

**ALL-INDIA
RURAL CREDIT SURVEY**

**DISTRICT MONOGRAPH
WEST GODAVARI**



BOMBAY - 1959

CR 306 *Gratis*

U

125 | 272

. R. B. I .

(51)

13274

22.4.6.

"From Record Room"

DISTRICT MONOGRAPH
WEST GODAVARI

ALL-INDIA RURAL CREDIT SURVEY

DISTRICT MONOGRAPH WEST GODAVARI



BOMBAY - 1959

Price: Rs 6.50

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 130,000 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 West Godavari was prepared by Shri T. S. Rao, formerly of the Department of Research & Statistics, now in the Agricultural Credit Department. This was later edited for publication by Shri A. N. Choksi of the Division of Rural Economics in co-ordination with the Division of Statistics. The responsibility for the views expressed is that of the author and not of the Reserve Bank of India.

B. K. MADAN,
Executive Director,
Reserve Bank of India.

Reserve Bank of India,
Central Office,
BOMBAY.
September 3, 1959.

CONTENTS

	Page
CHAPTER 1. General features of the district	1
1.1 Location	1
1.2 Physical features	1
1.3 Demographic features	3
1.4 Land tenure	9
1.5 Marketing	10
1.6 Industries	11
1.7 Transport and communication	12
1.8 Rural credit survey : Methods and coverage	14
 CHAPTER 2. Selected villages and size of farm business	 16
2.1 Size of cultivated holdings	17
2.2 Selected villages	18
2.2.1 Dondapudi	18
2.2.2 Ankampalem	18
2.2.3 Pendyala	19
2.2.4 Karicherlagudem	19
2.2.5 I. Pangidi	19
2.2.6 Tadikalapudi	19
2.2.7 Parimella	19
2.2.8 Ajjaram	20
2.3 Average size of cultivated holding	20
2.4 Value of gross produce and cash receipts of cultivating families	20
 CHAPTER 3. Outstanding debt	 21
3.1 Extent and volume of indebtedness	21
3.1.1 Proportion of indebted families	21
3.1.2 Debt per indebted family	22
3.1.3 Debt per family	24

CONTENTS

	Page
3.2 Incidence of debt	25
3.2.1 Debt per acre of cultivated holding	25
3.2.2 Debt in relation to sown area, value of gross produce and value of owned land — Intensive enquiry data	25
3.2.3 Composition of assets	26
3.3 Growth of debt	27
3.4 Nature of debt	28
3.4.1 Duration of outstanding debt	28
3.4.2 Share of principal and interest in outstanding debt	29
3.4.3 Security	29
 CHAPTER 4. Borrowings	 31
4.1 Introduction	31
4.2 Extent and volume of borrowings	31
4.2.1 Borrowings per family	31
4.2.2 Proportion of borrowing families	32
4.2.3 Borrowings per borrowing family	33
4.2.4 Share of different classes of cultivators in the total borrowings of cultivators	34
4.2.5 Borrowings in relation to the farm business ..	35
4.3 Purposes of borrowing	35
4.4 Purpose-duration of loans	38
4.5 Credit requirements	39
 CHAPTER 5. Repayments	 47
5.1 Extent and volume of repayments	47
5.1.1 Average repayments per family	47
5.1.2 Proportion of repaying families	47
5.2 Repayments in relation to borrowings and debt ..	48
5.2.1 Repayments in relation to borrowings	48
5.2.2 Repayments in relation to debt plus repayments	49
5.3 Volume of repayments	50
5.4 Sources of financing repayments	51

CONTENTS

	Page
CHAPTER 6. Family expenditure	53
6.1 Introduction	53
6.2 Classification of recorded items of family expenditure ..	54
6.2.1 Expenditure on construction and repairs of residential houses and other buildings	54
6.2.2 Expenditure on purchase of durable consumer goods	56
6.2.3 Expenditure on death, marriage and other ceremonies	57
6.2.4 Medical and educational expenses and litigation charges	58
 CHAPTER 7. Capital expenditure	 61
7.1 Introduction	61
7.2 Financial investment expenditure	61
7.3 Capital expenditure in non-farm business	65
7.4 Capital expenditure in agriculture..	67
7.4.1 Purchase of land	67
7.4.2 Source of finance for purchase of land ..	69
7.4.3 Net purchase or sale of land	69
7.5 Purchase of livestock	70
7.5.1 Source of finance for purchase of livestock	71
7.5.2 Net purchase or sale of livestock.. ..	72
7.6 Capital expenditure in agriculture other than land and livestock	73
7.6.1 Proportion of families reporting 'other capital expenditure in agriculture'	76
7.6.2 Other capital expenditure in agriculture per family	77
7.6.3 Other capital expenditure in agriculture per reporting family	78
7.6.4 Source of finance for other capital expenditure in agriculture	79
7.7 Investment-disinvestment	82
7.7.1 Deficits or surpluses in the rural economy	82

CONTENTS

	Page
CHAPTER 8. Current farm operations ..	89
8.1 Introduction ..	89
8.2 Current farm expenditure ..	90
8.3 Cash receipts	93
8.4 Seasonality of farm business ..	93
8.5 Source of finance for farm expenditure ..	94
8.6 Current farm expenditure on major crops	95
 CHAPTER 9. Credit agencies ..	 97
CHAPTER 10. Government finance	101
10.1 Legal framework	101
10.2 Loans under land improvement loans act, 1883 and agri- culturists' loans act, 1884	101
10.3 Loans under special schemes ..	103
10.3.1 Cyclone relief loans	103
10.3.2 Schemes administered by the Agricultural Department	104
10.3.3 Loans disbursed during 1950-51	105
10.4 Case studies of government loans ..	107
 CHAPTER 11. Co-operative finance	 112
11.1 Co-operative organisation ..	112
11.2 Types of co-operatives	113
11.3 Administrative structure of primary societies	113
11.3.1 Working capital of primary societies	113
11.4 Marketing societies ..	114
11.5 Supervisory unions	114
11.6 Central co-operative banks ..	114
11.6.1 Organisational structure	115
11.6.2 Working capital of central banks	115
11.7 Marketing federations	115
11.8 Land mortgage banks	116
11.9 Working of co-operative institutions selected for study	117

CONTENTS

	Page
11.9.1 Primary societies	117
11.9.2 Marketing societies	121
11.9.3 Central co-operative bank	122
11.9.4 Land mortgage banks	124
 CHAPTER 12. Private credit agencies ..	 127
12.1 Introduction ..	127
12.2 Moneylenders ..	127
12.3 Size of loans	128
12.4 Purpose of loans	128
12.5 Duration of loans	129
12.6 Security and interest rate	129
12.7 Source of finance	129
12.8 Traders	131
12.8.1 Methods of business	131
12.8.2 Advances against standing crops and produce ..	132
12.8.3 Storage	132
12.8.4 Disposals of produce	132
12.8.5 Sources of finance	132
12.8.6 Seasonality	133
12.9 Commercial banks	133
12.9.1 Pattern of advances	133
12.10 Inter-relationship between credit agencies	134
 CHAPTER 13. Concluding remarks	 136

LIST OF TABLES

Table No.	Page
1.1 Area, number of villages, towns, population and number of households in the district	3
1.2 Land utilization (1948-9)	5
1.3 Crop pattern — 1948	7
1.4 Livestock population of the district	9
1.5 Cottage and small-scale industries in different taluks and the number of persons employed	13
3.1 Proportion of indebted families	22
3.2 Average debt per indebted family	23
3.3 Debt per family among the different gross produce groups	24
3.4 Incidence of debt	25
3.5 Composition of assets	27
3.6 Growth of debt	28
3.7 Share of principal and interest in the outstanding debt	29
3.8 Outstanding debt according to interest rate	30
4.1 Borrowings per family among the different gross produce groups and their share of borrowing in the total borrowings of cultivators	34
4.2 Incidence of borrowings	35
4.3 Borrowings for various purposes	37
4.4 Borrowings of selected cultivators classified according to purpose-duration	39
4.5 Capital investment expenditure in agriculture and requirements of development finance — upper strata cultivators	40
4.6 Capital investment expenditure in agriculture and requirements of development finance : lower strata cultivators	42
4.7 Expenditure and credit needs	43
5.1 Proportion of borrowing and repaying families	48
5.2 Proportion of repayments to borrowings	49
5.3 Repayment requirements and volume of repayments	51

LIST OF TABLES

Table No.	Page
5.4 Sources of finance for repayments	52
6.1 Expenditure on construction and repairs of residential houses and other buildings	54
6.2 Expenditure per family on construction and repairs of residential houses and other buildings : village-wise	55
6.3 Expenditure on purchase of household utensils, furniture, etc.	56
6.4 Expenditure on purchase of clothing, shoes, bedding, etc.	56
6.5 Expenditure on death ceremonies	58
6.6 Expenditure on marriage and other ceremonies	58
6.7 Medical and educational expenses and litigation charges	59
6.8 Sources of finance for different items of family expenditure : all families	59
6.9 Family expenditure according to source of finance	60
7.1 Financial investment expenditure : proportion of families reporting expenditure, expenditure per family and per reporting family	62
7.2 Non-farm business expenditure	65
7.3 Capital investment expenditure in non-farm business : cultivating families	65
7.4 Capital expenditure in non-farm business : non-cultivators	66
7.5 Source of finance for the purchase of land : all families	69
7.6 Purchase and sale of land	70
7.7 Purchase of livestock	70
7.8 Net purchase (+) or sale (—) of livestock	72
7.9 Proportion of families reporting purchase and sale of livestock	73
7.10 Expenditure on specified items of capital expenditure in agriculture	74
7.11 Proportion of families reporting other capital expenditure in agriculture	77
7.12 Other capital expenditure in agriculture according to source of finance	79
7.13 Investment-disinvestment : inter-village variations	87
8.1 Distribution of selected cultivators according to value of gross produce on farm	89
8.2 Current cash farm expenditure	90
8.3 Other current cash farm expenditure	91
8.4 Seasonality, farm expenses and receipts	94
8.5 Source of finance for current cash farm expenditure	95

LIST OF TABLES

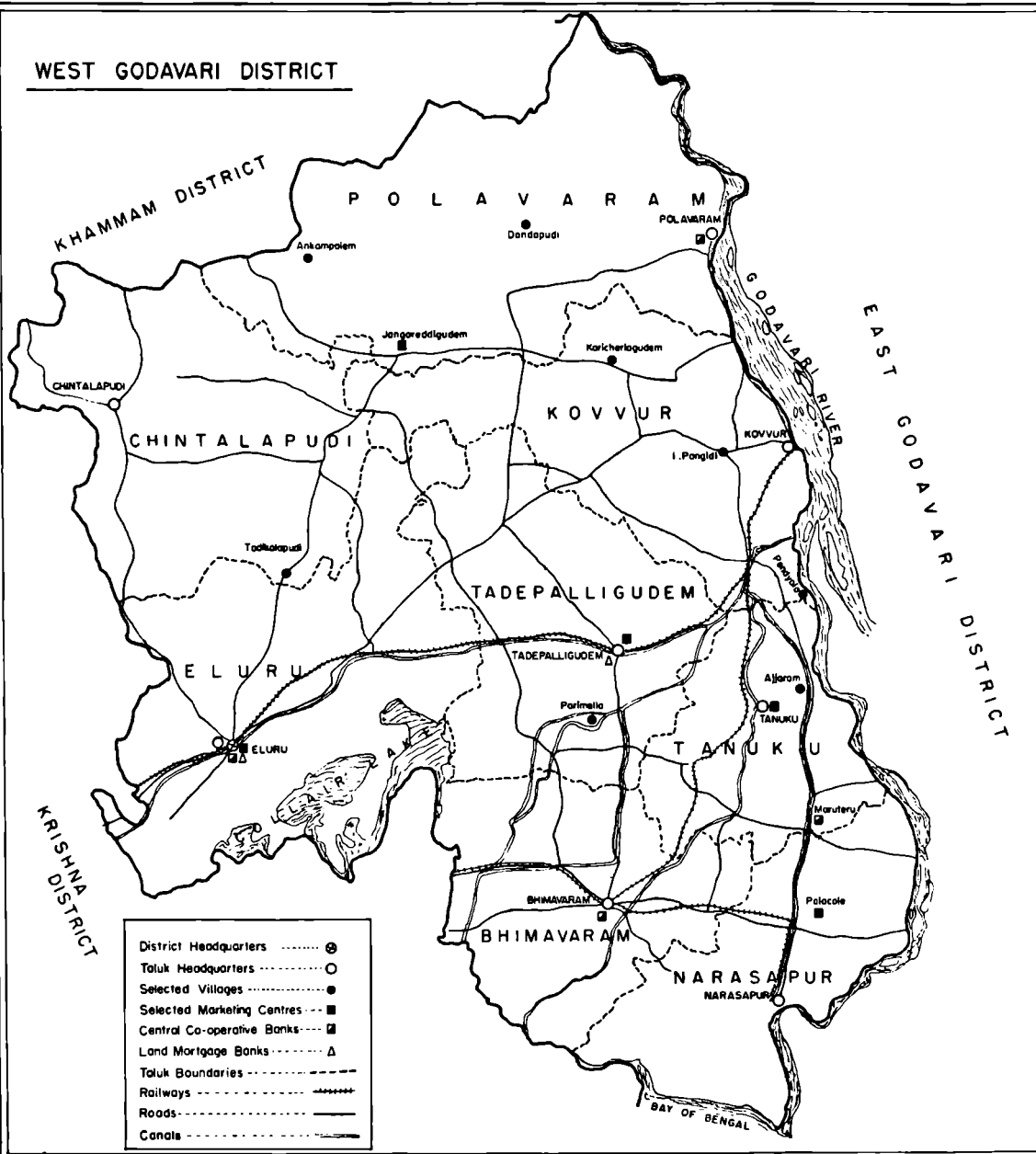
Table No.	Page
8.6 Value of gross produce and cultivation expenses	95
9.1 Average amount borrowed per family, from institutional and private moneylending agencies	99
10.1 Government finance for agricultural purposes during 1950-51.. ..	106
10.2 Amounts of loans applied for and disbursed	107
10.3 Case study of loans advanced by Government : Loans disbursed for various purposes	108
10.4 Borrowings from and debt owed to Government	111

The following symbols have been used in the tables :

—to represent 'nil' or a negligible figure.

..to indicate that the figure is not available.

WEST GODAVARI DISTRICT



CHAPTER I

GENERAL FEATURES OF THE DISTRICT

1.1 LOCATION

The West Godavari district is one of the eleven districts of the erstwhile Andhra State, situated along the east coast of Peninsular India. Seven other districts of the Andhra State, namely East Godavari, Visakhapatnam and Srikakulam in the north and Krishna, Guntur, Nellore and Chittoor in the south also lie along the coast line. On the north-western side, a small part of the boundary of the Warangal district is co-terminus with that of West Godavari. The river Godavari flanks the entire boundary on the north-eastern side, demarcating West and East Godavari districts. The western delta of the Godavari river lies in this district, which perhaps explains the name given to it. The district was formed in 1925 from out of the old Krishna district and the Agency taluk Polavaram was transferred to it from East Godavari in 1942.

1.2 PHYSICAL FEATURES

The district is subdivided into four Revenue Divisions namely, Eluru, Kovvur, Bhimavaram and Narasapur, constituted respectively, of (1) Eluru and Chintalapudi, (2) Kovvur and Polavaram, (3) Bhimavaram and Tadepalligudem and (4) Narasapur and Tanuku taluks.

