36.0)	(63.6)	(0.4)	(-)
Society No. 2	104	5,687	5,105	663	4,442	582	-
			(89.8)	(11.7)	(78.1)	(10.2)	(-)
Society No. 3	64	3,536	2,436	758	1,678	-	1,100
			(68.9)	(21.4)	(47.5)	(-)	(31.1)
Society No. 4	121	3,878	3,820	911	2,909	58	-
			(98.5)	(23.5)	(75.0)	(1.5)	(-)
Society No. 5	54	8,801	7,802	1,010	6,792	999	-
			(88.6)	(11.5)	(77.2)	(11.4)	(-)
Society No. 6	248	20,745	15,695	5,257	10,438	5,050	-
			(75.7)	(25.3)	(50.3)	(24.3)	(-)

(Note : Figures in brackets denote percentages to total working capital)

In a questionnaire addressed to the societies, information was sought regarding the steps taken for the promotion of thrift among members through collection of deposits, increase in share capital, etc. It is significant that none of the societies studied reported activities with this end in view. The absence of financial assistance from the apex bank may be a reflection on the working of the societies. It may also be on account of the inability of the apex bank, due to paucity of funds, to finance the societies.

12.2.2 Loan operations

In Table 12.2 on page 119 the details regarding the loans advanced and repaid during 1 July 1950 to 30 June 1951 and the loans outstanding at the end of the period are given in respect of each of the societies.

One of the societies did not advance any loan during the year. The advances during the year were less than Rs 1,000 in the case of two societies and between Rs 1,000 and Rs 4,000 in the case of the remaining three societies ; for every society the advances averaged less than Rs 20 per member. Repayments formed substantial proportion of the current advances, although low in absolute terms. The outstanding feature of the loan operations, however, is the comparatively large outstandings, a large proportion of which was overdue. In four out of the six societies, more than 60 per cent of the outstandings were overdue. The field staff reported that there were instances of loans outstanding for several years, in regard to the recovery of which no effective action appeared to have been taken. In some cases even the execution of court decrees was reported to have been delayed

TABLE 12.2—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOAN OPERATIONS DURING THE YEAR 1950-1

[Amount in rupees]

Society	Loans advanced during the year to individuals	REPAYMENTS BY INDIVIDUALS DURING THE YEAR		Loans outstanding at the end of the year with individuals (including interest)	LOANS OVERDUE WITH INDIVIDUALS AT THE END OF THE YEAR (INCLUDING INTEREST)		Of the loans outstanding, bad and doubtful debts
		Amount	Per centage to loans advanced		Amount	Per centage to total loans outstanding	
Society No. 1.....	800	462	57·8	2,053	1,365	66·5	—
Society No. 2.....	-	200	@	2,211	1,945	88·0	500
Society No. 3.....	1,200	1,175	97·9	2,025	1,000	49·4	..
Society No. 4.....	2,160	2,160	100·0	3,243	665	20·5	48
Society No. 5.....	500	365	73·0	3,544	2,700	76·2	750
Society No. 6.....	3,540	3,761	106·2	14,986	10,327	68·9	—

@ No advances during the year.

for long due to the apathy of the office-bearers. In particular instances some of the office-bearers themselves were the major defaulters. Some of the outstanding loans were classified as bad and doubtful. The unsatisfactory position in regard to the outstandings not only reduced the volume of funds available for current advances, but also, apparently, detracted from the ability of the societies to attract deposits or obtain financial assistance from the apex institution.

12.2.3 Analysis of loans advanced during the year 1950-1

The above discussion on the loan operations may be supplemented by the data regarding the purpose, security, interest-rate, etc., collected in relation to the loans advanced during 1950-1. These data are available for 70 loans through which a total amount of Rs 7,915 was advanced during the year.

Size of loans

The maximum borrowing power of members, fixed by the bye-laws, would be a ceiling on the size of loans advanced by the primary co-operative credit societies. In four of the societies studied, the maximum borrowing power was Rs 200 ; it was Rs 300 and Rs 500 respectively in the two remaining societies. The loans were all found to be for amounts of less than Rs 300. The number of loans was almost equally distributed over three class intervals, viz., 'less than Rs 100', 'Rs 100 to Rs 200' and 'Rs 200 to Rs 300'. About 10 per cent of the total amount was advanced through loans of size less than Rs 100 ; loans of size varying between Rs 200 and Rs 300 accounted for about 56 per cent of the total amount advanced.

Purpose of loans

Table 12.3 on page 120 gives a classification of the number and amount of loans according to purpose.

TABLE 12.3—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOANS ADVANCED DURING THE YEAR 1950-1 CLASSIFIED ACCORDING TO PURPOSE

	Total	CAPITAL EXPENDITURE IN AGRICULTURE			Current expenditure on farm	Non-farm business expenditure	Family expenditure	Other expenditure
		Purchase of land	Purchase of live-stock	Other capital expenditure				
		1	2	3					4	5	6	7	8
Number of loans	70	1 (1.4)	3 (4.3)	1 (1.4)	10 (14.3)	9 (12.9)	38 (54.3)	8 (11.4)
Amount (Rs)	7,915	200 (2.5)	400 (5.1)	200 (2.5)	1,050 (13.3)	1,315 (16.6)	3,725 (47.1)	1,025 (12.9)

(Note: Figures in brackets denote percentages to total)

About 54 per cent of the number of loans, accounting for nearly 50 per cent of the total amount, was advanced for family expenditure purposes. Current farm expenditure and non-farm business expenditure accounted for 13 per cent and 17 per cent respectively of the total amount advanced. Loans for non-farm business were, for the major part, advanced by one of the societies functioning in a marketing centre. These might presumably be for trading activities. Capital expenditure in agriculture was the purpose of borrowing in respect of about 10 per cent of the total amount. About 13 per cent of the amount was advanced for other expenditure, mostly repayment of old debts.

Period of loans

All loans were advanced for a period of three years or less. About 83 per cent of the loans, through which about 72 per cent of the amount was advanced, were for duration of one year or less.

Security for loans

Guarantee by third party was the most common security; about 80 per cent by number and 83 per cent by amount of the loans were secured in this manner. About 11 per cent of the loans were advanced against personal security; these loans accounted for only about 4 per cent of the total amount advanced. Immovable property secured about 4 per cent of the number of loans; the amount advanced on these loans was about 6 per cent of the total. In regard to the remaining loans (about 4 per cent of the total number of loans accounting for about 8 per cent of the total amount advanced) details of the security are not available.

Rate of interest charged

Various rates of interest were reported on the loans advanced by the co-operative societies. Rates between $7\frac{13}{16}$ per cent and $9\frac{3}{8}$ per cent per annum were most commonly reported. In no case was the interest more than $12\frac{1}{2}$ per cent per annum.

The above discussions reveal some important features of the loan operations of the selected societies. The loans advanced were generally for amounts of less than Rs 200 and mostly for periods of one year or less. Loans were mostly advanced against guarantee by third party. Even the small quantum of finance made

TABLE 12.4—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOANS ADVANCED DURING THE YEAR 1950-1 CLASSIFIED ACCORDING TO RATE OF INTEREST

	Total	6½ per cent	From 7½ per cent to 9½ per cent	9½ per cent	From 9½ per cent to 12½ per cent
	1	2	3	4	5
Number of loans.....	70	7 (10·0)	42 (60·0)	11 (15·7)	10 (14·3)
Amount (Rs).....	7,915	530 (6·7)	6,025 (76·1)	160 (2·0)	1,200 (15·2)

(Note: Figures in brackets denote percentages to total)

available by the societies was, for the major part, for family expenditure and repayment of old debts. The interest charged was normally more than 7½ per cent but less than 12½ per cent, per annum.

12.2.4 Activities in fields other than credit

None of the societies had undertaken marketing of agricultural produce or issued any produce loans. Two of the societies (Societies No. 4 and No. 6) were running stores sections dealing in controlled commodities like sugar and cloth at the time of the enquiry. Both the societies were making some profit in this line of activity. Some of the remaining societies were running stores sections in the past, but these had been closed by the time of the Survey. It was reported that the taking up of the distribution of controlled goods and agricultural requisites by the taluka and circle multi-purpose societies had reduced the scope of this work by the credit societies.

12.2.5 Investments

Table 12.5 below shows the investments of the societies in shares and debentures of co-operative institutions, Postal, Cash and National Savings Certificates and other assets. It will be seen that generally the investments formed only a small proportion of the reserve fund. This would indicate that the major part of the reserve fund had also been drawn upon for making advances, which, as noticed earlier, were largely overdue and in part bad and doubtful.