The district lends itself to two broad natural divisions, the upland areas and the deltaic tract. The Chintalapudi and Polavaram taluks of the Eluru and Kovvur divisions and the northern portions of Eluru and Kovvur taluks, along with the northern portion of Tadepalligudem taluk of Bhimavaram division, constitute the upland areas. The Polavaram taluk is entirely hilly, traversed by the Eastern Ghats and is inhabited mostly by hill tribes. The rest of the upland areas are undulating plains, interspersed with rocks, which are found more commonly in Chintalapudi taluk. Six of the eight villages selected for the Survey fall in this upland area, two in Polavaram, three in Kovvur and one in Chintalapudi taluks, respectively. The southern portion of Eluru, Kovvur and Tadepalligudem taluks, Bhimavaram taluk and Narasapur and Tanuku taluks of the Narasapur Division constitute the deltaic tract. Only two villages were selected from this part of the district, one from Tadepalligudem and the other from Tanuku taluk. A glance at the map will show that the railway line between Eluru and Kovvur, a section of the Madras-Calcutta line, roughly demarcates the two natural divisions of the district.

The deltaic tract is irrigated by canals from the Godavari and the Krishna rivers. During the monsoon it presents a vast expanse of paddy fields dotted by homesteads

and traversed by numerous waterways. Apart from the Godavari river which flanks the eastern boundary of the district the Yerra Kalva river and its three tributaries flow through the district. The deltaic tract is characterized by alluvial deposits from the rivers. An extensive shallow depression in the south of Eluru taluk, constituting the Collair Lake, is formed by a gradual rise in the level of the country on either side, by alluvial deposits from the two big rivers, the Godavari and the Krishna. As a result of such deposits islands or *lankas* are formed at places in the river bed, some of which are washed away by subsequent floods, while several others are permanent, extending over hundreds of acres of fertile land on which paddy, sugar-cane, tobacco, vegetables and fruits are grown.

Rainfall in the district averages around 40 inches annually, and its distribution as between different areas does not show marked variations, as may be observed from the following.

Taluk	Average annual rainfall (inches)							
Polavaram	..	..	..	..	..	..	..	44·46
Chintalapudi	..	..	..	..	..	..	..	40·62
Kovvur	..	..	..	..	..	..	..	39·42
Eluru	..	..	..	..	..	..	..	36·91
Tadepalligudem	..	..	..	..	..	..	..	38·72
Bhimavaram	..	..	..	..	..	..	..	38·22
Tanuku	..	..	..	..	..	..	..	41·55
Narasapur	..	..	..	..	..	..	..	43·36

(Source : 1951 *Census Handbook—West Godavari District.*)

The South-West monsoon accounts for most of the rain received during the year whereas a part of the rainfall is received during October and November through the North-East monsoon. The district is not generally liable to famine, and the deltaic tract is particularly well fortified against the vagaries of the monsoon by a vast network of irrigation canals and channels. The climate of the district is generally equable, except in the hilly areas where the winters are cooler than in the plains.

Three types of soils are found in the district namely, alluvial, black regar, and red ferruginous ; there is also a small belt of arenaceous soil fringing the sea-coast. Alluvial soil is found in all except the Polavaram and Chintalapudi taluks of the upland tract. A substantial part of the deltaic tract is alluvial. Black regar soil occurs in all taluks, except Tanuku, which is entirely alluvial. It predominates in the Eluru taluk, whereas in the two upland taluks mentioned above, its incidence is negligible. The red ferruginous soil occurs mostly in the upland taluks of Polavaram, Chintalapudi, Eluru, Kovvur and Tadepalligudem. Taking the district as a whole, alluvial soil, which is the most fertile, accounts for 31·4 per cent, black regar soil for 28·2 per cent, red ferruginous soil for 37·2 per cent and the arenaceous soil for 3·2 per cent of the cultivable land.

1.3 DEMOGRAPHIC FEATURES

Attention may now be directed to the demographic features of the district. The main features in this respect are shown in the table below.

TABLE 1.1—AREA, NUMBER OF VILLAGES, TOWNS, POPULATION AND NUMBER OF HOUSEHOLDS IN THE DISTRICT

Taluk	Area in square miles	Number of villages	Number of towns	NUMBER OF HOUSEHOLDS		POPULATION			Density of population (per square mile)
				Rural	Urban	Total	Rural	Urban	
	1	2	3	4	5	6	7	8	9
Polavaram.....	551	128	—	22,342	—	97,245	97,245	—	176
Chintalapudi.....	418	84	—	21,609	—	1,00,187	1,00,187	—	240
Kovvur.....	391	92	2	42,218	5,540	2,14,522	1,90,587	23,935	549
Eluru.....	510	126	1	38,591	18,675	2,60,599	1,73,386	87,213	511
Tadepalligudem..	360	98	2	43,708	4,921	2,17,123	1,95,046	22,077	603
Bhimavaram.....	292	85	4	41,015	12,743	2,36,092	1,78,834	57,258	809
Tanuku.....	214	91	7	46,362	17,230	2,78,186	2,03,987	74,199	1,300
Narasapur.....	279	85	4	52,914	14,238	2,93,773	2,27,186	66,587	1,053
Total.....	3,015	789	20	3,08,759	73,347	16,97,727	13,66,458	3,31,269	563

(Source : 1951 Census Handbook—West Godavari District.)

It may be observed from the above that the density of population per square mile varied from 500 to 1,300 in six of the eight taluks, and it was less than 300 in Chintalapudi and Polavaram taluks, situated in the upland area. It was the highest in the Tanuku taluk, followed by Narasapur, both of which are in the rich alluvial delta of the Godavari river. The total number of villages in the district is 789. Only in Polavaram and Eluru taluks the number of villages exceeds 100. The Chintalapudi taluk has the smallest number of villages at 84. There are twenty towns in the district each having a population of over 5,000 persons. It is noteworthy that in the two upland taluks with the lowest density of population, namely Chintalapudi and Polavaram, there are no towns. The Tanuku taluk has seven towns, followed by four each in Narasapur and Bhimavaram. The total population of the district is about 17 lakhs of which 3.3 lakhs reside in the towns and the rest in the villages. An interesting phenomenon revealed by the 1951 Census is the relatively larger rate of growth of population in the upland taluks, as may be observed from the data on page 4.

The Census Handbook ascribes this phenomenon to a migration of population to the upland tracts where an extension of cultivation of commercial and garden crops is attracting people from the more densely populated areas. It is also pointed out that the relatively smaller rate of increase of population in the deltaic tract taluks is what may be expected of a congested area where 'every available inch of space' has been taken up for cultivation.

Taluk	POPULATION		Percentage of variation
	1941	1951	
Agency Polavaram ..	85,023	97,245	+ 14·4
Plains (Upland)			
Chintalapudi	85,741	100,187	+ 16·8
Kovvur	179,803	214,522	+ 19·3
Eluru	214,912	260,599	+ 21·3
Plains (Deltaic)			
Tadepalligudem ..	190,382	217,123	+ 14·0
Bhimavaram	202,363	236,092	+ 16·7
Tanuku	247,609	278,186	+ 12·3
Narasapur	259,278	293,773	+ 13·3
Dis trict	1,465,111	1,697,727	+ 15·9

(Source : 1951 Census Handbook—West Godavari District.)

According to the 1951 Census, 82·4 per cent of the population living in the villages depended mainly upon agriculture for their livelihood. It is noteworthy that even in towns about 36 per cent of the people depended on agriculture. About one-third of the rural population consisted of cultivators of land wholly or mainly owned and their dependents, and another one-third of cultivating labourers and their dependents. Only about 13 per cent were cultivators of land wholly or mainly unowned and their dependents, whereas, non-cultivating owners of land, agricultural rent receivers and their dependents accounted for only 3 per cent of the rural population. About 7 per cent of the rural population declared production other than cultivation as their principal means of livelihood, and the same proportion depended on other services and miscellaneous sources. Commerce was principal means of livelihood for about 3 per cent and transport for less than 1 per cent of the rural population. The urban agricultural population chiefly consisted of cultivating labourers and owner cultivators, who accounted for 15 per cent and about 11 per cent, respectively, of the total urban population.

The pattern of land utilization in the district is given in Table 1.2 on page 5.

It will be observed that nearly two-thirds of the total area of the district was under the plough, comprising net area sown and fallow lands, other than those not available for cultivation. Other uncultivable land excluding current fallows and land not available for cultivation accounted for most of the remaining one-third of the area.

An overwhelming majority of the people of the district are Hindus, who accounted for 92·2 per cent of the total population. Christians constituted 5·8 per cent and Muslims 2 per cent of the total population. Among the Hindus, the most numerous castes are those generally engaged in agriculture and labour such as

TABLE 1.2—LAND UTILIZATION (1948-9)

	Area (Acres)	Percentage to total
Total area according to village papers*	19,25,887	
Forests.....	1,16,485	6.0
Not available for cultivation.....	2,75,316	14.3
Other uncultivable land excluding current fallows.....	2,92,047	15.2
Fallow lands.....	3,44,326	17.9
Net area sown.....	8,97,713	46.6
Area sown more than once.....	2,32,193	12.1
Total cropped area.....	11,29,906	58.7

* The geographical area according to Surveyor General of India was 15,58,016 acres.

(Source: *Andhra, Madras and Mysore Agricultural Statistics, issued by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India.*)

Telagas (also known as *Kapus* or *Balijas*), *Kammas*, *Reddis*, *Gowdas* (or *Settibalijas* or *Idigas*) and *Kshatriyas*, and communities engaged in particular crafts such as *Viswabrahma* (goldsmiths and carpenters), potters, washermen, etc., *Komatis* or *Vysyas* are the most important trading and business class, although members of several other communities are also engaged in trade. Moneylending on a professional basis is carried on by members of all communities but amongst non-agriculturist moneylenders, members of the *Brahmin* and *Vysya* communities seem to be predominant in certain parts of the district. A sizeable section of the district's population belongs to the Scheduled Castes and Scheduled Tribes, the former accounting for 16.4 per cent and the latter for 1.9 per cent of the total population, respectively. The agricultural labour force of the district is largely drawn from this section of the population.

We may now proceed to consider the background of economic conditions in the district, beginning with its agriculture and animal husbandry. A fact that stands out prominently is the extent to which agriculture in the district is served by irrigation facilities, as indicated by the following.

Area Under Irrigation in 1948-9

Source	Acres	Percentage to total
Government canals	667,873	84.7
Private canals ..	—	—
Tanks	97,930	12.4
Wells	13,433	1.7
Other sources ..	9,241	1.2
Total	788,477	100.0
Area irrigated	788,477	87.8
Area not irrigated.. ..	109,236	12.2
Net area sown	897,713	100.0

(Source: *Andhra, Madras and Mysore Agricultural Statistics, issued by the Economic and Statistical Adviser, Ministry of Food and Agriculture, Government of India.*)

It will be observed that as much as 88 per cent of the net area sown in the district was irrigated. The fact that about one-fourth of the net sown area of the district was cropped twice, is perhaps a measure of the extent to which the irrigation facilities available were not confined merely to the rainy season. Nearly 85 per cent of the irrigated area is served by canals, whereas about 12 per cent of it is served by tanks. Wells as a source of water supply for crops in the district play an insignificant part. The vast network of irrigation canals in the district is of course made possible by the two big rivers which flank the district, namely the Godavari and the Krishna.

Table 1.3 on page 7 sets out the proportion of area under different crops in each taluk of the district.

The data presented in the table relate to the year 1948-9, which according to the 1951 Census Handbook—West Godavari District, was the last normal year before the Census. This was also the reason for presenting the data on land utilization and area under irrigation for the year 1948-9. Paddy is the most widely cultivated crop in the district accounting for nearly 84 per cent of the total area under crops in 1948-9. Area under other cereals and pulses was under 4 per cent of the total for all crops. Other important crops of the district are *gingelly* (sesamum) and groundnuts, which together accounted for nearly 10 per cent of the area sown. Tobacco, cotton and sugar-cane are also grown in certain areas. Paddy is by far the largest crop in each of the eight taluks of the district which accounted for more than 75 per cent of the total sown area in all except the Polavaram, Chintalapudi and Kovvur taluks which are situated entirely or in part, in the upland areas. In the Polavaram taluk cultivation of paddy is, however, more widespread than in the other two taluks, accounting for about 72 per cent of the area sown. *Gingelly* is the other important crop of the taluk, with about 21 per cent of the sown area under it. In the Chintalapudi taluk, area under paddy was about 63 per cent of the sown area; *gingelly* and groundnut were next in importance, together accounting for about 21 per cent of the sown area, whereas other cereals such as *cumbu* and *ragi* accounted for about 16 per cent of the area sown. The area under paddy in Kovvur taluk was only about 53 per cent of the sown area. Here, *gingelly* and groundnut were also next in importance, covering about 21 per cent of the sown area, but tobacco constituted the other most important crop with over 18 per cent of the sown area of the taluk under it. Among the remaining five taluks cultivation of other crops, besides paddy and other cereals and pulses, is not appreciable except in the Tanuku taluk which has about 16 per cent of the area under *gingelly* and groundnut, and about 3 per cent each under sugar-cane and tobacco. The proportion of the cropped area irrigated was not uniform in all taluks. The largest proportion of unirrigated area was in the Kovvur taluk, where nearly half the area under paddy and most of the area under oilseeds and tobacco is rain-fed. Only about 31 per cent of the sown area was irrigated in this taluk. In the Chintalapudi taluk the proportion of sown area under irrigation at 59 per cent was also smaller than that

TABLE 1.3—CROP PATTERN—1948

Crop	PROPORTION OF COMMERCIAL CROPS IN EACH TALUK (Per cent)			
	Polavaram	Chintalapudi	Kovvur	Eluru
	1	2	3	4
Paddy —Irrigated	71.7	59.1	26.7	83.9
Unirrigated	—	4.2	26.4	5.0
Cholam —Irrigated	—	—	—	—
Unirrigated	—	—	—	3.4
Cumbu —Irrigated	—	—	—	—
Unirrigated	3.0	8.8	3.1	0.5
Ragi —Irrigated	—	0.01	—	—
Unirrigated	1.8	6.8	0.4	1.1
Maize —Irrigated	—	—	—	—
Unirrigated	—	—	—	—
Bengal gram —Irrigated	—	—	—	—
Unirrigated	—	—	3.2	—
Sugar-cane —Irrigated	—	—	—	—
Unirrigated	—	—	—	—
Groundnut —Irrigated	—	—	0.1	—
Unirrigated	2.4	9.6	7.2	1.6
Gingelly —Irrigated	21.1	—	0.6	0.2
Unirrigated	—	11.5	13.5	2.7
Cotton —Irrigated	—	—	—	—
Unirrigated	—	—	0.2	—
Tobacco —Irrigated	—	—	3.6	1.6
Unirrigated	—	—	14.8	—
Total —Irrigated	92.8	59.1	31.1	85.7
Unirrigated	7.2	40.9	68.9	14.3

Crop	PROPORTION OF COMMERCIAL CROPS IN EACH TALUK (Per cent)				Total
	Tadepal- ligudem	Bhimava- ram	Tanuku	Narasa- pur	
	5	6	7	8	9
Paddy —Irrigated	86.5	97.9	71.7	93.8	79.6
Unirrigated	—	—	4.4	0.2	4.0
Cholam —Irrigated	—	—	—	—	—
Unirrigated	2.8	0.2	0.9	0.5	1.4
Cumbu —Irrigated	—	—	—	—	—
Unirrigated	0.9	—	—	—	1.0
Ragi —Irrigated	—	—	—	0.3	0.1
Unirrigated	0.3	—	—	0.2	0.6
Maize —Irrigated	—	—	—	—	—
Unirrigated	—	—	0.2	—	—
Bengal gram —Irrigated	—	—	—	—	—
Unirrigated	0.4	—	0.3	—	0.4
Sugar-cane —Irrigated	0.2	0.8	3.4	1.0	0.9
Unirrigated	—	—	—	—	—
Groundnut —Irrigated	—	0.8	3.7	1.2	0.9
Unirrigated	0.4	—	0.2	—	1.5
Gingelly —Irrigated	3.1	0.2	11.0	2.5	3.7
Unirrigated	4.9	—	1.5	0.2	3.5
Cotton —Irrigated	—	—	—	—	—
Unirrigated	—	—	—	—	—
Tobacco —Irrigated	0.1	—	1.7	—	0.9
Unirrigated	0.4	—	1.0	—	1.6
Total —Irrigated	89.8	99.7	91.6	98.8	86.0
Unirrigated	10.2	0.3	8.4	1.2	14.0

(Source : 1951 Census Handbook—West Godavari District.)

in the other taluks. Here, although almost the entire paddy crop was under irrigation, cultivation of oilseeds and other cereals depended mostly on the monsoon. In all the other taluks irrigated area constituted over 85 per cent of the area sown. The Polavaram taluk in the upland tract, which is hilly, had nearly 93 per cent of the sown area under irrigation. However, only a very small proportion of the taluk which lies in the plains region is cultivated, most of which is irrigated by the Polavaram Island System. The following data give the area irrigated by major and minor sources in each taluk, from which the relatively limited irrigation facilities in the upland taluks become apparent.

Taluk	Number of minor irrigation sources	Total ayacut (Acres)	Area served by major irrigation sources (Acres)
Polavaram.....	152	5,672·17	30,077
Chintalapudi.....	357	12,908·82	..
Kovvur.....	120	4,218·72	3,750
Eluru.....	260	12,702·72	109,658
Tadepalligudem.....	87	3,397·26	125,644
Bhimavaram.....	..	..	198,700
Tanuku.....	..	..	147,453
Narasapur.....	..	..	130,601
Total.....	976	38,899·69	745,883

It is apparent from the foregoing discussion that the demarcation of the district into agricultural zones would not be far different from that indicated on the basis of physical features. As in the earlier case the deltaic tract would stand out on account of cultivation of irrigated crops, and the upland areas, in contrast, by the cultivation of rain-fed crops. The Polavaram taluk in the north is an exception, where a large proportion of the sown area is irrigated but only a small part of area is cultivable.

The description of the agriculture in the district may be concluded here with a mention of the livestock situation. The livestock population of the district according to the 1951 Livestock Census is given in Table 1.4 on page 9. There were a large number of working buffaloes used for agricultural operations which is a peculiarity of this district, particularly of the deltaic tract. In certain taluks, especially in Bhimavaram and Narasapur, the number of working buffaloes was proportionately much larger than in the other taluks, and in Bhimavaram it was even larger than the number of working bullocks.

TABLE I.4—LIVESTOCK POPULATION OF THE DISTRICT

	Over three years	Less than three years
BULLS		
CATTLE.....	2,48,264	1,74,182
Breeding.....	822	
Working.....	2,11,700	
Others.....	35,942	
BUFFALOES.....	89,206	1,49,207
Breeding.....	800	
Working.....	72,126	
Others.....	16,280	
COWS		
CATTLE.....	1,93,833	
In milk.....	77,248	
Others.....	1,16,585	
BUFFALOES.....	2,10,309	
In milk.....	1,12,086	
Others.....	98,223	
Sheep.....	1,63,585	
Goats.....	1,24,166	
Horses.....	5,406	
Donkeys.....	1,628	
Mules.....	162	
Pigs.....	64,141	
Total livestock.....	14,24,089	
POULTRY		
Fowls.....	5,13,799	
Ducks.....	64,983	

(Source : Indian Livestock Census, 1951, Vol. II (Detailed tables).)

I.4 LAND TENURE

The institutional framework under which cultivation of land and allied activities are carried on has an important bearing on the efficiency of production as well as on the well-being of cultivators. The nature of rights and obligations in the cultivated land are determined by the prevailing tenure systems and tenancy practices. Although there are bound to be numerous local variations, the basic framework under which they have evolved may be indicated here. The Madras State, in which the West Godavari district was included at the time of the Survey, has been a predominantly *ryotwari* area where assessment for the purposes of determining land revenue takes place periodically. In the West Godavari district, 1.04 million acres of land were under the *ryotwari* type of tenure and 0.9 million acres of land under the *zamindari* and other types of Estate system of tenure, in which the Government received from the Estate right-holders a fixed annual amount. The annual amount so fixed bore no relationship with any scientific basis for the assessment of land revenue and was generally far below the assessment in areas directly under the Government. Under the Estate system of tenure there were also other types such as the *Inam* lands which represented grants of hereditary charters to certain persons in respect of land which may cover whole villages, in consideration of services rendered by those persons to the Government. The annual sums fixed in their case payable to the Government were also extremely low. The Madras Estates (Abolition and Conversion into Ryotwari) Act, 1948 received the assent of the Governor-General

on 2 April, 1949. The Act envisaged the abolition of almost all types of Estate tenures in the State by taking over lands under such tenures held by the present right-holders in lieu of certain compensation. The administration of the lands under the Estate system of tenure has subsequently been taken over by the Government.

No legislative enactment existed in the Madras State for regulating the relationship between the agricultural landlords and tenants at the time of the Survey. Thus, neither the tenancies in the *ryotwari* areas nor the landlord-tenant relationship under the Estate system of tenure were subject to any restrictions whatsoever and all the tenants were in fact tenants-at-will. Rent was fixed either in cash or in kind, the former being the more common in the case of commercial crops such as cotton, groundnut, tobacco and sugar-cane whereas the latter predominated in the case of the food crops of which paddy is the most important in the district. In the upland tracts of the district a system of share-rent also prevailed. The terms of tenancy were usually governed by oral agreements.

There are a few special features of the district, affecting agricultural efficiency and prosperity, which may be mentioned here. It has already been pointed out that the district is generally free from famine. However, a natural catastrophe in the form of cyclones occasionally overtakes the district, destroying not only crops and orchards, but also permanent farm structures. One such cyclone overtook the coastal areas of the district in 1948-9. The district being located in the delta of two big rivers is also liable to floods. The Collair Lake overflows at times, and the small streams carrying water into it also flood farm lands, when there are exceptionally heavy rains. The measures needed for controlling these floods have not been taken so far on an adequate scale. Climatically, the district has no rigours but the incidence of diseases such as malaria and elephantiasis is high in the deltaic tract. At the time of transplantation of paddy, seasonal migration of population occurs from the upland to the deltaic areas. In February-March, there is a movement of skilled labour from the Guntur district to Kovvur and Tanuku taluks for grading tobacco.

1.5 MARKETING

A substantial volume of agricultural production of the district is marketed outside the village. Not only is this true of the commercial crops such as tobacco, sugar-cane, oilseeds and others, but also of rice, which is produced in quantities comfortably above the requirements of the district as a whole. The volume of agricultural commodities which are thus marketed move to the consumer inside or outside the district through a number of important *mandis*, some of which are situated along the railway line. Among the various marketing centres of the district, the important ones are, Eluru, the district headquarters, Tadepalligudem, Jangareddigudem (in Polavaram taluk), Palacole (in Narasapur taluk) and Tanuku. The choice of four marketing centres other than the district headquarters to be selected for the investigation of credit agencies also fell upon those mentioned above. All these marketing centres except the one in Polavaram taluk, are situated on or near railheads. The *mandi* in the Polavaram taluk is situated on the Eluru-Polavaram road. All the four marketing centres in the deltaic tract are also served by good roads and by canals.

The latter provide a cheap means of communication. A characteristic feature of *mandis* in this district is that they are not permanent markets but centres for weekly *hats*, the turnover of business during which often runs into a few lakh rupees. Only the market at Eluru is a permanent one. The most important marketing centre of the district is, however, Tadepalligudem, which is centrally situated, attracting traders from adjoining districts also. None of the markets is regulated and there are no licensed warehouses. The produce is brought to the markets usually by village traders or the collecting agents of traders in towns, although at times the cultivator himself takes the produce to the market. The marketing of paddy during the Survey year was still under Government control and the Government usually appointed rice mills as procuring agents. After processing paddy, these mills shipped rice to destinations indicated by the District Supply Officer. Later, during the second round of investigations, the control was removed. Marketing of two commercial crops of the district, namely, sugar-cane and virginia tobacco, differs from that of other agricultural commodities, in that the bulk of these commodities is purchased directly by factories. Two sugar factories are located in the Tanuku taluk where sugar-cane is produced. In the case of virginia tobacco, the Indian Leaf Tobacco Development Company and the National Tobacco Company purchase the bulk of the production concentrated in Kovvur, and to a smaller extent in Tanuku taluks. There were also a number of co-operative marketing societies in the district, three milk supply unions and twenty-two milk supply societies.

1.6 INDUSTRIES

Although production of, and trade in, agricultural commodities account for a very large part of the economic activities in the district, the general picture of the district's economy would not be complete without a mention of some of the important industries operating in it, both large and small. Even in the industrial sphere, processing of agricultural commodities produced in the district, particularly tobacco and rice provides employment to a large number of persons. The number of industrial units functioning in the district is given below.

Taluk	Industry	Unit	Number of persons employed
Polavaram.....	Tobacco products	1	124
Kovvur.....	Tobacco products.....	8	4,572
	Rice mills.....	7	208
Eluru.....	Rice mills.....	30	821
	Jute mills.....	1	1,140
	Tanneries.....	11	431
Tadepalligudem.....	Rice mills.....	21	915
Bhimavaram.....	Rice mills.....	22	631
Tanuku.....	Rice mills.....	17	587
	Metal containers—'Steel Trunks'	9	263

(Source : 1951 *Census Handbook—West Godavari District.*)

It may be observed that processing of tobacco, mainly in the Kovvur taluk, affords employment to a large number of persons. This is followed by rice mills which are situated mostly in the deltaic areas, employing over 3,000 persons. There are also a few tanneries in the Eluru taluk and factories for manufacturing steel trunks in the Tanuku taluk. The two recently established sugar factories in the Tanuku taluk not mentioned above would also add to the list of large-scale industries in the district.

No less important than the large-scale industries from the standpoint of employment opportunities afforded, are the cottage and small-scale industries of the district of which handloom weaving is the most important. Table 1.5 on page 13 gives the number of establishments and persons employed in different industries, taluk-wise.

Out of over 9,000 cottage and small-scale units enumerated in the 1951 Census comprising establishments to which the Factories Act was not applicable, employing over 26,000 persons, 6,677 units of handlooms provided employment to 18,783 persons. The actual number of handlooms in the district is estimated at nearly 20,000, of which 13,452 are organized under Co-operative Societies. According to the Census data the operation of the handlooms was concentrated in Narasapur and Tanuku taluks, whereas Bhimavaram, Tadepalligudem and Eluru taluks accounted for most of the rest of the handlooms. Mention may be made here of specialized industries in certain parts of the district. In Narasapur taluk, there is a flourishing lace making and embroidery industry, employing mostly women. In Eluru, the carpet making industry is highly developed, producing goods for export also. There is also the traditional brass-ware industry in which, one of the selected villages namely Ajjaram in Tanuku taluk specializes.

1.7 TRANSPORT AND COMMUNICATION

The transport facilities available in the district consist of 121½ miles of railways, 1,060 miles of roads and 217 miles of inland water-ways, in a total area of 3,015 square miles. The broad-gauge line from Madras to Calcutta passes through Eluru, Tadepalligudem and Kovvur taluks. A broad-gauge line from Nidadavolu in Kovvur taluk connects Narasapur, traversing Tanuku and Bhimavaram taluks. A metre-gauge branch line runs from Bhimavaram to Gudivada in Krishna district and thence to Vijayawada in the same district. The district headquarters and all the taluk headquarters except Chintalapudi and Polavaram are rail heads. The two upland taluks are not served by railways. The statement on page 14 gives the distribution of roads of different types in each taluk of the district. The statement, however, does not include Municipal and P.W.D. roads.

The total road milage of the district comprises national highways, provincial highways, major district roads, other district roads, and village roads. The two upland taluks, namely, Polavaram and Chintalapudi which are among the largest in area in the district have the least milage of roads. The major district roads account for the largest proportion of road milage in the district as a whole as well as in each taluk except Bhimavaram where milage of village roads is greater. In

TABLE 1.5—COTTAGE AND SMALL-SCALE INDUSTRIES IN DIFFERENT TALUKS AND THE NUMBER OF PERSONS EMPLOYED

Industry	POLAVARAM		CHINTALAPUDI		KOVVUR		ELURU	
	Col. 1	Col. 2	Col. 1	Col. 2	Col. 1	Col. 2	Col. 1	Col. 2
Cotton weaving.....	20	52	94	276	252	765	864	3,742
Cotton dyeing and bleaching.....	..	..	..	..	..	..	..	..
Woollen spinning and weaving.....	..	..	131	370	..	..	299	928
Rope manufacture.....	..	..	45	152	3	10	..	..
Vegetable oil pressing.....	14	31	6	14	10	20	39	75
Gur manufacture.....	16	39	4	10	63	161	..	..
Tobacco products other than <i>bidi</i> ..	9	18	2	7	105	238	36	78
Copper, brass and bell-metal works.	2	5	..	..	4	8	8	41
Pottery.....	4	11	34	92	32	90	8	59
Basket making.....	23	56	49	131	26	87	15	65
Dairy products manufacture.....	..	..	40	85	..	..	..	..
Tanneries.....	..	..	9	22	..	..	..	..
Cobblery and shoe-making.....	..	..	28	64	6	13	37	61
Coach building.....	..	..	30	74	5	15	2	12
Millers of cereals.....	..	..	..	..	6	20	10	18
Hosiery and embroidery.....	..	..	..	..	..	..	..	..
Total.....	88	212	472	1,297	512	1,427	1,318	5,079

Industry	TADEPALLI-GUDEM		BHIMAVARAM		TANUKU		NARASAPUR		District	
	Col. 1	Col. 2	Col. 1	Col. 2	Col. 1	Col. 2	Col. 1	Col. 2	Col. 1	Col. 2
Cotton weaving	682	2,108	627	1,615	1,758	4,456	2,380	5,769	6,677	18,783
Cotton dyeing and bleaching	3	6	..	..	2	5	19	64	24	75
Woollen spinning and weaving.....	12	29	..	..	..	..	..	..	442	1,327
Rope manufacture.....	59	262	..	..	..	..	26	59	133	483
Vegetable oil pressing.....	53	147	3	10	31	92	38	141	194	530
Gur manufacture.....	50	132	3	12	14	46	189	736	339	1,136
Tobacco products other than <i>bidi</i>	2	6	..	..	26	174	5	14	185	535
Copper, brass and bell-metal works.	4	10	3	10	2	5	9	22	32	101
Pottery.....	68	184	5	13	58	138	68	167	277	754
Basket making.	33	98	..	..	16	87	14	48	176	572
Dairy products manufacture.	97	366	..	..	..	..	..	..	137	451
Tanneries.....	..	..	6	10	..	..	..	..	15	32
Cobblery and shoe-making.	64	248	2	10	15	34	19	46	171	476
Coach building.	12	29	1	3	2	15	1	4	53	152
Millers of cereals.....	12	60	3	13	19	60	47	169	97	340
Hosiery and embroidery..	..	..	..	..	..	..	187	452	187	452
Total.....	1,151	3,685	653	1,696	1,943	5,112	3,002	7,691	9,139	26,199

(Source : 1951 Census Handbook—West Godavari District)

Columns (1) represent establishments. Columns (2) represent persons employed.

Taluk	National high- ways (Miles)	Pro- vincial highways (Miles)	Major district roads (Miles)	Other district roads (Miles)	Village roads (Miles)	Total (Miles)
Polavaram.....	—	15	18	—	—	33
Chintalapudi.....	—	—	59	9	34	102
Kovvur.....	—	—	103	—	41	144
Eluru.....	20	32	82	25	51	210
Tadepalligudem.....	7	—	69	14	54	144
Bhimavaram.....	—	—	58	11	73	142
Tanuku.....	13	—	62	41	61	177
Narasapur.....	—	—	64	10	34	108
Total.....	40	47	515	110	348	1,060

(Source : 1951 *Census Handbook—West Godavari District.*)

addition to railways and roads, the deltaic tract is served by a network of navigable canals which link this district to other adjoining districts, where water-ways are developed.