TABLE 12.5—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : INVESTMENTS AS ON 30 JUNE 1951

[In rupees]

Society	Reserve fund	INVESTMENTS				Other assets
		Total	Shares and debentures of co-operative institutions	Postal, Cash and National Savings Certificates	Other investments	
		1	2	3	4		5	6
Society No. 1.....	2,486	1,629	629	1,000	—	—
Society No. 2.....	2,846	1,177	1,127	—	50	—
Society No. 3.....	1,240	325	325	—	—	—
Society No. 4.....	2,084	1,925	1,125	800	—	—
Society No. 5.....	5,551	389	389	—	—	—
Society No. 6.....	7,475	1,225	1,225	—	—	340

12.3 LAND MORTGAGE BANKING INSTITUTIONS

12.3.1 Working capital and loan operations

Five land mortgage banking institutions in the district were studied in the Survey. In the table below data regarding the working capital as on 30 June 1951 and the loan operations during the year ended 30 June 1951, are presented in respect of each of these institutions.

TABLE 12.6—LAND MORTGAGE BANKING INSTITUTIONS : WORKING CAPITAL AND LOAN OPERATIONS DURING THE YEAR 1950-1

[Amount in rupees]

Institution	Number of members	Working capital	LOANS ADVANCED DURING THE YEAR		Loans repaid during the year
			Number	Amount	
	1	2	3	4	5
1. Arsikere Land Mortgage Co-operative Society . . .	258	41,150	—	—	1,087
2. Hole-Narsipur Land Mortgage Co-operative Society ¹	325		8	13,540	8,639
3. Arkalgud Taluk Land Mortgage Co-operative Society ¹	159	27,476	6	15,600	888
4. Hassan Land Mortgage Society ¹	767	1,74,919	..	73,050	6,045
5. Saklespur Land Mortgage Co-operative Society	464	..	12	71,980	6,903

Institution	Demand during the year	LOANS OUTSTANDING AT THE END OF THE YEAR		Amount overdue (including interest)	USUAL RATE OF INTEREST (PER CENT PER ANNUM)	
		Number	Amount (including interest)		On borrowings	On lendings
	6	7	8	9	10	11
1. Arsikere Land Mortgage Co-operative Society	1,230 ¹		35,893	398	5	6
2. Hole-Narsipur Land Mortgage Co-operative Society ¹	7,970	57	63,381	64	5½	6½
3. Arkalgud Taluk Land Mortgage Co-operative Society ¹	409	13	23,800	—	5½	6½
4. Hassan Land Mortgage Society ¹	4,067	143	1,58,420	2,745	5½	6½
5. Saklespur Land Mortgage Co-operative Society	17,430 ¹	96	2,17,990	1,182	5½ ¹	6½ ¹

¹ Data supplied to field staff; in other cases the data are those obtained from the institutions through the Co-operative Department.

The Hassan Land Mortgage Society advanced a total amount of Rs 73,050, while the Saklespur Land Mortgage Co-operative Society advanced Rs 71,980.

The land mortgage societies at Hole-Narsipur and Arkalgud advanced only small amounts through a few loans. The Arsikere Land Mortgage Co-operative Society did not advance any loan during the year. The repayments exceeded the demand except in the case of the Arsikere and Saklespur societies. The outstandings exceeded Rs 20,000 for all institutions ; they were more than Rs 1 lakh for the Hassan and Saklespur societies. The overdues were small in relation to the total transactions and it appears that the societies were making regular recoveries and working successfully, although the volume of funds which they could make available was generally low.

12.3.2 Analysis of loans advanced during the year 1950-1

Details regarding the purpose, security, time-lag between the dates of application and sanction, etc., in respect of the loans advanced by the land mortgage societies during 1950-1 were obtained. The Arsikere society had not advanced any loan during 1950-1 ; in respect of this society, the data for the previous year, i.e., 1949-50, were studied. These data are discussed below for all institutions together. The study covered 67 loans through which a total amount of Rs 1,74,770 was advanced.

Size of loans

The size of loans generally varied over a wide range from less than Rs 1,000 to Rs 10,000. Loans of size between Rs 1,000 and Rs 3,000 were the most popular. Table 12.7 on page 124 gives the classification of loans according to size.

Purpose, period and security

All the loans were advanced for the redemption of old debts. All loans were based on the security of land and were granted for a period of 20 years. The societies had not commenced sanctioning land improvement loans.

Time-lag between the date of application and the date of sanction

The time-lag between the date of application and the date of sanction was generally six months or more. In a large percentage of the cases the time-lag between dates of application and sanction was one year or more. In Table 12.8 on page 125 the proportions of the number of loans and amount sanctioned with various time-lags are presented.

The time-lag in sanctioning the loans was reported to be mainly due to the procedural delays in examining the title to the land offered as security. The land mortgage societies had, in most cases, officers of the Revenue or Co-operative Departments as their ex-officio presidents or secretaries. The Revenue or Co-operative officers spared very little time for the work of the societies because of their multifarious duties and there was, inevitably, delay in the disposal of applications. It was also reported that in some cases the sanction of loans was delayed by the Central Land Mortgage Bank due to paucity of funds.

TABLE 12.7—LAND MORTGAGE BANKING INSTITUTIONS : LOANS ADVANCED DURING THE YEAR 1950-1¹ CLASSIFIED ACCORDING TO SIZE

Society	Total number of loans studied	NUMBER OF LOANS OF SPECIFIED SIZE AS PERCENTAGE OF TOTAL NUMBER OF LOANS				
		Less than Rs 1,000	Rs 1,000 to Rs 3,000	Rs 3,000 to Rs 5,000	Rs 5,000 to Rs 10,000	Rs 10,000
		1	2	3	4	5	6
1. Arsikere Land Mortgage Co-operative Society . . .	1	-	100.0	-	-	-
2. Hole-Narsipur Land Mortgage Co-operative Society	8	37.5	37.5	12.5	12.5	-
3. Arkalgud Taluk Land Mortgage Co-operative Society	6	33.3	33.3	16.7	16.7	-
4. Hassan Land Mortgage Society	40	15.0	72.5	7.5	5.0	-
5. Saklespur Land Mortgage Co-operative Society . . .	12	25.0	-	16.7	25.0	33.3

Society	Total amount advanced (Rs)	AMOUNT ADVANCED ON LOANS OF SPECIFIED SIZE AS PERCENTAGE OF TOTAL AMOUNT ADVANCED				
		Less than Rs 1,000	Rs 1,000 to Rs 3,000	Rs 3,000 to Rs 5,000	Rs 5,000 to Rs 10,000	Rs 10,000
		7	8	9	10	11
1. Arsikere Land Mortgage Co-operative Society . . .	1,000	-	100.0	-	-	-
2. Hole-Narsipur Land Mortgage Co-operative Society	13,540	15.8	25.1	22.2	36.9	-
3. Arkalgud Taluk Land Mortgage Co-operative Society	15,600	6.4	23.1	25.6	44.9	-
4. Hassan Land Mortgage Society	72,650	5.1	64.7	15.1	15.1	-
5. Saklespur Land Mortgage Co-operative Society . . .	71,980	2.7	-	11.1	30.6	55.6

¹ Data in respect of the Arsikere Land Mortgage Co-operative Society relate to the year 1949-50.

12.4 CO-OPERATIVE MARKETING SOCIETIES

Five co-operative marketing societies were studied in the Survey. Of these, one society was dealing in cotton and cotton seed and another was a bee-keepers' society dealing in honey and wax. A third society was dealing in copra and coconut ; of the remaining two societies, one was dealing in arecanut and the other, in cardamom. The data collected by the field staff in regard to the membership, loan and marketing operations, etc., of these societies are discussed below.

12.4.1 Membership and owned funds

The membership of the societies was made up only of individuals. Table 12.9 on page 125 presents the data on membership and owned funds of the societies, as on 30 June 1951.

TABLE 12.8—LAND MORTGAGE BANKING INSTITUTIONS : LOANS ADVANCED DURING THE YEAR 1950-1¹ CLASSIFIED ACCORDING TO TIME-LAG BETWEEN THE DATE OF APPLICATION AND THE DATE OF SANCTION

Society	NUMBER OF LOANS SANCTIONED WITH SPECIFIED TIME-LAG AS PERCENTAGE OF TOTAL NUMBER OF LOANS				AMOUNT SANCTIONED WITH SPECIFIED TIME-LAG AS PERCENTAGE OF TOTAL AMOUNT SANCTIONED			
	Up to three months	Three months to six months	Six months to twelve months	Twelve months and above	Up to three months	Three months to six months	Six months to twelve months	Twelve months and above
	1	2	3	4	5	6	7	8
1. Arsikere Land Mortgage Co-operative Society.....	-	-	-	100.0	-	-	-	100.0
2. Hole-Narsipur Land Mortgage Co-operative Society....	-	-	37.5	62.5	-	-	19.2	80.8
3. Arkalgud Taluk Land Mortgage Co-operative Society.....	-	16.7	33.3	50.0	-	44.9	23.1	32.0
4. Hassan Land Mortgage Society.....	15.0	12.5	45.0	27.5	26.9	14.1	39.2	19.8
5. Saklespur Land Mortgage Co-operative Society.	-	8.3	25.0	66.7	-	13.9	32.0	54.1

¹ Data in respect of the Arsikere Land Mortgage Co-operative Society relate to the year 1949-50.