1.8 RURAL CREDIT SURVEY: METHODS AND COVERAGE

In the All-India Rural Credit Survey, the working of the rural credit system was studied in relation to its two aspects, namely, the demand for credit from rural families and the supply of credit by credit agencies, both institutional and private. These two aspects are hereafter referred to as the 'demand' and 'supply' aspects respectively, of the Survey. According to the design of the Survey for the 'demand' side investigation, eight villages—Dondapudi, Parimella, Pendyala and Tadikalapudi where primary co-operative credit societies existed and Ajjaram, Ankampalem, I. Pangidi and Karicherlagudem where no such societies existed—were selected from the district. All the families in each of the selected villages were investigated using the General Schedule. Within each selected village a sample of fifteen cultivating families was selected for detailed investigation. For this purpose a cultivating family was defined as a family engaged in the cultivation of any piece of land, owned or leased other than small garden plots. The selection of cultivating families for the intensive enquiry was made by first arranging all cultivating families in each selected village in the descending order of magnitude of the size of cultivated holding, dividing them into ten strata or deciles containing roughly equal number of families and selecting at random two cultivating families from each of the first five deciles and one cultivating family from each of the last five deciles.

The field investigations on the 'demand' side were conducted in two rounds. During the first round, information on capital investment in agriculture and non-farm business expenditure on some important items of family expenditure, borrowings and repayments for a period of twelve months preceding the month of investigation and

the outstanding debt as on the date of interview was collected in the General Schedule in respect of all the rural families in the selected villages. In the intensive enquiry, data relating to farm business, credit and marketing transactions, and the assets position were collected in respect of the sample of cultivating families. Information on farm expenses such as on purchases of fodder and other cattle feed, cash wages paid to hired labour, payments in kind made immediately after harvest, purchase of grain for payment of wages in kind, other current farm expenditure, source of finance for expenditure on specified items such as capital investment in agriculture, non-farm business expenses, family expenditure, and sale of assets and on cash receipts during the period was collected in two rounds.

To facilitate comparison between the different classes of cultivators, the data are generally presented for groups of deciles. The first three, the middle four and the last three deciles are grouped separately and the cultivators in these three groups are referred to as the 'large', the 'medium' and the 'small' cultivators, respectively. In addition, the results of the first decile are also presented separately and the cultivators in this decile are referred to as the 'big' cultivators. Data collected in the intensive enquiry are generally presented for two groups, comprising the cultivators selected from the first five and from the last five deciles ; these are referred to as the upper and the lower strata cultivators, respectively.

Investigations regarding the 'supply' aspect were conducted in a few selected marketing centres in the district in addition to the villages selected for the 'demand' aspect. In addition to the primary co-operative credit societies existing in the village selected for the 'demand' aspect of the Survey, societies from four more villages were also investigated in the district. For investigation connected with the 'supply' aspect the different types of credit agencies, namely, Government, co-operatives, village and urban moneylenders, indigenous bankers, traders in agricultural commodities, and commercial banks were studied.

The ensuing chapters contain an analysis of the data collected in the district in the All-India Rural Credit Survey conducted in 1951-2. The methods of enquiry followed and the concepts used in this Report have already been described in detail in the "Survey Report, Vol. I" and the "Technical Report, Vol. III" of the Report of the Committee of Direction of the All-India Rural Credit Survey.

CHAPTER 2

SELECTED VILLAGES AND SIZE OF FARM BUSINESS

Eight villages were selected for the Rural Credit Survey in the West Godavari district. The names of these villages and their populations, along with the names of the taluks in which they are located, are given below.

Village	Total population* (1951)	Taluks in which situated
With society		
Dondapudi.....	1,417	Polavaram
Parimella.....	1,465	Tadepalligudem
Pendyala.....	2,732	Kovvur
Tadikalapudi.....	4,878	Chintalapudi
Without society		
Ankampalem.....	441	Polavaram
I. Pangidi.....	1,771	Kovvur
Ajjaram.....	2,226	Tanuku
Karicherlagudem	2,614	Kovvur

(* Source : 1951 Census Handbook—West Godavari District)

Two of these villages, namely, Parimella and Ajjaram, with and without a co-operative society, respectively, were situated in the deltaic tract, whereas the other six villages were situated in the upland tract. The co-operative credit societies advanced loans in only two of the four villages selected for the Survey with a co-operative society, during the Survey year. These were Parimella and Tadikalapudi. The Societies in Pendyala and Dondapudi did not advance any loans during the Survey year.

It will be observed that two of the selected villages are located in the agency Polavaram taluk in the northern part of the district. These were Dondapudi and Ankampalem. The population of Ankampalem was only 441 persons being the lowest among the selected villages. Three selected villages were located in the Kovvur taluk, south-east of Polavaram which is known for tobacco cultivation. These were I. Pangidi, Karicherlagudem and Pendyala. The village Tadikalapudi was also situated in the upland tract in the Chintalapudi taluk. It had the largest population among the selected villages at 4,878 persons. The remaining two villages namely, Parimella and Ajjaram were situated in the deltaic tract. Both the villages are well-served by roads as well as by canals, which are an important means of

transport in this part of the district. They are both irrigated by the Godavari Canal System.

The period during which the General Schedule was filled in the selected villages the number of families enumerated and the proportion of cultivating families in each village are given below.

Village	Period during which General Schedule was filled		Number of rural fami- lies enume- rated	Proportion of cultivat- ing fami- lies (Per cent)
Dondapudi.....	25	Feb. 1952 to 11 Mar. 1952	344	22·4
Parimella.....	7	Dec. 1951 to 22 Dec. 1951	332	53·3
Pendyala.....	4	Dec. 1951 to 3 Jan. 1952	631	69·7
Tadikalapudi.....	25	Feb. 1952 to 29 Mar. 1952	1,034	65·5
Ajjaram.....	6	Jan. 1952 to 11 Feb. 1952	498	40·8
Ankampalem.....	18	Mar. 1952 to 20 Mar. 1952	95	49·5
I. Pangidi.....	13	Nov. 1951 to 21 Nov. 1951	326	55·2
Karicherlagudem...	16	Jan. 1952 to 16 Feb. 1952	636	36·0

The General Schedule was filled in between November 13, 1951 and March 29, 1952 in all the eight villages selected for the Survey. The largest and the smallest number of families was enumerated in Tadikalapudi and Ankampalem which also had the largest and the smallest populations, respectively, among the selected villages.

The 1951 Census classification of population of the selected villages according to livelihood classes reveals that cultivating labourers and their dependents accounted for more than 40 per cent of the total population in Dondapudi, Pendyala and Karicherlagudem and between 28 per cent and 40 per cent of the total in the remaining villages except I. Pangidi in which their proportion was reported to be only 4·3 per cent. It was found, however, that 36·1 per cent of the total population of the village was classified as engaged in production other than cultivation. A substantial number of people of this village were engaged in stone-quarries, which are located nearby, who appear to have been classified as engaged in production other than cultivation although their status would not be far different from that of cultivating labourers. It would thus be seen that a substantial proportion of the population in almost all the selected villages comprised either cultivating labourers or depended on production other than cultivation.

2.1 SIZE OF CULTIVATED HOLDINGS

The average size of cultivated holding per cultivating family in the selected villages, and the maximum and minimum size of holding per family in each village, are given on the next page.

Village	Average size of cultivated holding (Acres)	Size of cultivated holdings (In acres)	
		Maximum	Minimum
Dondapudi.....	11.2	142.0	1.0
Parimella.....	6.3	120.0	0.2
Pendyala.....	3.1	40.0	0.1
Tadikalapudi.....	13.0	87.0	0.1
Ajjaram.....	4.6	50.0	—
Ankampalem.....	12.8	35.0	2.0
I. Pangidi.....	7.3	200.0	0.1
Karicherlagudem.....	14.5	129.0	0.5

It will be observed that the average size of cultivated holding per family varied from 14.5 acres in Karicherlagudem to 3.1 acres in Pendyala. The range of the size of cultivated holdings was from 200 acres to less than 0.1 acre. The highest size of cultivated holding in all villages exceeded 35 acres. The big and the large cultivators accounted for a much larger proportion of the total cultivated holdings of the village than their proportions in the cultivating families. In I. Pangidi they accounted for 80 per cent of the total cultivated holdings of the village whereas in Ankampalem, their share was 55 per cent. In all other villages their share of the cultivated holdings was generally between about 70 per cent and 75 per cent of the total.

2.2 SELECTED VILLAGES

A brief description of some of the important features of the selected villages is given below.

I. Villages in the upland tract

2.2.1 Dondapudi

It is situated near the hilly forest areas of the Polavaram taluk and is near the main road between Eluru, the district headquarters and Polavaram. The Kovvur railway station is at a distance of 30 miles from the village whereas the nearest marketing centre, namely, Jangareddigudem, is at a distance of 20 miles. Cottage industries such as basket-making provide employment to a section of the village population. The proportion of cropped area under foodgrains in the village was 75 per cent of the total, mostly under pulses and millets. Oilseeds accounted for most of the remaining area, whereas a small proportion of the area was reported to be under tobacco. The village witnessed adverse seasonal conditions during the year of the Survey as well as in the year preceding it.

2.2.2 Ankampalem

This village is also situated in the northern part of the district which is not very well served by the transport facilities and is about 50 miles from the nearest railway station, namely, Eluru. The village is not easily accessible being eight miles from the nearest metalled road. There were no important cottage industries in the village. The proportion of cropped area under foodgrains accounted for about 80

per cent of the total whereas oilseeds accounted for the bulk of the remaining area. Paddy was grown on about 20 per cent of the cropped area most of which was irrigated. The seasonal conditions in this village were also reported to be adverse during the Survey year as well as in the preceding year.

2.2.3 Pendyala

It is situated at a distance of seven miles from the Nidadvolu railway station in the south-eastern part of the Kovvur taluk. The approach roads to the village, however, are not very satisfactory. There were no noteworthy cottage industries in the village. The proportion of area under foodgrains was about 40 per cent. Paddy was the most important food-crop but it was not irrigated, depending mainly on rains. Tobacco, chillies and oilseeds were the other important crops in the village. The village was overtaken by a cyclone in 1949 which affected the crops during 1949-50, but the seasonal conditions during the year of the Survey were reported to be normal.

2.2.4 Karicherlagudem

The village is situated in Kovvur taluk. It is at a distance of eight miles from Jangareddigudem, the marketing centre in Polavaram taluk. Cultivating labourers comprised 54 per cent of the total population but there were no important cottage industries in the village. The proportion of area under foodgrains was about 70 per cent of the total and paddy was the most important food-crop. Oilseeds accounted for most of the remaining cropped area.

2.2.5 1. Pangidi

The village is situated near the Kovvur railway station at a distance of six miles. A substantial proportion of the population is engaged in stone quarries which were found near the village. Foodgrains accounted for less than two-fifths of the total cropped area. A substantial proportion of the area was under mango groves whereas oilseeds accounted for about one-fourth of the total cropped area. The crop pattern in the village thus indicates a fairly high degree of commercialization of agriculture.

2.2.6 Tadikalapudi

The village is situated on the main road between Eluru and Jangareddigudem at a distance of fourteen and eighteen miles, respectively. Foodgrains accounted for nearly four-fifths of the total cropped area. The important foodgrains grown in the village are pulses and millets. Oilseeds comprised the other important crops of the village.

II. Villages in the deltaic tract

2.2.7 Parimella

It is situated at a distance of seven miles from the taluk headquarters and railway station Tadepalligudem. Paddy is the most important crop in the village accounting for over 90 per cent of the cropped area. The entire area under paddy is irrigated.

2.2.8 Ajjaram

It is situated near Tanuku, the taluk headquarters and railway station, at a distance of seven miles. The village is known for its traditional brassware industry in which a large number of families are engaged. Paddy was the most important crop in this village also accounting for more than 80 per cent of the area. Sugar-cane was grown in this village to a small extent.

2.3 AVERAGE SIZE OF CULTIVATED HOLDING

The General Schedule data pertaining to the size and distribution of cultivated holdings are summarized below.

Group	Average size of cultivated holding per family (Acres)	Share of culti- vated holdings to total (Per cent)
Big cultivators.....	36.4	41.7
Large cultivators.....	20.0	69.3
Medium cultivators.....	5.4	24.0
Small cultivators.....	2.0	6.7
All cultivators.....	8.9	100.0

The big and the large cultivators, who comprised 10 per cent and 30 per cent, respectively, of the total cultivating population, claimed a proportionately much larger share of the total cultivated holdings. The average size of cultivated holding was only two acres per family in the small cultivators' group, indicating that many cultivators in this group may only be part-time cultivators.

2.4 VALUE OF GROSS PRODUCE AND CASH RECEIPTS OF CULTIVATING FAMILIES

Data for cultivators selected for the intensive enquiry are presented only for the two groups comprising the upper and the lower strata. The total value of gross produce of the upper and the lower strata cultivators was Rs 1,823 and Rs 342 per family, respectively. Cash receipts from the sale of crops and fodder of the upper strata accounted for 70 per cent of the total cash receipts of Rs 1,593 per cultivating family in the upper strata. The total cash receipts of the lower strata cultivators amounted to Rs 667 per family, only 22 per cent of which were derived from the sale of crops and fodder. The data thus indicate that cultivation proper was not the main source of cash income to cultivators in the lower strata.

CHAPTER 3

OUTSTANDING DEBT

The total outstanding debt of the rural families residing in the selected villages, as on the date of enquiry, was ascertained in the General Schedule, which was canvassed from 13 November 1951 to 29 March 1952. The amounts borrowed and repaid by the rural families during the twelve-month period immediately preceding the date of enquiry were also ascertained in the General Schedule. Details about each loan outstanding at the end of the Survey year (April 1951 to March 1952) were ascertained in the intensive enquiry of selected cultivators. The various aspects of the data on debt outstanding at the end of the year and the growth of debt during the Survey year are discussed in this chapter, whereas those relating to borrowings and repayments during the Survey year are discussed in the subsequent two chapters. The role of credit agencies from whom rural families borrowed during the year and to whom debt was outstanding at the end of the Survey year, is discussed in the latter part of the report which deals with 'supply' aspect of rural credit.

It should be made clear that all data on debt considered in this chapter relate to cash transactions only. Loan transactions in kind have been separately considered.

The aspects of indebtedness which would be of interest, for an assessment of the credit situation, appear to be (1) the extent and volume of indebtedness as indicated by the proportion of indebted families and the average level of debt per family as also per indebted family, (2) the incidence of debt in relation to the size of holdings and the value of assets owned, (3) the growth of debt during the year and (4) certain important characteristics of debt such as the period for which it was outstanding, the interest rates at which it was contracted, security given, etc. These aspects are considered in the following sections.

3.1 EXTENT AND VOLUME OF INDEBTEDNESS

3.1.1 Proportion of indebted families

The proportions of indebted families as on the date of canvassing the General Schedule in the eight selected villages as well as in the district as a whole are given in Table 3.1 on page 22.

The extent of indebtedness in the selected villages in the district as indicated by Table 3.1 would appear to be high both among the cultivating as well as non-cultivating families. The proportion of all rural families who were indebted exceeded three-fourths of the total number of families. The proportion of indebted families among the cultivators was generally higher than that of non-cultivators in

TABLE 3.1—PROPORTION OF INDEBTED FAMILIES

[General Schedule data. In per cent]

Village	Cultivators	Non-culti- vators	All families
Dondapudi	77.9	71.9	73.3
Parimella	93.8	81.9	88.3
Pendyala	79.3	58.6	73.1
Tadikalapudi	85.7	64.1	78.2
Ajjaram	70.0	54.6	60.8
Ankampalem	95.7	77.1	86.3
I. Pangidi	85.6	76.7	81.6
Karicherlagudem	88.2	77.6	81.4
District	85.3	70.8	77.8

almost all the selected villages. This trend is probably related to the fact that the cultivator is considered to be more creditworthy than the non-cultivator. Differences in the extent of indebtedness as between the selected villages are not significant enough to need comment. It may, however, be pointed out that the proportion of indebted families among the cultivators was uniformly high exceeding 70 per cent in all the selected villages.

The proportion of indebted families among the four groups into which the cultivating families were divided on the basis of the size of their cultivated holdings is given below.

Group	Proportion of families reporting debt (Per cent)
Big cultivators	87.8
Large cultivators	89.2
Medium cultivators	84.1
Small cultivators	82.8

The proportion of indebted families in different groups, it would be seen, moved within a narrow range of the average proportion of indebted families among all cultivators, which was 85.3 per cent.

3.1.2 Debt per indebted family

The debt per indebted family in the selected villages is given in Table 3.2 on page 23.

As can be seen from the data given in Table 3.2, the debt of indebted cultivating families was on an average about three times larger than that of the indebted non-cultivating families. The debt per indebted family among the non-cultivators was less than Rs 300 in all the selected villages except Ajjaram, where it was as high as Rs 902.

TABLE 3.2—AVERAGE DEBT PER INDEBTED FAMILY

[General Schedule data. Amount in rupees]

Village	Cultivators	Non-culti- vators	All families
Dondapudi.....	1,129	244	455
Parimella.....	1,079	262	725
Pendyala.....	762	212	628
Tadikalapudi.....	790	289	648
Ajjaram.....	1,774	902	1,311
Ankampalem.....	747	148	477
I. Pangidi.....	1,187	293	811
Karicherlagudem.....	973	168	482
District	1,022	312	687

The high level of indebtedness among the non-cultivators in Ajjaram is perhaps explained by the well-developed, traditional brassware industry in that village. The debt per indebted cultivating family at Rs 1,774 was also the highest in Ajjaram which is an irrigated village. It exceeded Rs 1,000 in three other villages namely Dondapudi, Parimella and I. Pangidi. Parimella, like Ajjaram, is also an irrigated village whereas in I. Pangidi the cultivation of commercial crops such as chillies, fruits, etc. was found on a substantial scale. The high level of indebtedness in Dondapudi, a village in the upland tract is presumably due to adverse seasonal conditions in the village during the Survey year. The debt per indebted family averaged below Rs 1,000 in the remaining four villages and was the lowest at Rs 747 in Ankampalem.

The debt per indebted family in the four groups of cultivators is given below.

Group	Average debt per indebted family (Rs)
Big cultivators	4,515
Large cultivators	2,210
Medium cultivators	580
Small cultivators	301

In contrast to the variations in the proportion of indebted families, the level of debt per indebted family among the four groups of cultivators shows a marked difference as between the big and the large cultivators on the one hand and the medium and the small cultivators on the other. From this it is apparent that there is close correspondence between the economic positions, as indicated by the size of cultivated holdings and the volume of indebtedness among the indebted families. The incidence of debt per acre of cultivated holding and in relation to the value of owned land and other assets is considered in the subsequent sections.

3.1.3 Debt per family

The average level of debt per family is given below.

Group	Average debt per family (Rs)
Big cultivators ..	3,962
Large cultivators	1,971
Medium cultivators	488
Small cultivators	249
All cultivators ..	871
Non-cultivators ..	221
All families ..	535

The average level of debt per family in a group would be determined by the proportion of families having outstanding debt and the level of average debt per indebted family. The marked difference in indebtedness among the big and the large cultivators' groups on the one hand and the medium and the small cultivators' groups on the other, persists also in the average level of debt per family in these groups as was the case with debt per indebted family.

The average level of debt per family in the selected villages does not show any significant variations from the trends observed in the volume of debt per indebted family.

The intensive enquiry data show that the level of debt per cultivating family, for the district as a whole was Rs 1,027·5 and it was Rs 1,625·5 and Rs 429·6 among the upper and the lower strata cultivators, respectively. The trend in indebtedness among cultivators selected in the intensive enquiry, grouped according to the value of their gross produce is given below.

TABLE 3.3—DEBT PER FAMILY AMONG THE DIFFERENT GROSS PRODUCE GROUPS

[Intensive enquiry data]

Gross produce group	Outstanding debt at the end of the year (Rs)
Nil.....	83·8
Less than Rs 200.....	226·4
Rs 200 - 400.....	538·0
Rs 400 - 600.....	436·6
Rs 600 - 800.....	710·7
Rs 800 - 1,000.....	845·6
Rs 1,000 - 2,000.....	1,148·4
Rs 2,000 - 3,000.....	1,636·9
Rs 3,000 - 4,000.....	3,944·3
Rs 4,000 - 5,000.....	1,405·4
Rs 5,000 and above.....	10,082·3

There was a trend towards an increase in indebtedness with an increase in the value of gross produce. The level of debt thus bears a close relation to the economic position of the cultivator which may be indicated by the size of his holding, or to his earning capacity as may be roughly indicated by the gross produce.

3.2 INCIDENCE OF DEBT

3.2.1 Debt per acre of cultivated holding

The debt per acre of cultivated holding for the different groups of cultivators in the district was as under.

Group	Debt per acre of cultivated holding (Rs)
Big cultivators ..	109
Large cultivators	98
Medium cultivators	90
Small cultivators	125
All cultivators	98

The above data show a small decline from the big to the medium cultivators but there is a marked increase in the small cultivators' group. The marked difference between the average level of debt per family as between the big and the large cultivators on the one hand and the medium and the small cultivators on the other which was observed earlier is not evident in the data on debt per acre of cultivated holding. It would thus appear that there is a close correspondence between the size of debt and the size of holdings except in the case of the cultivators with very small holdings whose level of debt per acre tends to be high. This was probably due to the fact that they are in several cases only part-time cultivators and the land cultivated by them would not be a complete indicator of their economic position.

3.2.2. Debt in relation to sown area, value of gross produce and value of owned land—Intensive enquiry data

In the intensive enquiry, details about the farm business of the selected cultivators were collected including among others the area sown by these cultivators during the intensive enquiry year and the value of gross produce. The incidence of debt of cultivating families in relation to an acre of sown area, per Rs 100 of gross produce, and per Rs 100 of the value of owned land for the upper and the lower strata cultivators is indicated below.

TABLE 3.4—INCIDENCE OF DEBT

[Intensive enquiry data]

	Upper strata	Lower strata	All cultivators
Outstanding debt per family (Rs).....	1,625·5	429·6	1,027·5
Debt per acre of area sown (Rs).....	100·0	110·0	102·0
Debt per Rs 100 of gross produce (Per cent)...	89·2	125·6	94·9
Debt per Rs 100 of the value of owned land (Per cent).....	13·9	16·9	14·5

The above data indicate a clearly larger incidence of debt on the lower strata cultivators per acre of sown area or as percentage of the value of gross produce and owned land. The incidence of debt among the selected cultivators per acre of sown area, per Rs 100 of gross produce and per Rs 100 of value of owned land grouped according to the value of the gross produce reveals some interesting features. The debt per acre of sown area among these groups does not show any clear trend. The incidence of debt per Rs 100 of gross produce reveals a distinctly larger burden of debt on groups with a value of gross produce between Re 1 and Rs 399 than on other groups. These groups accounted for 34·7 per cent of the total number of cultivating families. The debt per Rs 100 of gross produce among them varied from Rs 195 to Rs 200, whereas among all other groups it ranged generally between Rs 30 and Rs 140. Debt as percentage of the value of owned land also showed a similarly higher incidence on the two groups with a value of gross produce ranging between Re 1 and Rs 399; this percentage varied between 24 and 26 among these groups, whereas among all other groups, it varied from 8 to 19. It would be thus clear that the incidence of debt in relation to the size of the farm business was generally higher among the small cultivators.

It may be noted in this connection that the incidence of debt on smaller cultivators in relation to total cash receipts does not show a proportionately greater burden of debt on the smaller cultivators as may be observed from the following.

	Upper strata	Lower strata	All culti- vators
Debt as percentage of total cash receipts 	102·1	64·4	91·0

According to gross produce groups also debt as percentage of total cash receipts was lower in groups with a lower value of gross produce, than in those with a higher value of gross produce.

The foregoing discussion would indicate that the incidence of debt in relation to the size of the farm business increased as one moved down the decile groups. The extent to which, however, this trend may be indicative of a heavier burden of debt on the smaller cultivators, in relation to the total size of their economy is not clear. In relation to the total cash receipts, which may be one of the indicators of the total size of business, the incidence of debt on the lower strata cultivators was clearly smaller. The incidence of debt on the total value of assets owned by the selected cultivators, which is considered in the subsequent section, throws further light on this point.

3.2.3 Composition of assets

The value of land, buildings, livestock, implements and machinery, etc., owned by the cultivating families selected for the intensive enquiry was ascertained on a separate schedule. The outstanding dues receivable by the selected cultivating

families and the value of assets owned by them such as Government securities, was also ascertained. The total value of assets owned by the selected cultivating families was Rs 9,899 per family. The value of assets owned by cultivators in the upper strata was Rs 15,892 per family as compared to only Rs 3,905 per family in the lower strata. The pattern of assets ownership is given below.

TABLE 3.5—COMPOSITION OF ASSETS

[Intensive enquiry data. In per cent]

	Value of owned land	Value of owned buildings	Value of owned livestock	Value of owned implements and machinery	Value of owned mechanical instru- ments*	Outstand- ing dues	Value of other assets (financial)
	1	2	3	4	5	6	7
Upper strata.....	73.4	16.6	6.8	1.3	0.03	1.6	0.3
Lower strata.....	65.0	18.7	9.1	1.0	—	6.2	—
All cultivators.	71.7	17.0	7.3	1.2	0.02	2.5	0.3

*Included in value of implements and machinery.

Land was by far the most important item of assets for cultivators in both the strata accounting for about two-thirds and three-fourths of the total value of assets owned by cultivators in the lower and upper strata, respectively. The order of importance of other items of assets, for both the strata of cultivators, was buildings, livestock and financial assets including outstanding dues ; implements, machinery, etc., accounted for only about 1 per cent of the value of total assets owned by both the strata of cultivators.

The shares of debt and of assets of the upper and the lower strata cultivators are given below.

	Strata	Share of assets (Per cent)	Share of debt (Per cent)
Upper strata		80.3	79.1
Lower strata		19.7	20.9

The above data indicate a close correspondence between the share of assets owned and debt owed by cultivators in each of the two strata. The debt per Rs 100 of the value of assets owned by cultivators of the upper and the lower strata was Rs 10 and Rs 11, respectively. These data do not indicate any appreciably higher burden of debt on the cultivators of the lower strata as compared to that on those of the upper strata cultivators.

3.3 GROWTH OF DEBT

The extent of increase or decrease in debt during the Survey year and the percentage increase in debt as compared to debt outstanding at the beginning of the year, are given in Table 3.6.

TABLE 3.6—GROWTH OF DEBT

[General Schedule data. Amount in rupees per family]

Group	Net borrowings during the year	Percentage increase (+) or decrease (—) in debt during the year
Big cultivators.....	1,512	61·8
Large cultivators.....	750	61·5
Medium cultivators.....	146	42·6
Small cultivators.....	94	61·3
All cultivators.....	316	56·9
Non-cultivators.....	61	38·6
All families	184	52·6

The cultivating families in the district recorded an increase in debt of 56·9 per cent during the year. This is to be viewed in relation to an already high level of debt prevailing in the district at the beginning of the year at Rs 555 per cultivating family. Non-cultivators recorded a comparatively smaller increase in debt amounting to Rs 61 per family or 38·6 per cent. The increase in debt during the Survey year declined from Rs 1,512 per family in the big cultivators' group to Rs 94 per family in the small cultivators' group. The proportion of increase in debt was almost identical in the big, large and small cultivators' groups, varying between 61 per cent and 62 per cent. The percentage increase in the medium cultivators' group was somewhat smaller. The higher percentage increase in debt of the small cultivators as compared to that of the medium cultivators, is explained by the fact that the level of debt of the small cultivators outstanding at the beginning of the Survey year was very small. The data for each of the eight selected villages show that in terms of amount the growth of debt during the Survey year was invariably larger per cultivating family than per non-cultivating family. The increase in debt during the Survey year among the cultivators was less than 100 per cent in all the selected villages except Dondapudi where it was 170·7 per cent. The proportion of increase in debt in all the groups of cultivators of this village was higher than that in any other village selected for the Survey. This trend appears to be explained mainly by adverse seasonal conditions in Dondapudi not only during the year of the Survey itself but also during the preceding year.

3.4 NATURE OF DEBT

3.4.1 Duration of outstanding debt

According to the intensive enquiry data nearly 60 per cent of the outstanding debt of cultivators of the upper as well as the lower strata was of a duration of one year or less and about 30 per cent, of a duration of between one to two years. All the remaining debt was of a duration of less than four years among both the strata of cultivators. These data indicate that the burden of accumulated debt on the cultivating families of the district was not very heavy.

3.4.2 Share of principal and interest in outstanding debt

The intensive enquiry data also indicate the extent of accumulated interest in the outstanding debt of cultivators of the upper and the lower strata, the data relating to which are presented in the table below.

TABLE 3.7—SHARE OF PRINCIPAL AND INTEREST IN THE OUTSTANDING DEBT
[Intensive enquiry data]

	Number of loans out- standing per family	Amount originally borrowed (Rs)	AMOUNT OUTSTANDING		
			Total	Principal	Interest
			(Rs)	(Rs)	(Rs)
	1	2	3	4	5
Upper strata.....	3·1	1,741	1,626	1,499	127 (7·8)
Lower strata.....	2·4	455	430	394	36 (8·3)
All cultivators.....	2·7	1,098	1,027	946	81 (7·9)

(Figures in brackets indicate percentage of column 5 to column 3.)

It would be observed from the above that there was no appreciable divergence in the accumulated interest due from the cultivators of the upper and the lower strata and also that accumulated interest formed only a small proportion of total dues. This would also indicate that the debt was not of a long duration.

3.4.3 Security

The intensive enquiry data, relating to the security against which the outstanding debt was contracted indicate that among the lower strata cultivators, personal security of the borrowers was the only security provided. Among the upper strata cultivators, about 5 per cent of the debt outstanding for more than one year was secured against immovable property. On the whole, loans on the basis of personal security appear to be a common feature of the rural credit system of the area.

Data were also collected in the intensive enquiry relating to interest rates at which the loans were contracted. The relevant data are given in Table 3.8 on page 30.