TABLE 12.9—CO-OPERATIVE MARKETING SOCIETIES : MEMBERSHIP AND OWNED FUNDS AS ON 30 JUNE 1951

[Amount in rupees]

Society	Commodities dealt in	Number of members	OWNED FUNDS				Loans from apex bank
			Total	Paid-up share capital	Reserve fund	Other funds	
			3	4	5	6	
1. Cotton Marketing Co-operative Society, Arsikere.....	Cotton and cotton seed	874	28,676	17,755	3,345	7,576	28,032
2. Saklespur Bee-keepers' Co-operative Marketing Society....	Honey and wax	93	3,852	1,151	2,011	690	8,547
3. Copra Marketing Co-operative Society, Arsikere.....	Copra and coconut	287	19,344	7,755	3,689	7,900	-
4. Areca Co-operative Marketing Society, Arkalgud.....	Arecanut	137	5,040	4,719	61	260	7,746
5. Cardamom Growers' Co-operative Marketing Society, Saklespur.....	Cardamom	428	37,986	19,422	6,262	12,302	4,66,041

The Cotton Marketing Society had jurisdiction extending over two talukas of Hassan district, while the Bee-keepers' Society had jurisdiction over Manjarabad

taluka of Hassan district and parts of a taluka in another district. The Copra Marketing Society's area of operation was confined to Arsikere taluka of Hassan district. The Cardamom Growers' Society had jurisdiction over all cardamom growing areas in Mysore, but its membership was drawn only from Manjarabad taluka. The Areca Marketing Society's jurisdiction extended to four talukas of Hassan district and two talukas outside the district, although the membership was exclusively from Arkalgud taluka of Hassan district. Considering the extensive area of jurisdiction, the membership was small in all societies.

The owned funds amounted to less than Rs 40,000 in all societies. Two of the societies had very low owned funds amounting to about Rs 5,000 or less. The societies had generally been able to obtain loans from the apex bank, although in only one case was the outstanding loan from the apex bank substantially large. None of the institutions reported loans from sources other than the apex bank.

12.4.2 Marketing activities

The marketing of produce of members was undertaken on commission basis by all the societies except the Bee-keepers' Co-operative Marketing Society which adopted the system of outright purchase and marketing of produce. The Cotton Marketing Society also distributed improved varieties of cotton seed to its members. The Bee-keepers' Society and the Copra Marketing Society were engaged in the distribution of consumption goods. In the table below the data relating to the marketing of produce and distribution of consumption goods, seed, manure, etc., by the societies during the year ended 30 June 1951 are set out.

TABLE 12.10—CO-OPERATIVE MARKETING SOCIETIES : MARKETING OF PRODUCE AND DISTRIBUTION OF SEED, MANURE, ETC., AND CONSUMPTION GOODS DURING THE YEAR 1950-1

[In rupees]

Society	VALUE OF COMMODITIES		Value of sales	Value of seed, manure, implements, etc., distributed	Value of consumption goods distributed
	Purchased outright	Collected on commission basis			
	1	2				3	4	5
1. Cotton Marketing Co-operative Society, Arsikere	-	4,90,225	5,27,884	2,631	-
2. Saklespur Bee-keepers' Co-operative Marketing Society.....	23,763	-	27,934	-	26,725
3. Copra Marketing Co-operative Society, Arsikere	-	5,413	6,808	4,433	23,174
4. Areca Co-operative Marketing Society, Arkalgud..	-	1,984	15,473	-	-
5. Cardamom Growers' Co-operative Marketing Society, Saklespur.....	-	3,17,800	3,05,925	-	-

The Cotton Marketing Co-operative Society and the Cardamom Growers' Co-operative Marketing Society did substantial business during the year. Each of

these societies collected and marketed produce worth more than Rs 3 lakhs during the year. The value of produce collected averaged more than Rs 500 per member in both the cases. The Bee-keepers' Society did marketing of produce valued at about Rs 28,000. The performance of the other two societies was poor. The value of produce collected from members averaged less than Rs 20 per member in both these cases. The Bee-keepers' Society and the Copra Marketing Society distributed consumption goods valued at more than Rs 20,000 each. It would appear that these societies took to this activity, in addition to their normal marketing business, as the latter was not sufficiently remunerative.

12.4.3 Loan operations

The Bee-keepers' Marketing Society neither made any advances to members during the year 1950-1 nor had any outstandings with members at the beginning of the year. The details of the loan operations of the other societies are presented in the table below.

TABLE 12.11—CO-OPERATIVE MARKETING SOCIETIES : LOAN OPERATIONS DURING THE YEAR 1950-1

[In rupees]

Society	Loans advanced during the year to members	Repayments made during the year by members	OUTSTANDINGS WITH MEMBERS AT THE END OF THE YEAR		
			Total	Overdues	Bad and doubtful
			1	2	3	4	5
1. Cotton Marketing Co-operative Society, Arsikere	2,69,675	2,62,327	12,557	882	-
2. Copra Marketing Co-operative Society, Arsikere	6,580	3,480	3,100	-	-
3. Areca Co-operative Marketing Society, Arkalgud . .	22,825	15,473	10,646	2,468	
4. Cardamom Growers' Co-operative Marketing Society, Saklespur	4,80,469	3,03,093	4,40,606	88,324	2,084

The advances were made against the commodities entrusted to the societies for marketing. The repayments, in relation to the current advances, were substantial. This is as could be expected ; recoveries, being made from the sale proceeds of crops, would be regular. The outstandings were generally low. The Cardamom Growers' Society, had, however, substantial outstandings with members and a large percentage of these were overdue.

12.4.4 Concluding remarks

Most of the societies employed paid secretaries and other staff. The Cotton Marketing Co-operative Society was the most successful among all the marketing societies studied. It made a profit of about Rs 31,100 during the year. The Cardamom Growers' Society and the Bee-keepers' Co-operative Society also made net profit of about Rs 4,500 and about Rs 2,800 respectively. The net profit of the latter society was reported to be mostly from its trading activities in consumption goods. The Areca Co-operative Marketing Society made a loss of about Rs 300.

The field staff reported that even the most successful among the marketing co-operatives studied were able to attract only a small proportion of the marketing business within their area of jurisdiction. This was attributed to several factors. In the first instance, despite their extensive jurisdiction, the membership of the societies was small and largely confined to a few villages. Secondly, there were a large number of private traders in keen competition with the co-operatives. The large amount of flexibility in the system of operation of the traders, as against the large amount of rigidity in the system of operation of the co-operatives, enabled the traders to have the upper hand in this clash of interests. The traders usually extended advances, not only on commodities ready for marketing, but also on standing crops and even on personal security, while the co-operatives generally gave credit only on the stocks lodged with them for marketing. Further, the trader often went to the producer to collect the produce, while the co-operatives waited for the produce to be brought to them.

12.5 ROLE OF CO-OPERATIVES

The data presented in the earlier sections reveal the insignificant role played by co-operatives in rural credit and marketing. To recapitulate, for the State as a whole, at the end of co-operative year 1950-1, the membership of primary agricultural credit societies averaged only 68 per thousand rural families. The advances of these institutions during 1950-1 worked out to the insignificant amount of Rs 3 per rural family. The primary land mortgage banks and marketing societies had a smaller membership and the advances made by them were lower. The data also reveal the poor financial resources of the co-operatives. The investigation of the selected societies in Hassan district throw further light on the working of the Co-operative Movement. As many as three out of the nine primary credit societies which fell in the sample were found to be 'dormant'. The activities of the remaining societies were generally characterized by low resources, small advances and overdue outstandings. The land mortgage banking societies appeared to be functioning satisfactorily, although the volume of advances made by them was generally low. Among the five marketing societies studied, only two were doing any appreciable business. Even in their case the membership and volume of business were low, considering their jurisdiction. The data collected on the 'demand' side also show the insignificant role played by co-operatives in rural credit and marketing. Some of these data were discussed in the Chapter on Credit Agencies. We shall examine these data in greater detail, with special reference to villages in which co-operative credit societies were functioning.

Of the four villages with co-operative credit societies, only in three villages were borrowings from co-operatives reported in the General Schedule. Table 12.12 presents the data relating to borrowings from co-operatives among the four classes of cultivators, all cultivators, non-cultivators and all families, in all eight villages together, and in each of the three villages with co-operatives, in which borrowings from the agency were reported.