The data reveal that nearly 44 per cent of the loan amounts outstanding carried interest rates ranging from 10 per cent to 12½ per cent. Loans at interest rates above 12½ per cent accounted for only 2·1 per cent of the outstanding debt. Loans contracted at interest rates from 7 per cent to 10 per cent accounted for 36 per cent of the outstanding debt, and the bulk of the remaining amount of outstanding debt was contracted at interest rates varying from 3½ per cent to 7 per cent. The pattern of interest rates paid on an overwhelming proportion of the outstanding debt by cultivators of the upper and the lower strata was broadly similar. The loans contracted at less than 7 per cent by the lower strata cultivators were however, mostly interest free, whereas such loans by the upper strata cultivators were mostly contracted at

TABLE 3.8—OUTSTANDING DEBT ACCORDING TO INTEREST RATE

[Intensive enquiry data. Amount in rupees per family]

	Number of loans per family	Total amount outstanding	RATE OF INTEREST			
			Nil	Less than 3½ Per cent	3½-7 Per cent	7-10 Per cent
	1	2	3	4	5	6
Upper strata.....	3·0	1,625·5	36·4 (2·2)	35·6 (2·2)	229·9 (14·1)	599·3 (36·9)
Lower strata.....	2·4	429·6	56·6 (13·2)	—	10·8 (2·5)	140·3 (32·7)
All cultivators.....	2·7	1,027·5	46·6 (4·5)	17·8 (1·7)	120·3 (11·7)	369·8 (36·0)

	RATE OF INTEREST						
	10-12½ Per cent	12½-18 Per cent	18-25 Per cent	25-35 Per cent	35-50 Per cent	50 Per cent and above	Un-specified
	7	8	9	10	11	12	13
Upper strata.....	709·1 (43·6)	—	6·6 (0·4)	—	5·6 (0·3)	3·1 (0·2)	—
Lower strata.....	194·2 (45·2)	—	27·2 (6·3)	—	—	0·5 (0·1)	—
All cultivators.....	451·7 (44·0)	—	16·9 (1·6)	—	2·8 (0·3)	1·8 (0·2)	—

(Figures in brackets are percentages to total.)

interest rates varying from 3½ to 7 per cent. The preceding discussion reveals that an overwhelmingly large part of the total outstanding debt of cultivators in both the strata was contracted at interest rates ranging from 7 per cent to 12½ per cent, the customary interest rates prevailing in the district being 9 per cent and 12 per cent and in some cases, 6¼ per cent.

CHAPTER 4

BORROWINGS

4.1 INTRODUCTION

Enquiries into economic transactions and activity, undertaken as part of the Survey, were limited to a period not exceeding one year. The data collected in the Survey relate to the essential aspects of the agricultural credit system, such as the number of rural families who borrowed, the amounts they borrowed, the agencies from whom they borrowed, the extent to which they repaid debts during the year and what they found to be their outstanding debt at the end of the year. As a complete enquiry into all economic activity responsible for these acts of borrowing and repayment would have involved obtaining a picture of all the cash and kind transactions of a family during the year, attention was concentrated on activities directly affecting the debt position and the enquiry was confined to those transactions which might be presumed specially to lead to borrowings or repayments.

The questions in the General Schedule were, therefore, planned in relation to those items of expenditure which, apart from current needs of farm business or family living, might force or lead families to borrowing. These items were conceived of under a number of separate heads. There was firstly the need for capital expenditure in agriculture, including that on the purchase of land and livestock. Secondly, there was capital expenditure in non-farm business. Thirdly, there was capital expenditure on items such as residential houses and other non-farm business. Fourthly, there was expenditure in relation to what may be called durable consumer goods such as household utensils, furniture, clothing, shoes, bedding, etc. Fifthly, there would be special occasions of large expenditure and these might be connected with either social events such as death, marriage and other ceremonies or with special liabilities for expenditure such as those in connection with medical care, education or litigation. It was felt that if full information about expenditure on these important items was obtained, together with the sources of finance for meeting the expenditure, this would convey a great deal of useful information on the need for borrowing felt by rural families on particular occasions during the relevant period. Apart from the items specified above, borrowings were often resorted to for repayment of old debt.

4.2 EXTENT AND VOLUME OF BORROWINGS

4.2.1 Borrowings per family

The level of borrowings in the villages selected for the Survey, indicates that among the cultivators, the highest amount of borrowing per family was recorded in Parimella closely followed by I. Pangidi. In both these villages the average amount borrowed during the year was between Rs 850 and Rs 860 per cultivating family.

Dondapudi was next in the order with an average borrowing of Rs 669 per cultivating family. This was followed by Ajjaram (Rs 543 per family), Karicherlagudem (Rs 513 per family), Tadikalapudi (Rs 471 per family), Pendyala (Rs 420 per family) and finally Ankampalem (Rs 361 per family). It may be noted that the level of borrowings during the year in Ajjaram, one of the two irrigated villages was exceeded by two villages of the upland tract, namely, I. Pangidi and Dondapudi. This was perhaps attributable to a very high level of debt in Ajjaram at the beginning of the year, a mention of which was made while considering the growth of debt among cultivators in the selected villages. The village I. Pangidi in which a high level of borrowings during the year has been recorded, was also characterized by a relatively high level of outstanding debt at the beginning of the year. The net borrowings per cultivating family in this village were, however, comparatively small. Cultivation of commercial crops was carried on in this village to a significant extent as mentioned earlier. In Dondapudi, the high level of borrowings was not accompanied by any substantial repayments, the village recording the highest growth of debt during the year among those selected for the Survey. The main factor responsible for this, it appears, was an adverse agricultural season preceding the Survey year, which accentuated the trend towards a general increase in debt during the year observed in all the selected villages.

Borrowings during the year among non-cultivating families, closely followed the pattern exhibited by the cultivating families in the different villages. There were, however, two noteworthy exceptions. A very high level of borrowings was reported by the non-cultivators in Ajjaram amounting to Rs 385 per family, as compared to the next highest reported by the non-cultivators in Parimella amounting to Rs 179 per family. This high level of borrowings by non-cultivators in Ajjaram appears to be associated with the thriving, traditional brassware industry in connection with which non-cultivators might have borrowed substantial amounts. The other noteworthy exception was the high level of borrowings among the non-cultivators in Tadikalapudi, the upland village in Chintalapudi taluk, which ranked third. Here also, the main factor responsible appears to have been the importance of small-scale industrial establishments in the village. It may be recalled that Tadikalapudi was the largest of the selected villages on the basis of population and was reported to be having a number of small-scale non-textile industrial establishments.

The data on borrowings as in the case of those relating to debt, showed a vast disparity between the level of borrowings of the big and the large cultivators on the one hand and that of the medium and the small cultivators on the other. For the district as a whole, the borrowings per cultivating family among the former two groups amounted to Rs 2,783 and Rs 1,365 as compared to Rs 272 and Rs 173 per family among the medium and the small cultivators.

4.2.2 Proportion of borrowing families

The data relating to the proportion of families borrowing during the year reveal that the disparity in this proportion as between different villages is not so marked,

both among the cultivating and the non-cultivating families barring a few exceptions. The proportion of borrowing families for the district as a whole among the cultivators was 77·8 per cent and among the non-cultivators, it was 60·4 per cent, being slightly lower than the proportion of indebted families in each case. Among the cultivators, the proportion of borrowing families was the largest in Parimella at 93·8 per cent followed by Ankampalem where it was 89·4 per cent. These two villages are at the opposite extremes in many respects, the former being situated in the deltaic tract and mostly irrigated, while the latter, in the northernmost part of the district, in the hilly Polavaram taluk. This illustrates the fact that a high proportion of families may borrow in economies which are in different stages of development.

4.2.3 Borrowings per borrowing family

Borrowings per borrowing family are likely to be related more closely to certain features of the cultivating economy such as the nature of crops grown and the general level of development of the agricultural economy than the proportion of borrowing families which may vary on account of seasonal variations also. The following figures give the average amount borrowed per borrowing family in the different selected villages.

Village	Amount of borrowing per borrowing cultivat- ing family (Rs)
I. Pangidi.....	1,162
Dondapudi.....	973
Parimella.....	914
Ajjaram.....	823
Karicherlagudem.....	695
Tadikalapudi.....	602
Pendyala.....	564
Ankampalem.....	404

The amounts borrowed per borrowing family in I. Pangidi and Dondapudi are the highest, exceeding those in each of the two irrigated villages. In I. Pangidi this was perhaps accounted for by the cultivation of important commercial crops such as oilseeds, along with a large acreage under mango-groves, etc. Thus, a high level of borrowing in this village would not be inconsistent with its commercialized, and to a certain extent specialized agriculture. In Dondapudi, as already discussed the adverse impact of the preceding agricultural season appears to have been responsible in the main for a high level of borrowing.

Among the non-cultivating families, the highest amount of borrowings per borrowing family was reported in Ajjaram at Rs 757 as against an average of Rs 264 for the district as a whole which is probably explained by the existence of the local brassware industry. The lowest amount was reported in Ankampalem at Rs 107 per non-cultivating family.

A vast disparity is evident between the level of borrowings per borrowing family among the big and the large cultivators on the one hand and the medium and the small cultivators on the other. The amount of borrowings per borrowing family among the four main groups of cultivators in the descending order of the size of their holdings were Rs 3,410, Rs 1,642, Rs 347 and Rs 241 for the district.

4.2.4 Share of different classes of cultivators in the total borrowings of cultivators

The big and the large cultivators accounted for 49 per cent and 72.5 per cent, respectively, of the total borrowings of cultivators ; on the other hand, the medium and the small cultivators accounted for 18.5 per cent and 9 per cent, respectively, of the total borrowings of cultivators during the year. The marked disparity in the volume of borrowings between the big and the large cultivators on the one hand and the medium and the small cultivators on the other would be evident from the above.

The intensive enquiry data collected from the sample of selected cultivators indicate that the size of borrowing was Rs 751.5 per family for the district as a whole. The borrowings of the upper strata cultivators amounted to Rs 1,199 per family and those of the lower strata cultivators, to Rs 304 per family. The upper strata cultivators accounted for nearly 80 per cent of the total borrowings of all cultivators. The borrowings of cultivators in different groups based on the value of gross produce are given in Table 4.1 below.

TABLE 4.1—BORROWINGS PER FAMILY AMONG THE DIFFERENT GROSS PRODUCE GROUPS AND THEIR SHARE OF BORROWING IN THE TOTAL BORROWINGS OF CULTIVATORS

[Intensive enquiry data]

Gross produce group	Borrowings per family (Rs)	Share of borrowings (Per cent)	Proportion of families in the group (Per cent)
Nil.....	67.9	0.4	4.8
Upto Rs 199.....	198.0	3.3	12.4
Rs 200 - 399.....	341.8	10.1	22.3
Rs 400 - 599.....	305.5	6.4	15.7
Rs 600 - 799.....	548.4	7.8	10.7
Rs 800 - 999.....	590.8	5.0	6.4
Rs 1,000 - 1,999.....	647.4	9.1	10.5
Rs 2,000 - 2,999.....	851.9	8.3	7.3
Rs 3,000 - 3,999.....	1,473.8	8.2	4.2
Rs 4,000 - 4,999.....	1,696.6	7.9	3.5
Rs 5,000 and above.....	11,432.7	33.5	2.2

The data show an increase in borrowings with an increase in the size-class based on the value of gross produce. Cultivators in gross produce groups upto Rs 799 accounted for 28 per cent of the borrowings of all cultivators although they constituted about 66 per cent of the total number of cultivators. In each of the five groups with a value of gross produce upto Rs 799 per family, the share of borrowings of cultivators was invariably less than the proportion of families comprising the group. The group with a value of gross produce above Rs 5,000 which comprised

only 2·2 per cent of the cultivating families, accounted for one-third of the total borrowings of all cultivators. These data thus indicate that a very small section of the cultivating population having, however, a large farm business as indicated by the value of gross produce, accounted for a substantial proportion of the total borrowings of all cultivators.

4.2.5 Borrowings in relation to the farm business

While discussing indebtedness it was observed that debt as percentage of the value of gross produce, value of owned land and per acre of sown area was larger for the lower strata cultivators as also for cultivators in the lower gross produce groups. The incidence of borrowings on cultivators of both the strata may be seen from Table 4.2 below.

TABLE 4.2—INCIDENCE OF BORROWINGS

[Intensive enquiry data]

	Upper strata	Lower strata	All cultivators
Borrowings (in rupees per family)	1,198·9	304·1	751·5
Borrowings per acre of sown area (Rs)	73·4	78·1	74·3
Borrowings as percentage of value of gross produce (Per cent)	65·8	88·9	69·4
Borrowings as percentage of total cash receipts (Per cent)	75·3	45·6	66·5
Borrowings as percentage of value of owned land (Per cent)	10·3	12·0	10·6
Borrowings as percentage of total assets (Per cent)	7·5	7·8	7·6

In relation to the total value of owned assets the borrowings of cultivators in both the groups constituted about the same proportion. The proportion of borrowings to the value of gross produce and owned land was larger in the lower strata cultivators as compared to that in the upper strata ; borrowings per acre of sown area also showed a similar trend. The proportion of borrowings to total cash receipts during the year was, however, lower in the lower strata as compared to that in the upper strata, a trend similar to that observed in the data on debt. The data thus again emphasize the fact that the farm business alone does not provide a full picture of the economic position of cultivators in the lower strata for whom receipts from sources other than the sale of crops and fodder were more important.

4.3 PURPOSES OF BORROWING

The information relating to the purposes of borrowing and the important occasions of expenditure which might lead the rural families into acts of borrowing, was collected independently of each other in the General Schedule. In one part of the Schedule, questions were asked relating to the expenditure incurred during the year by families in certain directions which might presumably have been more important occasions of borrowing. The items on which expenditure was incurred by the rural families can be divided broadly into four categories. These are

(1) capital expenditure on farm, (2) non-farm business expenditure, (3) family expenditure and (4) other expenditure. The data regarding expenditure on current farm operations were not collected in the General Schedule. Moreover, the list of items under other heads of expenditure was not complete. The most notable omission was that regarding the day-to-day expenditure on family living which would not ordinarily constitute an occasion for borrowing. Another minor omission was that relating to current non-farm business expenditure. While enumerating expenditures on the various items comprising these four groups the sources from which the expenditure was financed were also ascertained. The sources of finance were classified as (1) current income, (2) past savings, (3) sale of assets, (4) borrowings and (5) other sources. As borrowing constituted one of the sources enumerated in the Schedule from which expenditure on specified items was met, these data would provide a check on the purposes of borrowing reported in the question relating to borrowing transactions during the year. The purposes recognized for being entered into the Schedule in this context were grouped under five heads. Four of these were the same as the four categories into which recorded items of expenditure were grouped. The fifth one was current expenditure on farm. The items under capital expenditure in agriculture recognized for being entered into the Schedule in this connection were the same as those on which expenditure incurred was recorded, under this head. In relation to non-farm business expenditure, expenditure of a capital and current nature were both recognized as purposes of borrowing, although the recorded items of expenditure under this head comprised only capital expenditure. Under family expenditure the same items were recognized for being entered as purposes of borrowing which were included under this head while recording the amounts of expenditure; however, an additional item termed 'other family expenditure' was also added in the list of borrowing purposes, so as to cover borrowings on account of those small items, expenditure in connection with which was not recorded. The list of items under family expenditure as a purpose of borrowing also included 'other occasional expenditure' which was not included as an item of expenditure in the earlier case. The coverage under the group 'other expenditure' which included items such as repayments of old debts, expenditure on financial investments etc., was broadly similar. In the data relating to purpose of borrowings, however, a sixth category, namely 'more than one purpose' was introduced although an effort was made to minimize the entries under this head.

The borrowings of cultivators in different groups, non-cultivators and all families classified according to the main purposes of borrowing, are given in the Table 4.3 on page 37.

An examination of the data indicates that for all rural families taken together, about one-third of the amount borrowed was for family expenditure. The importance of family expenditure among cultivators and non-cultivators, however, was not the same. The cultivators whose average borrowings amounted to about Rs 578 per family borrowed only about 30 per cent for family expenditure, whereas the non-cultivators whose average borrowings amounted to Rs 159 per family borrowed

TABLE 4.3—BORROWINGS FOR VARIOUS PURPOSES

[General Schedule data. In per cent]

Group	BORROWINGS FOR THE PURPOSE AS PERCENTAGE OF TOTAL BORROWING					
	Capital expenditure on farm	Current expenditure on farm	Non-farm business expenditure	Family expenditure	Other expenditure	More than one purpose
	1	2	3	4	5	6
Big cultivators.....	36·7	24·8	15·9	15·7	6·8	0·1
Large cultivators.....	35·3	22·9	12·1	23·5	6·1	0·1
Medium cultivators.....	31·2	12·0	9·9	41·8	5·1	—
Small cultivators.....	31·9	4·2	4·4	53·3	6·1	0·1
All cultivators.....	34·2	19·2	11·0	29·6	6·0	—
Non-cultivators.....	5·5	0·4	46·7	43·6	3·8	—
All families.....	27·6	14·9	19·2	32·8	5·5	—

nearly 44 per cent for family expenditure. Non-farm business expenditure accounted for 47 per cent of the total borrowings of non-cultivators. Borrowings for capital expenditure in agriculture and for current farm expenditure as well as for other purposes such as repayment of old debts, etc., claimed a relatively insignificant part of the total borrowings of non-cultivators, not exceeding 10 per cent of the total. In the case of cultivators, however, expenditure on the farm business was of major importance as an occasion for borrowing. Capital expenditure in agriculture which accounted for 34 per cent of the total borrowings of cultivators constituted the largest single group of items for which borrowings were resorted to. Borrowings for current farm expenditure accounted for 19 per cent of the total borrowings.

The position of cultivators of different groups, however, differed significantly in the importance of borrowing for production and consumption purposes. The importance of borrowing for family expenditure and for current farm (and to some extent capital) expenditure decreased as one moved down the decile groups. This is illustrated by the fact that family expenditure accounted for between 15 per cent and 24 per cent of the total borrowings of the big and the large cultivators whereas in the medium and the small cultivators' groups roughly between 42 per cent and 53 per cent of the total borrowings were for family expenditure purposes. Conversely, borrowings for current farm expenditure which accounted for 25 per cent and 23 per cent of the total in the big and the large cultivators' groups, respectively, were responsible for about 12 per cent and 4 per cent only of the total, in the medium and the small cultivators' groups, respectively. These data thus highlight an important difference in the pattern of borrowing between the relatively better placed cultivators and the average or below average cultivators represented by the medium and the small groups. The difference indicates in the main, that requirements of family living which had perforce to be met first, claimed an increasingly

larger proportion of the borrowing capacity of cultivators as one moved down the decile groups, with the result that borrowing for current production purposes declined correspondingly. The possibility that a liberalization in the terms and conditions on which credit is made available would enable the medium and the small cultivators to borrow more for current farm production purposes, appears to be indicated by these data.

The proportion of borrowings for capital expenditure in agriculture and for other expenditure did not show a marked variation as between the four groups of cultivators. On the other hand, the proportion of borrowings for non-farm business purposes declined from bigger to smaller cultivators, indicating thereby that the importance of non-farm business activity also probably declined correspondingly.

Taking all the rural families together for the district as a whole, borrowing for farm business (current as well as capital), family-living (and other purposes) and non-farm business accounted for 42·5 per cent, 38·3 per cent and 19·2 per cent, respectively. Thus, it may broadly be said that of the total borrowings of rural families during the Survey year in the district, a little over two-fifths were for farm business, a little under two-fifths for family living purposes and about one-fifth for non-farm business purposes. The importance of borrowing for farm business is noteworthy, notwithstanding the variations among the different groups and classes as it highlights the generally well-developed agricultural economy in large parts of the district in which the farm business is commercialized, and borrowing for financing it is a fairly widespread feature.

The data collected in the intensive enquiry reveal that borrowings for business purposes both farm and non-farm among the lower strata cultivators amounted to about 52 per cent of the total, whereas among cultivators of the upper strata this proportion was as high as 77 per cent. Owing to the larger share of cultivators of the upper strata in the total borrowings of all cultivators, 72 per cent of the total borrowings (for all cultivators) were for farm and non-farm business purposes and the remaining for family and other expenditure.

4.4 PURPOSE-DURATION OF LOANS

The intensive enquiry data on purposes of borrowing were reclassified to yield information regarding the purpose-duration of loans. Purposes of borrowing were first grouped under the following four categories; (1) agricultural, (2) non-agricultural, (3) consumption, and (4) repayment of old debts. In addition there was a residual item classified as other purposes. The different purposes under each of the first three groups were classified as constituting either a short-term or a long-term purpose of borrowing. For example, among borrowings for agricultural purposes, those in relation to purchase of seeds, manure and other current farm activity have been classified as short-term, whereas those for buildings, digging of wells and similar other investment purposes have been classified as long-term. Among non-agricultural purposes, borrowings for non-farm business purposes on current account have been classified as short-term and those on capital account as

long-term. Among items of family expenditure those relating to day-to-day living such as expenditure on food, etc., have been classified as short-term purposes of borrowing and expenditure on residential houses, ceremonies, etc., as long-term purposes.

The borrowings of cultivators of the upper and the lower strata and those of all cultivators classified according to purpose-duration, are given below.

TABLE 4.4—BORROWINGS OF SELECTED CULTIVATORS CLASSIFIED ACCORDING TO PURPOSE-DURATION

[Intensive enquiry data. Amount in rupees]

Strata	PROPORTION OF BORROWINGS FOR THIS PURPOSE-PERIOD TO THE TOTAL BORROWING IN PER CENT							
	AGRICULTURAL		NON-AGRICULTURAL		CONSUMPTION		Repay-ment of old debts	Others
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term		
	1	2	3	4	5	6		
Upper strata.....	266.8 (22.3)	600.5 (50.1)	17.2 (1.4)	40.4 (3.4)	50.4 (4.2)	133.1 (11.1)	32.7 (2.7)	57.8 (4.8)
Lower strata.....	33.5 (11.0)	104.5 (34.4)	19.2 (6.3)	— —	54.0 (17.8)	50.2 (16.5)	7.4 (2.4)	35.4 (11.6)
All cultivators.....	150.1 (20.0)	352.5 (46.9)	18.2 (2.4)	20.2 (2.7)	52.2 (6.9)	91.6 (12.2)	20.1 (2.7)	46.6 (6.2)

(Figures in brackets give percentages to total.)

The upper and the lower strata cultivators borrowed 50 per cent and 34 per cent, respectively, for long-term agricultural purposes. Short-term borrowings of the upper strata for agricultural purposes were also higher than those of the lower strata cultivators, the respective proportions being 22 per cent and 11 per cent. The generally larger proportion of borrowings for agricultural purposes by the upper strata cultivators as compared to the lower strata is thus reflected in both short-term and long-term borrowings. On the other hand, the proportion of borrowings for consumption purposes by cultivators of the lower strata was larger than that borrowed by cultivators of the upper strata. Long-term consumption loans accounted for 11 per cent and 17 per cent of the total borrowings of the upper and the lower strata cultivators respectively, and short-term consumption loans of these two strata of cultivators accounted for 4 per cent and 18 per cent of their total borrowings respectively. All borrowings for 'long-term' purposes exceeded those for 'short-term' purposes in each of the two strata of cultivators.

4.3 CREDIT REQUIREMENTS

In the intensive enquiry, the selected cultivating families were asked through a questionnaire whether they required credit for certain specified items of capital investment in agriculture including purchase of land and livestock. The specific items included in the questionnaire were (1) purchase of bullocks, (2) purchase of implements and machinery, (3) bunding, land improvement and land reclamation,

(4) increasing the size of holding by tenancy, (5) increasing the size of holding by purchase of land, (6) digging of wells, (7) making use of other irrigation resources and (8) undertaking cultivation of more remunerative but costly crops like cash crops or garden crops.

It is proposed to discuss here the replies to the questions under the various heads specified above. The replies are examined mainly in the light of the data regarding actual expenditure reported by cultivators of the same decile groups on the different items. It is expected that such an examination will bring out both the extent to which the concept of requirements was formulated in relation to actual experience of cultivators and the extent to which the requirements in particular directions were put at a high or a low level in relation to actual expenditure incurred.

The information on the actual expenditure incurred by the cultivators on most of these items was collected in the General Schedule as well as in the intensive enquiry. Data were not collected regarding the actual expenditure incurred for increasing the size of holdings by tenancy, though, as stated above, information about credit requirements for this purpose was sought through the questionnaire. Also, data regarding actual expenditure on cultivation of more remunerative but costly crops were not separately collected; it is expected that these would have been reported partly in 'other' capital investment expenditure in agriculture excluding purchase of land and livestock, and partly in current farm expenditure. The coverage in the case of purchase of land would be identical in both; expenditure incurred on livestock is juxtaposed with reported requirements for bullocks, whereas the actual expenditure on other capital investments in agriculture is juxtaposed with the total of the remaining items, excluding increasing the size of holdings by tenancy and cultivation of more remunerative but costly crops, as the coverage in both cases is broadly similar.

The manner in which the two sets of data differed may be observed separately for the cultivators of the upper and the lower strata. Data for cultivators of the upper strata are given below.

TABLE 4.5—CAPITAL INVESTMENT EXPENDITURE IN AGRICULTURE AND REQUIREMENTS OF DEVELOPMENT FINANCE—UPPER STRATA CULTIVATORS

	Purchase of land	Increase in hold- ing by tenancy	Cultiva- tion of more remunera- tive but costly crops	Purchase of live- stock	Other capital expen- diture in agri- culture	Total
	1	2	3	4	5	6
Expenditure (Rs).....	581	..*	..*	122	228	931
Credit needs (Rs).....	129	66	97	190	729	1,211
Expenditure as percentage of total expenditure (Per cent)	62.4	—	—	13.1	24.5	100.0
Credit needs as percentage of total (Per cent).....	10.6	5.5	8.0	15.7	60.2	100.0

* Actual expenses incurred on these items were not recorded.

The reported total credit requirements of the upper strata cultivators were Rs 1,211 per family ; excluding requirements for increasing the holding by tenancy and the cultivation of costly but more remunerative crops, the actual expenditure incurred on which was not recorded, they amounted to Rs 1,048 per family. The actual total expenditure incurred on capital investment in agriculture was Rs 931 per cultivating family. It may be said, therefore, that the credit requirements for certain development purposes reported by cultivators of the upper strata were, on the whole, not of a very different order of magnitude when compared with the actual total expenditure incurred by them on different items of capital investment in agriculture. There was, however, a significant difference between the pattern of requirements as reported in the questionnaire and the actual capital expenditure incurred during the Survey year.

It may be observed from Table 4.5 that the expenditure on the purchase of land which accounted for 62.4 per cent of the total capital expenditure in agriculture during the Survey year by cultivators of the upper strata, dominated the pattern of investment ; other capital expenditure in agriculture accounted for 24.5 per cent of the total capital expenditure in agriculture during the year and purchase of livestock accounted for the remaining 13.1 per cent. The pattern of credit requirements was characterized by a shift in emphasis from the purchase of land as the main avenue for capital investment in agriculture as revealed by the data on actual expenditure to requirements for investment in the selections represented by items included under other capital expenditure in agriculture. The reported requirements of these items accounted for 60.2 per cent of the total requirements whereas the purchase of land claimed only 10.6 per cent of the reported credit requirements. The importance of livestock remained practically the same as it accounted for 15.7 per cent of the total requirements as against 13.1 per cent of the actual capital expenditure in agriculture incurred for this purpose. The pattern of capital expenditure in agriculture on the one hand and the reported credit requirements for such expenditure, on the other thus present two complementary pictures. In actual expenditure the fact that purchase of land dominated over other types of investment perhaps suggests that the requirements of cultivators of the upper strata in this direction were satisfied to a large extent by the then existing credit system. In this context it would not be surprising that in reply to the questionnaire on credit requirements which—the cultivators naturally interpreted as additional requirements over and above those available to them under the existing rural credit system—were conceived of mainly in relation to the only other directions in which developmental potentialities existed in the district, namely, the directions represented by items under other capital expenditure in agriculture.

The data for cultivators in the lower strata indicate that their credit needs for development purposes were noticeably larger than the actual expenditure on capital investment in agriculture incurred by them. The requirements were placed at

Rs 486 per family as against an expenditure of Rs 153 per family actually incurred. The pattern of expenditure and requirements in different directions was as under.

TABLE 4.6—CAPITAL INVESTMENT EXPENDITURE IN AGRICULTURE AND REQUIREMENTS OF DEVELOPMENT FINANCE : LOWER STRATA CULTIVATORS

	Purchase of land	Increase in holding by tenancy	Cultivation of costly crops	Purchase of live-stock	Other capital expenditure in agriculture	Total
	1	2	3	4	5	6
Expenditure (Rs).....	95	.. *	.. *	38	20	153
Credit needs (Rs).....	1	95	10	139	241	486
Expenditure as percentage of total expenditure.....	62.3			24.6	13.1	100.0
Credit needs as percentage of total.....	0.2	19.5	2.1	28.6	49.6	100.0

* Actual expenses incurred on these items were not recorded.

The proportion of expenditure on the purchase of land to the total expenditure on capital investment in agriculture at 62.1 per cent was nearly the same as that of the upper strata cultivators. The proportion of expenditure on the purchase of livestock was greater than that on other capital investment in agriculture. This trend was in contrast to that observed in the pattern of investment of cultivators of the upper strata. The pattern of credit requirements reported by cultivators of the lower strata showed important variations from that observed in the data on cultivators of the upper strata. It is observed that the proportion of requirements for the purchase of land was insignificant. A substantial proportion of the requirements, however, were reported in connection with increasing the holding by tenancy, at 19.5 per cent of the total. This feature of the data probably indicates that in this fertile area with a fairly high man : land ratio, in which the prevailing scale of land values would also be high, the smaller cultivators saw a better prospect of increasing their holdings by tenancy than by purchase of land. The replies in this context would appear to reflect realistic assessment of their own economic position as well as the prevailing land market in the district.

The proportion of requirements for other capital investment in agriculture exceeded that of those for the purchase of livestock. It is, however, significant that the proportion of requirement for livestock was somewhat higher than the proportion of expenditure incurred on the purchase of livestock to total capital expenditure. It would thus appear that livestock figured in a more important way, in the actual pattern of expenditure as well as in that of credit requirements for capital investment in agriculture. The data discussed above while bringing out important variations between the pattern of credit requirements reported by cultivators of the upper and the lower strata, emphasize that the need for additional credit in connection with items represented by other capital investment in agriculture was perhaps more urgent and pressing than that for purchase of land or livestock.

A breakdown of the credit requirements for and the expenditure incurred on other capital investment in agriculture, is given below with a view to indicating the important directions in which cultivating families of the district desired to channellise additional credit if made available to items under this head.

TABLE 4.7—EXPENDITURE AND CREDIT NEEDS

	Purchase of implements and machinery	Bundling and other land improvements and reclamation of land	Digging of wells	Other irrigation sources	Total	Laying of new orchards and plantations	Construction of farm houses, cattle sheds, etc.	Total
	1	2	3	4	5	6	7	8
Upper strata								
Expenditure.....	33.4* (15.8)	114.4 (54.2)	44.3† (21.0)	18.8 (8.9)	210.9 (100.0)	10.1	6.9	227.9
Credit needs.....	68 (9.3)	265 (36.4)	325 (44.6)	71 (9.7)	729 (100.0)	††	††	
Ratio of credit needs to expenditure.....	2.0	2.3	7.3	3.8				
Lower strata								
Expenditure.....	6.7* (36.0)	10.4 (55.9)	1.5† (8.1)	—	18.6 (100.0)	—	1.5	20.1
Credit needs.....	36 (14.9)	75 (31.1)	125 (51.9)	5 (2.1)	241 (100.0)	††	††	
Ratio of credit needs to expenditure.....	5.4	7.2	83.3	—				

(Figures in brackets are percentages to totals in Col. 5).

* Includes expenditure for transport equipment.

† Includes expenditure for repair of wells.

†† Credit requirements for these items were not recorded.

The recorded items of capital expenditure under the Survey were : (1) Purchase of implements and machinery, (2) Bundling and other land improvements and reclamation of land, (3) Digging of wells, (4) Other irrigation resources, (5) Laying of new orchards and plantations and (6) Construction of farm houses, cattle sheds, etc. The questionnaire on credit requirements for development purposes did not include the last two items in the above list. A comparison between the actual expenditure incurred and the reported credit requirements can, therefore, be made only between the first four items. It may be observed at the same time that the expenditure on these four items accounted for the bulk of the total other capital expenditure in agriculture and, therefore, the comparison between the total expenditure and credit requirements under this head, attempted in the preceding discussion is not likely to be materially affected on this account.