TABLE 12.12—BORROWINGS FROM CO-OPERATIVES

[General Schedule data]

Group	ALL VILLAGES			VILLAGES WITH SOCIETIES		
	Proportion of families borrowing from co-operatives	Average amount borrowed from co-operatives per family borrowing from co-operatives (Rs)	Borrowings from co-operatives as percentage of total borrowings	Proportion of families borrowing from co-operatives	Average amount borrowed from co-operatives per family borrowing from co-operatives (Rs)	Borrowings from co-operatives as percentage of total borrowings
	(Per cent)	(Rs)		(Per cent)	(Rs)	
	1	2	3	4	5	6
Big cultivators.....	0.7	133	0.2	3.6	133	0.8
Large cultivators.....	0.4	100	0.1	1.2	100	0.5
Medium cultivators.....	0.4	109	0.3	1.8	109	1.5
Small cultivators.....	0.1	50	-	0.4	50	0.3
All cultivators.....	0.3	100	0.2	1.2	100	0.7
Non-cultivators.....	0.1	100	0.2	0.3	100	0.2
All families.....	0.2	100	0.2	0.9	100	0.6

Group	AREHALLI			HIRISAVE			RUDRAPATNA		
	Proportion of families borrowing from co-operatives	Average amount borrowed from co-operatives per family borrowing from co-operatives (Rs)	Borrowings from co-operatives as percentage of total borrowings	Proportion of families borrowing from co-operatives	Average amount borrowed from co-operatives per family borrowing from co-operatives (Rs)	Borrowings from co-operatives as percentage of total borrowings	Proportion of families borrowing from co-operatives	Average amount borrowed from co-operatives per family borrowing from co-operatives (Rs)	Borrowings from co-operatives as percentage of total borrowings
	(Per cent)	(Rs)		(Per cent)	(Rs)		(Per cent)	(Rs)	
	7	8	9	10	11	12	13	14	15
Big cultivators.....	14.3	150	2.4	-	-	-	4.5	100	0.6
Large cultivators.....	4.8	150	1.8	-	-	-	3.1	65	0.4
Medium cultivators.....	3.6	125	3.8	1.2	50	0.5	2.4	125	1.8
Small cultivators.....	-	-	-	-	-	-	1.5	50	1.0
All cultivators.....	2.9	138	2.1	0.5	50	0.2	2.3	86	0.8
Non-cultivators.....	-	-	-	-	-	-	1.4	100	8.7
All families.....	1.2	138	1.0	0.3	50	0.1	2.1	88	1.0

The data for all villages together show that loans from co-operatives were obtained by only 0.3 per cent of the cultivating families. Co-operative finance formed only 0.2 per cent of the total finance obtained by the cultivators. The

average amount borrowed from co-operatives per cultivating family borrowing from the agency was Rs 100. The proportion of families borrowing from co-operatives was slightly higher among the big cultivators than among other classes of cultivators. The amount borrowed per borrowing family was higher among other classes of cultivators than among the small cultivators.

The data relating to the group of villages served by co-operative credit societies do not show a position significantly different from that shown by the data for all villages together, i.e., those with societies and those without societies. Among individual villages with co-operative societies, all the indicators considered above were highest in Arehalli village ; even here the proportion of cultivating families borrowing from co-operatives was only 2·9 per cent and the proportion of borrowings from co-operatives to the total borrowings was only 2·1 per cent in the case of cultivating families. Thus, even in the villages in which co-operatives functioned, they do not seem to have made any noticeable impression on the supply of rural credit.

In Hirisave only the medium cultivators reported borrowings from co-operatives. In both Arehalli and Rudrapatna, the proportion of families borrowing from co-operatives declined with the decline in the size of holdings. In Arehalli the position of the big cultivators was markedly different from that of other classes of cultivators. Even the limited co-operative finance would appear to be unevenly distributed in favour of the upper deciles of cultivators, in particular, the big cultivators.

The data on the demand aspect show that the record of the co-operatives in the field of marketing was worse than that in the sphere of credit ; not a single family contacted for the intensive enquiry reported having entered into any sale transaction with a co-operative society.

CHAPTER 13

PRIVATE FINANCE

In this chapter we discuss the role of the private credit agencies, i.e., agencies other than Government and the co-operatives, in the field of rural credit. While collecting data on the loan transactions of rural families, the private credit agencies were classified into six categories, viz., relatives, landlords, traders and commission agents, agriculturist moneylenders, professional moneylenders and commercial banks. The main purpose of this six-fold classification was to obtain separate data in relation to moneylending proper as distinguished from financial accommodation flowing from or associated with factors which may be considered to influence or modify the usual terms and conditions of the debtor-creditor relationship. Accordingly, loans obtained free of interest from relatives were separately noted. Loans from landlords to their own tenants, which might be influenced by the tenant-landlord relationship between the parties, were also considered separately. Finally, credit operations of persons who were, in the main, traders or commission agents were assumed to be connected chiefly with trading and were classified separately. The remaining loan transactions were those in which only the debtor-creditor relationship subsisted. These loan transactions, barring those with commercial banks, were classified as transactions with moneylenders, but here too, a distinction was sought to be made between transactions with moneylenders whose main profession was agriculture and whose moneylending business was of comparatively minor importance, and transactions with other moneylenders. The former category of moneylenders was termed 'agriculturist moneylenders' and the latter group of moneylenders, 'professional moneylenders'. The role of each of the private credit agencies is assessed in separate sections of this chapter.

A limitation in regard to the classification of private credit agencies discussed above needs to be mentioned here. This is that the rural respondent would have had considerable difficulty in distinguishing between a moneylender and a trader. The classification could not have been correct in all cases, especially in view of the fact that these agencies mostly operate a mixed business.

In regard to some of the agencies, apart from the data collected from the rural families, we have information obtained in the 'supply' side investigation. The enquiry on the 'supply' side covered all moneylenders and traders in agricultural commodities in the selected villages and a sample of moneylenders and traders in agricultural commodities in the selected marketing or taluka centres (including the district headquarter) and all offices of commercial banks functioning in the district during the period of the enquiry. For the investigation on the 'supply' side, all persons who were not primarily cultivators and who had moneylending dealings with

others and persons who were primarily cultivators but who had also lent considerable amounts to others, were included under the category of moneylenders. In all, 24 moneylenders and 23 traders in agricultural commodities responded to the enquiry. None of the responding moneylenders could be classified as an indigenous banker ; an indigenous banker was defined as a moneylender who accepted deposits or dealt in *hundis*. The data obtained directly from the credit agencies have also been utilized in the discussions. Before proceeding to the discussion of the data, the important aspects of the legal framework within which the private credit agencies operated are briefly described.

13.1 LEGAL STRUCTURE AND WORKING OF THE LEGISLATIVE ENACTMENTS

The important legislative enactments affecting the debtor-creditor relationship in force in Mysore State at the time of the Survey were (1) The Mysore Usurious Loans Act, 1923, (2) The Mysore Debt Conciliation Act, 1937 and (3) The Mysore Moneylenders Act, 1939. The important provisions of these Acts are discussed in the following paragraphs.

13.1.1 The Mysore Usurious Loans Act, 1923

This Act gave powers to the courts, when they found that the interest was 'excessive' and the transaction between the parties was substantially 'unfair', to reopen the transaction and to relieve the debtor of all liability in respect of any 'excessive' interest.

13.1.2 The Mysore Debt Conciliation Act, 1937

This Act provides for the establishment of Boards for the amicable settlement of debts of agriculturists. The Boards set up under the Act are empowered, in cases when the creditor refuses to agree to a fair offer of settlement made by the debtor, to issue a certificate in respect of such debt. In the case of a debt for which a certificate was issued by a Board, civil courts were debarred from allowing any costs on suits or any interest, for the period after the date of the certificate, in excess of simple interest at 6 per cent per annum on the principal amount due on the date of the certificate. The Act laid down that no creditor shall be allowed, in satisfaction of a debt, a greater amount than twice the amount of the principal, and if the debt was incurred before 1 June 1935, twice the amount due on that date.

13.1.3 The Mysore Moneylenders Act, 1939

The Act provides for the registration and licensing of moneylenders. Under the Act, a moneylender is required to maintain regular accounts in respect of each loan advanced by him. The Act also lays down that the moneylender shall issue receipts for every payment made by a debtor, and also furnish to a debtor, on demand, a statement of accounts of the debt, showing the principal and interest outstanding. The Act also prescribes maximum rates of interest chargeable on the loans. The rates prescribed are simple interest at 9 per cent per annum on secured loans and simple interest at 12 per cent per annum on unsecured loans. Compound interest is allowed, but only at 6 per cent per annum with yearly rests, whether on secured or unsecured loans. The Act also prohibits award of a decree, on account of arrears of

interest, for a sum greater than the principal of the original loan. The Act has a provision which lays down that the molestation of a debtor shall be a cognizable offence. The infringement of the provisions of the Act has been made punishable with fine or imprisonment or with both.

13.1.4 Working of the legislative enactments

The legislative enactments regulating the debtor-creditor relationships would appear to have remained practically ineffective. The debt conciliation scheme was a total failure in as much as the total number of applications received under it, during the first one and a half years of its operation from 1 July 1938, was only 622 as compared to the total number of about 10 lakhs agricultural families in the State in 1941. The total amount involved in the applications received was only Rs 8.36 lakhs. As will be seen later, according to the testimony of the selected cultivators, the provisions regarding the interest laid down in the Moneylenders Act were being violated, though not universally, at least in some cases. In one of the questionnaires used in the intensive enquiry, we had asked the cultivators for information regarding their difficulties in obtaining prompt and adequate finance. In reply to this questionnaire, as many as 34 out of the 80 cultivators of the upper strata and 17 out of the 40 cultivators of the lower strata complained against the prevalent high rate of interest. It is also significant that ten cultivators of the upper strata and one cultivator of the lower strata reported malpractice or harassment by moneylenders among the difficulties experienced by them.

13.2 RELATIVES

Relatives played a minor role in the finance of rural credit. This may be seen from the table below which presents the data relating to the borrowings from relatives among the different groups of families.

TABLE 13.1—BORROWINGS FROM RELATIVES

[General Schedule data]

Group	Proportion of families borrowing from relatives	Average amount borrowed from relatives per family borrowing from relatives	Borrowings from relatives as percentage of total borrowings
	(Per cent)	(Rs)	
	1	2	3
Big cultivators.....	1.7	227	0.9
Large cultivators.....	1.2	345	1.4
Medium cultivators.....	0.8	96	0.5
Small cultivators.....	0.6	47	0.3
All cultivators.....	0.9	191	0.9
Non-cultivators.....	—	—	—
All families.....	0.7	191	0.8

The non-cultivators did not report any borrowing from relatives. Slightly less than 1 per cent of the cultivators borrowed from the agency. The borrowings from the agency formed less than 1 per cent of the total borrowings of cultivators. The proportion of families borrowing from relatives and the proportion of borrowings obtained from them were somewhat higher among the upper deciles than among the lower. The intensive enquiry data show that the entire borrowings from relatives were contracted for long-term agricultural purposes.

13.3 LANDLORDS

Landlords, like relatives, were of minor importance in the rural credit structure. Only 0.2 per cent of the cultivators reported borrowing from the agency and the credit supplied by the agency formed only 0.6 per cent of the total borrowings of cultivators. In the table below the data relating to borrowings of different groups of families from landlords are given.

TABLE 13.2—BORROWINGS FROM LANDLORDS

[General Schedule data]

Group	Proportion of families borrowing from landlords	Average amount borrowed from landlords per family borrowing from landlords	Borrowings from landlords as percentage of total borrowings
	(Per cent)	(Rs)	
	1	2	3
Big cultivators.....	0.3	1,297	1.0
Large cultivators.....	0.4	882	1.1
Medium cultivators.....	0.1	107	0.1
Small cultivators.....	-	-	-
All cultivators.....	0.2	638	0.6
Non-cultivators.....	-	-	-
All families.....	0.1	638	0.5

Non-cultivators did not report any borrowing from landlords. This is as could be expected, since, by definition, borrowings from a landlord by his tenant alone were considered as borrowings from landlords. Finance from landlords was available in larger measure to cultivators of the upper deciles than to those of the lower deciles.

13.4 MONEYLENDERS

In regard to moneylenders, we have two types of data. In the first instance, we have the data collected on the 'supply' side, directly from a sample of moneylenders who co-operated in the enquiry. In all, 24 moneylenders co-operated in the enquiry. Seven of these moneylenders were residing in the selected villages and the remaining seventeen belonged to the selected marketing and taluka centres (including the district headquarter). Secondly, we have data in regard to the operations of moneylenders available from the record of the loan transactions of the rural families with moneylenders.

While collecting information from the rural families, a distinction was sought to be made between the professional moneylenders and the agriculturist moneylenders. It is not possible to classify the data collected on the 'supply' side, directly from moneylenders, in conformity with the classification made on the 'demand' aspect of the enquiry; these data have, however, been tabulated separately for the moneylenders residing in the villages and for moneylenders residing in the selected marketing and taluka centres, which were urban areas. The former group of moneylenders have been referred to, hereafter, as village moneylenders and the latter group of moneylenders, as urban moneylenders. The data relating to village and urban moneylenders, and the agriculturist and professional moneylenders, are separately discussed below.

13.4.1 Village moneylenders

All the moneylenders had been in moneylending business for more than five years; two of them had been carrying on moneylending business for more than 25 years. None of the seven moneylenders accepted deposits. All the moneylenders had occupations other than moneylending; five out of the seven moneylenders were non-cultivating landowners, while the other two were cultivators. One of the non-cultivating moneylenders was also engaged in shop-keeping. This moneylender was also the owner of a printing press.

The clientele of the moneylenders consisted only of agriculturists. The moneylenders generally advanced loans of size up to Rs 500. Individual loans exceeding Rs 1,000 were advanced by only four moneylenders, and in the case of three of them loans exceeding Rs 1,000 formed only 25 per cent or less of the total number of loans advanced.

Grain loans were not advanced by any of the moneylenders. The practice of advancing loans against standing crops or harvested crops and produce was not reported by any of the moneylenders. The moneylenders were asked whether they were engaged in the marketing of produce. Five moneylenders answered this question; none of them was engaged in the marketing of agricultural produce.

The moneylenders were asked whether they enquired about the purpose for which loans were required and also whether they kept a watch over the actual utilization of loans advanced. All the moneylenders said that they enquired about the purpose for which loans were required by the borrowers. Five moneylenders kept watch over the actual utilization of loans advanced; one moneylender watched the actual utilization in the case of some loans; the remaining moneylender said that he did not keep watch over actual utilization of loans.

None of the moneylenders stipulated any definite period for the repayment of loans. Instances of doubtful loans and loans involving litigation would appear to be extremely few. Only one moneylender answered the question regarding doubtful loans. He said that only 2 per cent of the amount advanced to agriculturists was considered doubtful. The question regarding litigation for recovery of loans was

also answered by this moneylender. According to him, only 10 per cent of the loans given to agriculturists involved litigation for recovery. In no instance was forfeiture of security reported in the case of loans advanced to agriculturists.

Case studies of loans advanced by village moneylenders

When a moneylender was particularly co-operative, he was requested to permit the study of a sample of loans actually advanced by him during the year 1950-1. The sample of loans was selected according to the prescribed method. Data relating to 30 loans through which a total amount of Rs 6,210 was advanced could be obtained in this manner. These data throw further light on the loan operations of village moneylenders and are discussed below.

Out of the 30 loans covered by the case studies, as many as 20 were for small amounts of Rs 100 or less ; nine loans varied between Rs 100 and Rs 500 in size and the remaining loan was for an amount of Rs 1,600. About one-fourth of the number of loans, through which nearly half the total amount was advanced, was for capital expenditure in agriculture. Two loans for a total amount of Rs 150 were advanced for current farm expenditure and one loan of Rs 500 was advanced for non-farm business expenditure. Family expenditure was the purpose of borrowing in respect of thirteen loans (about 43 per cent of the total number of loans) ; these loans accounted for about 28 per cent of the total amount advanced. The remaining loans (six loans for a total amount of Rs 800) were advanced for other expenditure purposes and more than one purpose. In none of the cases was the duration of the loan specified ; this corroborates the evidence given by the moneylenders in regard to the stipulation of period for repayment.

Most of the loans advanced by the moneylenders were given against the personal security of the borrowers ; as many as 22 out of the 30 loans studied were of this type and the amount advanced through these loans formed as much as 90 per cent of the total amount covered by the case studies. Two loans for a total amount of Rs 200 were secured by immovable property. The remaining six loans, through which Rs 400 were advanced, were secured by 'other' securities.

The interest charged on the loans had not been specified in the case of three loans for a total amount of Rs 300. In other cases the interest charged varied from $6\frac{1}{2}$ per cent to $12\frac{1}{2}$ per cent per annum except in one instance where it exceeded $12\frac{1}{2}$ per cent per annum. On the large majority of loans (21 loans accounting for about 53 per cent of the total amount) the interest-rate was between $9\frac{3}{8}$ per cent and $12\frac{1}{2}$ per cent per annum.

13.4.2 Urban moneylenders

All the seventeen urban moneylenders who responded to the enquiry had been engaged in moneylending business for more than five years at the time of the enquiry ; all except one of them had been in the business for more than ten years ; eight of them were in the business for more than 25 years. None of the moneylenders accepted deposits.

The moneylenders combined moneylending business with one or more of a variety of occupations such as cultivation, trading in agricultural commodities and commission agency business. As many as ten of the moneylenders were non-cultivating landowners ; the remaining seven were cultivators. Seven moneylenders were traders in agricultural commodities ; six reported shop-keeping as an occupation ; four were general merchants or brokers and commission agents and four were goldsmiths and jewellers or were engaged in other occupations.

Sixteen of the moneylenders replied to the question regarding their clientele. In the case of the majority of the moneylenders, most of the clients were agriculturists; thirteen moneylenders said that more than 50 per cent of their clients were agriculturists and that more than 50 per cent of their moneylending business financed agriculturists.

The size of loans advanced by the moneylenders generally varied between Rs 100 and Rs 1,000. Loans of size less than Rs 100 formed only 25 per cent or less of the total number of loans advanced in the case of as many as thirteen moneylenders. Loans of size more than Rs 1,000 were reported by twelve moneylenders ; in the case of seven of these moneylenders, loans of this category accounted for only 25 per cent or less of the total number of loans advanced.

None of the moneylenders advanced grain loans. The practice of advancing loans against standing crops was followed by seven moneylenders ; six of them also reported that they advanced loans against harvested crops and produce. All the seven moneylenders who made advances against standing crops stipulated for possession of the crops when ready after processing and all of them were engaged in marketing of produce. These moneylenders, obviously, made advances against standing crops, with an eye on the marketing business.

Eleven moneylenders enquired about the purpose for which loans were taken ; the remaining six moneylenders did not enquire into the purpose of borrowing. Only eleven moneylenders answered the question in relation to watch over actual utilization of loans ; ten among those said that they kept a watch over the actual utilization of the loans advanced by them.

Unlike the village moneylenders, most of the urban moneylenders stipulated the period for repayment of loans ; as many as twelve out of the sixteen urban moneylenders who answered the relevant question said that they fixed the period for repayment of loans. Only three of these moneylenders, however, gave information regarding the proportion of loans repaid after the stipulated period. The proportion was reported as 50 per cent, 70 per cent and cent per cent respectively by the three moneylenders. Some of the other urban moneylenders who stipulated the period for repayment of loans reported that the repayments were not made in accordance with the terms of borrowings.

The urban moneylenders considered as doubtful only a small proportion of the amount lent to agriculturists. The relevant proportion was estimated to be 6 per

cent or less by five among the six urban moneylenders who gave this information ; the remaining moneylender said that 25 per cent of the amount lent by him to agriculturists was doubtful. Five urban moneylenders reported that less than 10 per cent of the loans advanced to agriculturists involved litigation for recovery. Forfeiture of security given for loans was not reported by any urban moneylender.

13.4.3 Agriculturist moneylenders

It was seen in the Chapter on Credit Agencies that the agriculturist moneylender was, by far, the most important agency which supplied credit to the rural families. In the table below we give the data relating to borrowings from agriculturist moneylenders among the four classes of cultivators, all cultivators, non-cultivators and all families.

TABLE 13.3—BORROWINGS FROM AGRICULTURIST MONEYLENDERS
[General Schedule data]

Group	Proportion of families borrowing from agriculturist moneylenders	Average amount borrowed from agriculturist moneylenders per family borrowing from agriculturist moneylenders	Borrowings from agriculturist moneylenders as percentage of total borrowings
	(Per cent)	(Rs)	
	1	2	3
Big cultivators.....	65.1	612	92.1
Large cultivators.....	57.7	449	88.9
Medium cultivators.....	58.2	223	78.9
Small cultivators.....	48.4	159	75.2
All cultivators.....	55.0	279	83.1
Non-cultivators.....	16.5	234	71.0
All families.....	46.0	276	82.1

The agency supplied a larger proportion of the borrowings of cultivators than of non-cultivators ; among cultivators, the importance of the agency declined somewhat from the big cultivators to the small cultivators. But every group of families, including non-cultivators, depended on the agency for more than 70 per cent of its borrowings.

The intensive enquiry data in relation to the selected families show that the average amount borrowed per family from agriculturist moneylenders was Rs 225. About 39 per cent of these borrowings were for long-term agricultural purposes. About 21 per cent of the borrowings were for short-term consumption purposes, about 37 per cent for long-term consumption purposes and the remaining 3 per cent for repayment of old debts. The agriculturist moneylenders supplied about 75 per cent of the total credit obtained by the selected cultivators for long-term agricultural purposes. In the case of consumption purposes, the contribution by

the agriculturist moneylenders was even higher, at more than 90 per cent of the total credit obtained by the selected cultivators.

The average debt owed to agriculturist moneylenders by the selected cultivators covered in the intensive enquiry was Rs 539 per family. Slightly over two-thirds of this debt was outstanding against personal security. A small amount of debt, averaging Re 1 per family, was secured by bullion and ornaments. The balance of the debt owed to the agency was secured by immovable property. The total debt outstanding against immovable property amounted to Rs 173 per family; about 78 per cent of this debt was secured by simple mortgage and about 22 per cent was secured by usufructuary mortgage; mortgage by conditional sale was reported in respect of a very small amount of debt averaging less than Re 1 per family.

According to the selected cultivating families, the agriculturist moneylenders usually charged interest varying from 10 per cent to $12\frac{1}{2}$ per cent per annum; about 66 per cent of the total borrowings of the selected cultivators from agriculturist moneylenders were obtained at rates varying from 10 per cent to $12\frac{1}{2}$ per cent. Higher rates of interest were also reported in some cases; about 3 per cent of the borrowings of the selected cultivators from the agency were charged interest varying from $12\frac{1}{2}$ per cent to 18 per cent, while about 20 per cent of the borrowings were contracted at rates of 18 per cent and above, but only in the case of a very small amount did the interest-rate exceed 25 per cent per annum. No interest was charged in respect of about 1 per cent of the borrowings from agriculturist moneylenders, while about 2 per cent of the borrowings from the agency carried interest between 7 per cent and 10 per cent per annum. The interest-rate was not specified in respect of about 8 per cent of the borrowings from the agency.

The data collected in the Survey do not enable us to classify the agriculturist moneylenders into cultivators and other agriculturists. But the data in relation to outstanding dues receivable from others, collected in the enquiry, would seem to indicate that a fairly large percentage of the cultivators lent money; about 21 per cent of the cultivating families reported dues receivable from others. The dues receivable from others averaged Rs 83 per cultivating family. The importance of the cultivator as a lender would, however, be somewhat greater than indicated by our data on proportion of families reporting dues receivable and the average dues receivable per family, as both under-reporting and non-reporting of dues are likely. The dues were reported, in the main, by the big and the large cultivators.

13.4.4 Professional moneylenders

No borrowing from professional moneylenders was reported in the General Schedule. In the period covered by the intensive enquiry, the selected cultivating families reported average borrowings of Rs 2 per family from professional moneylenders. Nearly two-thirds of these borrowings were for long-term agricultural purposes; the balance was for short-term consumption purposes. The borrowings carried interest between 10 per cent and $12\frac{1}{2}$ per cent per annum.

The debt owed to professional moneylenders by the cultivating families covered in the intensive enquiry averaged Rs 5 per family. About 56 per cent of this debt was secured by simple mortgage of immovable property ; the balance of the debt was unsecured.

The virtual absence of the professional moneylender from the sphere of rural credit, shown by our data, should, however, be interpreted in the light of an important limitation in the classification of moneylenders into the professional moneylenders and the agriculturist moneylenders. When a moneylender happened to be an agriculturist, the rural respondent would have found it difficult to classify him as a professional moneylender or an agriculturist moneylender. It cannot be assumed that in all cases the classification indicated by the respondents was in accordance with our definitions. The roles of the professional and the agriculturist moneylenders are, therefore, best judged together.

13.5 TRADERS AND COMMISSION AGENTS

Traders and commission agents occupied a place next in importance to moneylenders, although far behind them, in the rural credit structure. About 13 per cent of the borrowings of rural families were from traders and commission agents. In the table below the data relating to borrowings from traders and commission agents among the four classes of cultivators, all cultivators, non-cultivators and all families are presented.

TABLE 13.4—BORROWINGS FROM TRADERS AND COMMISSION AGENTS

[General Schedule data]

Group	Proportion of families borrowing from traders and commission agents	Average amount borrowed from traders and commission agents per family borrowing from traders and commission agents	Borrowings from traders and commission agents as percentage of total borrowings
	(Per cent)	(Rs)	
	1	2	3
Big cultivators.....	8.0	305	5.7
Large cultivators.....	9.2	263	8.3
Medium cultivators.....	4.1	414	10.0
Small cultivators.....	6.0	414	24.5
All cultivators.....	6.3	345	11.7
Non-cultivators.....	2.7	514	25.6
All families	5.5	365	12.9

As a source of credit, traders and commission agents were more important for non-cultivators than for cultivators. The proportion of borrowings obtained from the agency to the total borrowings was substantially higher among the small cultivators than among other classes of cultivators.

The average amount borrowed from traders and commission agents according to the intensive enquiry was Rs 36 per cultivating family. About three-fourths of the borrowings were for long-term agricultural purposes and the balance was for short-term and long-term consumption purposes. Traders and commission agents supplied about 23 per cent of the total finance for long-term agricultural purposes. The rates of interest on the borrowings from traders and commission agents were relatively low. About 47 per cent of the total borrowings from the agency carried interest at rates between $3\frac{1}{2}$ per cent and 7 per cent per annum ; rates varying from 10 per cent to $12\frac{1}{2}$ per cent per annum were charged on about 42 per cent of the borrowings ; in respect of the balance, information on rates of interest was not available. The debt owed to traders and commission agents, according to the intensive enquiry, was Rs 47 per cultivating family ; this debt was wholly outstanding against personal security of the debtors.

One feature of the loan transactions with traders and commission agents deserves notice. This is the fact that the rates of interest charged by traders and commission agents on a large percentage of the credit advanced by them were low, in any case lower than the rates charged by moneylenders. Another feature, though not as striking as the one in regard to rates of interest, is the advance of loans by traders and commission agents purely on personal security ; in this connexion it may be recalled that the most important source of rural credit, viz., the moneylender, demanded security of immovable property on some of the loans advanced.

The apparently favourable terms of advance by traders and commission agents may, perhaps, be related to the marketing of produce in which they have a substantial interest. In particular instances the reported borrowings may even represent advances given by traders in anticipation of sale of produce to them by the cultivators. The system of pre-sale credit relations with traders and commission agents existed to some extent, according to the data collected through the Questionnaire on marketing, filled in respect of the cultivators covered in the intensive enquiry. The cultivators of the upper strata reported 140 sale transactions, and those of the lower strata reported 39 sale transactions, with traders and commission agents. In ten sale transactions of the upper strata cultivators and in four sale transactions of the lower strata cultivators, it was reported that advance was received before delivery of produce ; in two sale transactions of the upper strata, money was borrowed in anticipation of sales. In the case of sixteen sale transactions of the upper strata and eight sale transactions of the lower strata, money was owed to the traders and commission agents prior to the sales. In cases where there are pre-sale credit relationships with the trader, especially in the nature of borrowings in anticipation of sales or owing money prior to sales, the trader could, in all probability, settle the sale price in his favour, to more than compensate for the low rates of interest charged on the credit advanced by him.

The traders and commission agents virtually monopolized the marketing of produce. The total value of produce sold by the selected cultivators during the

year covered by the intensive enquiry was Rs 451 per family in the upper strata and Rs 146 per family in the lower strata. About 92 per cent by value of the produce sold by the upper strata and 95 per cent by value of the produce sold by the lower strata, were sold to traders and commission agents. It would be of interest to know the mode of operations of traders in regard to marketing of produce. The data available in this connexion, from the questionnaires filled in for the families selected in the intensive enquiry and the sample of traders who responded in the 'supply' side investigations, are discussed below.

Of the sale transactions with traders and commission agents in respect of which the relevant data are available, in 58 per cent of the cases in the upper strata and in 48 per cent of the cases in the lower strata, the produce was collected from the cultivators' village; in the remaining cases the produce had to be delivered at the market. In most of the sale transactions with traders and commission agents, the price was settled at the time of delivery. Out of the 131 sale transactions of the upper strata, in relation to which the information regarding settlement of price is available, in as many as 110 cases the price was settled at the time of delivery; in 20 cases it was settled prior to delivery and only in one case did it remain to be settled even after delivery. In regard to the lower strata, of the 39 cases in respect of which the relevant information is available, in 35 cases the price was settled at the time of delivery; in two cases the settlement of price preceded the delivery and in the remaining two cases delivery was effected before settlement of price. The information available from the questionnaire addressed to traders indicates that in almost all cases payment was made immediately after settlement of price and delivery of produce. The data in relation to pre-sale credit relations collected in the intensive enquiry, which have been discussed earlier, indicate that the trader also made advance payment or allowed credit, in anticipation of sales. In the questionnaire addressed to traders, questions were asked in relation to advances against standing crops and harvested crops and produce. Thirteen traders said that they made advances against standing crops and eight traders reported that they gave advances against harvested crops and produce. The trader, thus, offered various facilities to the producer for securing the marketing business. The competitive agency in the field of marketing, viz., the co-operative agency, as seen earlier, did not offer many of the facilities given by the trader.

13.6 COMMERCIAL BANKS

Commercial banks advanced 3.5 per cent of the borrowings of the rural families. In Table 13.5 the data relating to borrowings from commercial banks among the four classes of cultivators, all cultivators, non-cultivators and all families are presented.

Only a very small proportion of the families reported borrowing from commercial banks; the average amount borrowed per borrowing family from the agency was, however, substantial. Among cultivators, the borrowings from commercial banks were almost entirely reported by the medium cultivators. In the intensive enquiry, neither borrowing from nor debt owed to commercial banks was reported.

TABLE 13.5—BORROWINGS FROM COMMERCIAL BANKS

[General Schedule data]

Group	Proportion of families borrowing from commercial banks	Average amount borrowed from commercial banks per family borrowing from commercial banks	Borrowings from commercial banks as percentage of total borrowings
	(Per cent)	(Rs)	
	1	2	3
Big cultivators.....	-	-	-
Large cultivators.....	0.1	200	0.1
Medium cultivators.....	0.5	3,058	10.2
Small cultivators.....	-	-	-
All cultivators.....	0.2	2,739	3.5
Non-cultivators.....	0.1	2,000	3.2
All families.....	0.2	2,665	3.5

The questionnaire eliciting information regarding advances for agricultural purposes was replied by five of the six commercial bank offices functioning in the district during 1951-2. The advances made directly to cultivators against the security of agricultural produce, advances to wholesalers against the security of agricultural produce for financing agriculture, and advances for 'agriculture' against securities other than agricultural produce, outstanding as on 30 September 1951, were covered in the questionnaire. The total amount outstanding on these various types of advances in the case of the five responding commercial banks was only Rs 1.65 lakhs. The entire amount was secured by bullion and other collateral securities. The amount averaged only slightly more than Re 1 per rural family.

13.7 FINANCIAL SUPERSTRUCTURE BEHIND THE PRIVATE CREDIT AGENCIES

In the questionnaires addressed to moneylenders and traders in agricultural commodities, we enquired whether they were able to meet the demand for funds from their own resources without resorting to borrowing. Those who had to borrow were asked for information regarding the source or sources from which they could borrow. The moneylenders were further requested to indicate the proportion which borrowed funds formed to total business resources. The data obtained in reply to these questions are discussed below to reveal the extent of dependence of moneylenders and traders on other agencies for finance.

Of the seven village moneylenders who responded to the enquiry, only two reported that they had to borrow. In the case of one of these moneylenders, borrowed funds formed only 6 per cent of the total business resources; the other moneylender depended on borrowed funds for 30 per cent of the total business resources. Both the moneylenders obtained funds from other moneylenders.

Ten among the seventeen urban moneylenders reported that they had to borrow. Borrowed funds constituted between 20 per cent and 25 per cent of the total business

resources of three of these moneylenders ; three other moneylenders had to depend on borrowed funds to the extent of between 25 per cent and 50 per cent of the total resources, while in the case of the remaining four moneylenders, borrowed funds formed more than 50 per cent of the total business resources. The urban moneylenders, thus, depended on borrowed funds to a greater extent than village moneylenders. Commercial banks, moneylenders and indigenous bankers were the sources to which urban moneylenders looked forward for finance. It is significant that eight of the moneylenders reported that they could obtain finance from commercial banks. Six moneylenders said that they could get accommodation from other moneylenders, while four moneylenders reported that they could borrow from indigenous bankers.

All the 23 traders in agricultural commodities who responded to the enquiry said that they had to resort to borrowing to meet the demand for funds. In the case of traders also, commercial banks constituted the most prominent source of finance ; as many as 18 traders reported that they could get accommodation from commercial banks. Next in importance were moneylenders ; eleven traders said that they could obtain finance from moneylenders. Indigenous bankers and wholesalers and export firms were reported as sources of credit by six and four traders respectively, while other sources of credit were reported by three traders.

The financial structure of the private credit agencies appeared to have the moneylender and the trader as the primary units and commercial banks, other moneylenders and indigenous bankers as units at the higher level. Among the units at the higher level, it is the commercial banks to whom the largest number of primary units looked forward for finance.

CHAPTER 14

SUMMARY OF OBSERVATIONS

The foregoing account reveals some of the important features of the rural economy and the rural credit structure of Hassan district. According to the 1951 Census, about 90 per cent of the population of the district lived in rural areas. Agriculture was the principal means of livelihood for more than 90 per cent of the rural population ; the large majority of those who depended on agriculture were cultivators of land wholly or mainly owned and their dependents. Only a few among the cultivators pursued non-agricultural occupations to supplement the farm income ; by and large the cultivating community depended wholly on land for their livelihood. About 25 per cent of the non-cultivators were landless agricultural labourers and their dependents.

The cropped area of the district during 1951-2 averaged slightly more than an acre *per capita* of the cultivating population or about six acres per cultivating family. The Survey data show that the cultivated holdings were very largely concentrated in the upper deciles ; cultivators in the last three deciles generally had holdings of less than two acres. The value of gross produce was less than Rs 400 for almost 75 per cent of the selected cultivators. The value of gross produce is likely to have been underestimated due to non-reporting of some of the crops and certain other factors. Also, in the year of the enquiry the crops were affected by adverse seasonal conditions. But even after making a cent per cent allowance in the reported value, it is seen that normally the value of gross produce is of the order of Rs 800 or less per family for the large majority of the cultivators. Further, a sizeable margin between value of gross produce and current farm expenses was seen only in the case of a small percentage of the cultivators. This reflects the uneconomic size of the large majority of the farm units. The cultivators supplemented the income from cultivation by other sources, mostly agricultural labour.

The year of the Survey witnessed a growth of debt of about 45 per cent. At the end of the period covered by the Survey, about 85 per cent of the cultivators and about 40 per cent of the non-cultivators were indebted. Among cultivators, the proportion indebted did not show any significant variation among the four classes. The debt outstanding at the end of the Survey year averaged Rs 490 per family among cultivators and about Rs 170 per family among non-cultivators. The debt per family was much higher among the big and the large cultivators than among the medium and the small cultivators. The debt among the selected cultivators covered in the intensive enquiry was mostly contracted within the period of three years preceding the enquiry. About half the outstanding debt of selected cultivators was incurred in connexion with consumption purposes. The successive unfavourable

seasons of the Survey year and the one or two years immediately preceding might have substantially influenced the proportion of indebted families and the volume of indebtedness. The burden of debt was found to be heavier on the cultivators of the lower deciles than on the cultivators of the upper deciles.

About 60 per cent of the cultivators and about 20 per cent of the non-cultivators borrowed during the year. The proportion of borrowing families was lower among the medium and the small cultivators than among the big and the large cultivators. In times such as were witnessed by the Survey year, cultivators of the lower deciles would perhaps be more in need of borrowed funds than those of the upper deciles. The contrary indication of the data may, perhaps, be due to the fact that many of the smaller cultivators were unable to obtain finance, due to their being non-credit-worthy in the eyes of the lenders. The borrowings during the year averaged Rs 185 per family among cultivators and Rs 54 per family among non-cultivators. The repayment performance was poor among all classes of cultivators and non-cultivators. Borrowings financed 40 per cent of the repayments. To the extent that repayments are financed through borrowings, i.e., by incurring fresh debt, there is no 'real' repayment. The Survey year, thus, witnessed very little 'real' repayment. On account of the poor repayment performance, there was about 45 per cent increase in debt during the Survey year.

Family expenditure was the most important purpose of borrowing, accounting for about 54 per cent of the total borrowings of rural families. Capital expenditure in agriculture was next in importance; about 36 per cent of the borrowings were for this purpose. The remaining borrowings were mostly for 'other' expenditures, the most important constituent of which was repayment of old debts. Data on family expenditure indicate that borrowing as a source of finance was important for items which involved heavy expenditure and occasions of unexpected expenditure. The capital expenditure incurred during the year was mostly on purchase of land and livestock and 'miscellaneous' capital expenditure in agriculture. Borrowings financed about 42 per cent of the expenditure on purchase of land and about 37 per cent of the expenditure on purchase of livestock incurred by rural families. The capital expenditure was reported, for the major part, by the big and the large cultivators.

The transactions on capital account resulted in a fairly large net disinvestment for the medium and the small cultivators. The big and the large cultivators, on the other hand, made substantial net investment during the year.

The moneylender was by far the most important agency in the rural credit structure. About 83 per cent of the borrowings of cultivators and 71 per cent of the borrowings of non-cultivators were from this agency. Next in importance to the moneylender, but far behind him, came the trader, who supplied about 12 per cent of the credit obtained by cultivators and about 26 per cent of the credit obtained by non-cultivators. Most of the moneylenders and traders operate a mixed business and it is unlikely that the rural respondents were always able to classify correctly

the lender as a moneylender or a trader. Commercial banks supplied nearly 4 per cent of the borrowings of rural families. Co-operative finance and Government finance were conspicuous by their insignificance. Even the meagre rural credit made available by Government and the co-operatives appeared to be unequitably distributed in favour of the big cultivators.

Data relating to Government finance, obtained from the Government offices, show the utter inadequacy of the amount made available. The amount allotted was so small that only some among even the small number of applications received could be sanctioned. The total amount sanctioned as loans and subsidies during 1950-1 averaged less than one rupee per rural family. The small number of applications received is probably an index of the ignorance of the agriculturists or their pessimism in regard to the prospects of obtaining any finance from Government.

The data relating to the Co-operative Movement in Mysore State reveal the extremely insignificant role it played in rural credit and its generally unsatisfactory state at the time of the Survey. The membership of primary agricultural credit societies as on 30 June 1951 averaged only 68 per thousand rural families and the advances made by them during 1950-1 worked out to less than Rs 3 per rural family. The marketing societies and the primary land mortgage banks had relatively smaller membership and the advances made by them were lower. The study of the selected co-operative institutions throw further light on the working of the Movement. As many as three out of the nine primary credit societies selected in the study were dormant. The activities of the remaining societies were generally characterized by low resources, small advances and overdue outstandings. In some societies the office-bearers were found to be the major defaulters. The long-term credit structure appeared to be functioning satisfactorily, but the volume of funds made available by it was small.

The marketing co-operatives investigated in the Survey had extensive jurisdiction, but their membership was small and largely confined to a few villages. Two of the marketing societies were found to be working successfully. Even these, it was reported, were able to attract only a small proportion of the marketing business within their area of jurisdiction. The traders, by offering various facilities such as advances on standing crops or even on personal security, immediate settlement of accounts, etc., weaned away the marketing business. The rigidity in the system of operation of the co-operatives stood in the way of their offering any appreciable competition to the traders. While the trader extended advances on standing crops or personal security, the marketing co-operatives generally gave credit only when the produce, ready for marketing, was lodged with them. Further, the trader often went to the producer to collect the produce, while the co-operatives waited for the produce to be brought to them.

Some of the moneylenders and traders who responded to the enquiry advanced loans against standing crops and harvested crops and produce. The moneylenders

who reported such advances were also engaged in the marketing of produce. Apparently, the advances against standing crops or harvested crops and produce are made with an eye on the marketing business. Some of the advances by moneylenders and traders were presumably made in anticipation of sale of produce. The data collected from the selected cultivating families confirm that to some extent pre-sale credit relationships with traders existed. When a pre-sale credit relationship exists, the trader could, in all probability, settle the sale price in his favour. The trader virtually monopolized the marketing of produce by offering apparently favourable terms such as advances in anticipation of sales. In reality these terms enabled the trader to dictate the price and other terms of sale and deprive the producer of his legitimate dues.

The legislative enactments regulating the debtor-creditor relationships would appear to have remained practically ineffective. According to the testimony of the selected cultivators, the provisions regarding interest laid down in the Moneylenders Act were being violated, though not universally, at least in some cases. It is also significant that in reply to the questionnaire enquiring into difficulties in obtaining prompt and adequate finance, malpractice and harassment by moneylenders were reported as specific difficulties by some of the cultivators.

The financial structure of the private credit agencies would appear to have the moneylender and the trader as the units at the primary level and commercial banks, other moneylenders and indigenous bankers as units at the higher level. Among the units at the higher level, it is the commercial banks on whom the largest number of primary units depend for finance.

The picture which emerges from our analysis is that of a relatively undeveloped economy, in which the large majority of the farm units are small. Owing to the general poverty of the people, which is an invariable concomitant of the small size of holdings, and backwardness, modern methods of cultivation such as improved implements, lift irrigation with the help of oil or electric power, etc., have not been adopted to any appreciable extent in the district. In reply to a questionnaire enquiring into the credit needs for development, the cultivators desired to have a very large volume of credit, much higher than what they were able to obtain from the existing credit system. A very large share of the credit needed by them was desired for expanding the size of business through purchase of land and for undertaking improvements in land and adding to the livestock and other farm equipment. The cultivators desired the credit at rates much cheaper than those at which it was available to them from the existing credit system.

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