Confining attention to the four items, it is observed that land improvements such as bunding, reclamation of land, etc., accounted for more than half the total

expenditure incurred on these items by the upper strata cultivators. Digging of wells came next in importance, whereas purchase of implements and machinery and development of other irrigation resources together accounted for a little less than 25 per cent of the total expenditure. The pattern of credit requirements reveals that digging of wells received the highest priority followed by requirements in connection with land improvements. Purchase of implements and machinery and development of other irrigational resources were relatively less important, as in the pattern of actual expenditure. The data for cultivators of the lower strata, though somewhat different in the relative importance of different items from those of cultivators of the upper strata, also emphasize the importance of additional credit requirements in connection with digging of wells. The pattern of expenditure of the lower strata cultivators indicates that bunding and other land improvements and reclamation of land claimed a little more than half of the total expenditure on these four items as in the data for cultivators for the upper strata. The purchase of implements and machinery, however, came next in importance followed by expenditure on digging of wells. Expenditure on the development of other irrigation resources was not reported by the lower strata cultivators. The pattern of credit requirements of the lower strata cultivators revealed that more than half of the total credit requirement was in connection with digging of wells, followed by requirements in connection with land improvements and purchase of implements and machinery. The importance of digging of wells in the pattern of credit requirements, in contrast with the pattern of actual expenditure, probably indicates that construction of wells provided an important potentiality for investments in agriculture in the district. It should be noted in this context that six out of the eight selected villages were upland villages without canal irrigation, which may perhaps account for the importance attached by the cultivating families of the district to construction of wells, in the pattern of credit requirements. It is noteworthy at the same time that in the pattern of actual expenditure, digging of wells claim only a small proportion of the total outlay on other capital investment in agriculture. The expenditure on land improvements claim a substantial proportion of the total expenditure incurred by cultivators of both the strata, indicating that this expenditure was perhaps of a more urgent nature, which had to be met first. Operations such as bunding, reclamation of land, etc., are often in the nature of annual repairs or involve only a small expenditure as for example in clearing small shrubs or bushes from fallow land. Thus the expenditure on land improvements may either present itself as an urgent necessity as in the case of bunding or, in relation to the costs involved, the benefits expected to be derived may be substantial, as in the case of reclamation of land in certain cases. The importance of expenditure on land improvements revealed by the data is perhaps explained by the operation of both these factors in the district's agricultural economy.

Cultivators were asked certain supplementary questions relating to the terms and conditions on which they would be able to sustain additional credit, if supplied, in connection with the questionnaire on credit requirements for development

purposes. A majority of the cultivators of both the strata indicated in their replies that they would like to have credit at interest rates ranging between 4 and 5 per cent per annum. There were a few, however, who wanted additional finance at even less than 3 per cent and others, who were prepared to pay even more than 5 per cent. The following is the frequency distribution of cultivators requiring additional finance at different rates of interest.

	Upper strata	Lower strata
Number of cultivators investigated.....	80	40
Number of cultivators who did not reply..	7	3
Number of cultivators who wanted loans :		
At 3 per cent or less.....	15	10
At 3 to 4 per cent.....	—	—
At 4 to 5 per cent.....	42	22
Above 5 per cent.....	16	5

It may be recalled that an overwhelming proportion of cultivators paid an interest rate above 5 per cent on the credit obtained by them, as may be observed from the following.

	Upper strata	Lower strata
Percentage of number of loans borrowed at various interest rates :		
Free of interest.....	5·8	20·5
Above 5 per cent.....	94·2	79·5

The distribution of cultivators according to the period for which additional credit was required by them is given below.

	Upper strata	Lower strata
Number of cultivators.....	80	40
Number of cultivators who did not give information.....	7	3
Number of cultivators who wanted loans for different periods :		
6 to 12 months.....	1	1
1 to 2 years.....	10	8
2 to 5 years.....	36	18
Above 5 years.....	26	10

The number of cultivators who required credit for a short-term period of less than one year was insignificant. The cultivators who wanted credit for more than one year are grouped into three categories according to the period, *i.e.*, 1 to 2 years, 2 to 5 years and above 5 years. 50 per cent of those who required credit for more than one year in both the strata of cultivators were in the group of 2 to 5 years. The number of those who required credit for more than 5 years was larger than

those requiring it for a period of 1 to 2 years in both the strata of cultivators, although this was markedly so, in the upper strata. The data thus lead to the conclusion that the requirements of development finance of a majority of cultivating families of the district were of a medium-term character. The distribution of cultivating families according to the nature of security they were prepared to offer in connection with their credit requirements is given below.

	Upper strata	Lower strata
Number of cultivators investigated.....	80	40
Number of cultivators who did not reply.....	7	3
Security which cultivators were prepared to offer :		
Personal security.....	6	9
Immovable property.....	67	28

The cultivating families were generally prepared to offer security of immovable property as evident from their replies, although the nature of security actually offered by them as revealed by their loan transactions, was personal security in an overwhelming number of cases.

The questionnaire on credit requirements sought to ascertain if the cultivators experienced any special difficulties in meeting current farm expenses and if so, the main directions in which they required additional credit in this sphere. The requirements were grouped under three heads namely : (i) intensive tillage, (ii) better manure and (iii) purchase of seeds. The response to the question on whether or not cultivators experienced difficulties in meeting current farm expenses was not as satisfactory as in most other cases as nearly half the number of cultivators in each strata did not reply. Two-thirds and four-fifths of those who replied in the upper and the lower strata, respectively, however, said that they experienced difficulties in this connection. Almost all the cultivators replied to the question as to the directions in which they would divert additional credit for current farm expenses, if made readily available. An overwhelming majority of cultivators in both the strata said that they would divert such credit towards better manuring. Among the upper strata cultivators about one-fourth of the total said that they would also use additional credit for intensive tillage and purchase of seeds. Among the lower strata, however, a larger number of cultivators wanted additional credit for intensive tillage than for purchase of seeds. The replies indicate the fact that whereas cultivators generally were able to satisfy their requirements of seed they were prepared to borrow for purchasing manures if credit was available. This trend probably reflects the fact that while most cultivators can have their own supply of good seed, or purchase it at little expense, manures (particularly for paddy, tobacco, etc.) are much more expensive.

CHAPTER 5

REPAYMENTS

The repayments made by the rural families in the district during the Survey year are considered in this chapter. An attempt is also made to relate repayments actually made during the year to the repayment requirements arrived at on the basis of the data on the purposes of borrowing and debt.

5.1 EXTENT AND VOLUME OF REPAYMENTS

5.1.1 Average repayments per family

The average amounts repaid per family by the different groups are indicated below.

Group	Amount in rupees
Big cultivators.....	1,271
Large cultivators.....	615
Medium cultivators.....	126
Small cultivators.....	79
All cultivators.....	262
Non-cultivators.....	98
All families.....	177

The pattern of repayment is similar to that of debt and borrowings in different groups. The non-cultivators reported a lower level of repayments than cultivators. Among cultivators, repayments declined with the decline in the size of cultivated holdings. The disparity between the amount of repayments made by the big and the large cultivators on the one hand and the medium and small cultivators on the other is again striking as in the case of borrowings and debt. It may, however, be observed that the repayments made by the non-cultivators were slightly higher per family than those made by the small cultivators, although the borrowings and debt of the small cultivators were larger.

5.1.2 Proportion of repaying families

The proportions of families reporting repayments during the year in the different groups are given on page 48.

The proportion of repaying families in the big and the large cultivators' groups on the one hand and in the medium and the small cultivators' groups on the other does not show a marked difference such as that observed in the average amount of repayments per family. There was, however, a small decline in the proportion of repaying families from the large to the small cultivators' group. The proportion of

Group	(Proportion of families reporting repayments) (Per cent)
Big cultivators.....	58·2
Large cultivators.....	60·1
Medium cultivators.....	55·6
Small cultivators.....	47·5
All cultivators.....	54·6
Non-cultivators.....	31·5
All families.....	42·6

repaying families in the non-cultivators' group was again substantially lower than that in the cultivators' group.

The proportion of repaying families in five of the eight selected villages generally ranged between 40 and 50 per cent. The more usual variation among cultivators was between 40 and 60 per cent and among the non-cultivators between 20 and 40 per cent. This general trend, however, was not without exceptions. In two villages, namely Parimella and Ankampalem, the proportions of repaying cultivating families were relatively high at 73 and 66 per cent, respectively, whereas in one village, namely Dondapudi it was relatively low at 35 per cent, perhaps because of the unfavourable seasonal conditions in the village during and preceding the Survey year.

5.2 REPAYMENTS IN RELATION TO BORROWINGS AND DEBT

5.2.1 Repayments in relation to borrowings

Repayments may be seen in relation to borrowings during the year and debt outstanding at the beginning of the year plus borrowings during the year in view of the fact that repayments were made only by those families who had either borrowed during the year or were indebted at the beginning of the year, or both. The relationship between borrowings and repayments is considered first.

The proportions of repaying to borrowing families in the different groups are given below.

TABLE 5.1—PROPORTION OF BORROWING AND REPAYING FAMILIES

Group	Proportion of borrowing families (Per cent)	Proportion of repaying families (Per cent)	Proportion of repaying to borrowing families (Per cent)
Big cultivators.....	81·6	58·2	71·3
Large cultivators.....	83·1	60·1	72·4
Medium cultivators.....	78·3	55·6	71·0
Small cultivators.....	71·7	47·5	66·3
All cultivators.....	77·8	54·6	70·1

The proportion of repaying to borrowing families among the different groups of cultivators was broadly similar except in the small cultivators' group, where it was somewhat lower. The proportion of repaying to borrowing non-cultivating families was distinctly smaller than that of the cultivating families, in view of the fact that the proportion of repaying non-cultivators was markedly smaller than that of cultivators.

Repayments as percentage of the total amount borrowed in the different groups of cultivators are given below.

TABLE 5.2—PROPORTION OF REPAYMENTS TO BORROWINGS

Group	Borrowings per family (Rs)	Repayments per family (Rs)	Repayments as percentage of borrowings (Per cent)
Big cultivators.....	2,783	1,271	45.7
Large cultivators.....	1,365	615	45.0
Medium cultivators.....	272	126	46.3
Small cultivators.....	173	79	45.4
All cultivators.....	578	262	45.3

The repayments constituted about the same proportion of borrowings in all groups of cultivators, indicating that the decline in borrowings from the big to the small cultivators' group was accompanied by a corresponding decline in the repayments made by cultivators in these four groups. The proportion of repayments to borrowings in the non-cultivators' group was substantially higher than that in the cultivators' group in view of the fact that the repayments made by non-cultivators were relatively larger.

5.2.2 Repayments in relation to debt plus repayments

Repayments recorded during the Survey year might have been made towards the borrowings contracted during that year or towards the debt outstanding at the beginning of the year. These two together would be equal to the debt outstanding at the end of the year plus repayments made during the year. Repayments as percentage of debt plus repayments are indicated below.

Group	Repayments as percentage of debt plus repayments (Per cent)
Big cultivators.....	24.3
Large cultivators.....	23.8
Medium cultivators.....	20.5
Small cultivators.....	24.0
All cultivators.....	23.1
Non-cultivators.....	30.6
All families.....	24.8

The relationship between repayments and debt plus repayments also exhibits striking similarity between the four groups of cultivators indicating that the decline in the outstanding debt from the big to the small cultivators' group was accompanied by a corresponding decline in the repayments made. The proportion of repayments to debt plus repayments in the non-cultivators' group was higher than that for all cultivators, in view of the relatively larger repayments made by the non-cultivators.

5.3 VOLUME OF REPAYMENTS

We have discussed in Chapter 3 the possibility of a distortion or an aberration in the data relating to repayments creeping in, either as the result of a failure to report repayments made far back in the twelve-month period to which the Survey relates or because repayments of the *rabi* season of the previous as well as the Survey year may have fallen outside the Survey year. It was observed in connection with the analysis of the growth of debt during the year that the existence of such a distortion or an aberration cannot be inferred from the available evidence.

Given the ability and willingness to repay, the relationship that repayments made during the year would bear to outstanding loans, whether borrowed during the year or earlier, would depend on the purposes and terms of these loans. Institutional lenders whether Government or co-operative societies, generally stipulate these conditions. Short-term working capital and current consumption loans would usually be for a period of one season only, to be repaid from the sale proceeds of the crops of that season. On the other hand, medium and long-term loans whether for production purposes or for occasional consumption expenditure of a large order such as those for purchase of implements or land or marriage or death ceremonies, would tend to be repaid in small instalments over a number of years. So far as borrowings from private agencies are concerned, although there would not be a rigid set of terms and conditions, the mode of repayment would be generally governed by the purpose of borrowing even in their case.

Reasoning on the lines discussed above, it would be possible to indicate roughly from the data relating to purposes of loans borrowed during the year as to what proportion of the borrowings of cultivators during the Survey year fell due for repayment during that year. It would further be possible to judge the repayment requirements for the whole of the debt towards which repayments were made, by making some assumption regarding the proportion of debt outstanding at the beginning of the year which fell due for repayment during the year. We have proceeded in our calculations on two possible measures. One is that the repayment requirement would amount to one-third of the outstanding debt at the beginning of the year and another that it would amount to one-fifth. In case of borrowings during the year, repayments would be against short-term borrowings only since by definition, medium-term or long-term borrowings made during the year would not fall due for repayments within the twelve-month period. Even in case of short-term borrowings, however, all would not fall due for repayment within the particular twelve-month period of the Survey. It was already noted that the Survey year was centred

around the *kharif* season. It may well happen that short-term borrowings for the *kharif* season contracted between April to September may tend to be repaid immediately after the sale of *kharif* crops, i.e., within the period November-December to March during which the General Schedule was canvassed. It is obvious, however, that short-term borrowings in connection with the *rabi* season would not tend to be similarly repaid during the Survey year and may fall due for repayment after that year. On the above reasoning it may be assumed that approximately half of the short-term borrowings made during the year would have to be repaid during the year.

The volume of repayments on the basis of above assumptions may be seen from the following table.

TABLE 5.3—REPAYMENT REQUIREMENTS AND VOLUME OF REPAYMENTS

[Intensive enquiry data. Amount in rupees per family]

Strata	Debt at the beginning of the year	Borrowings for short-term purposes	Repayment requirements (1/3 of col. 1 + 1/2 of col. 2)	Repayment requirements (1/5 of col. 1 + 1/2 of col. 2)	Repayments made during the year	Col. 5 as percentage of col. 3	Col. 5 as percentage of col. 4
	1	2	3	4	5	6	7
Upper strata.....	935·7	334·4	479·1	354·3	509·1	106·3	143·7
Lower strata.....	261·9	106·7	140·7	105·8	136·4	96·9	128·9
All cultivators.....	598·8	220·5	309·9	230·1	322·8	104·2	140·3

The proportion of repayments made during the year to repayment requirements on the basis of one-third of the debt outstanding at the beginning of the year, plus half of the total borrowings for short-term purposes during the year, was around 100 per cent for both the strata of cultivators. The percentage of repayments made during the year to repayment requirements for all cultivators exceeded 100 per cent. The volume of repayments of cultivators would, therefore, appear to have been satisfactory even in relation to the repayment requirements assumed on higher side. The proportion of repayments made during the year to repayment requirements on the basis of one-fifth of the total debt outstanding at the beginning of the year plus half of the total short-term borrowings during the year, exceeded 100 per cent for both the strata of cultivators. The volume of repayments of the upper strata cultivators in relation to requirements was better than that of the lower strata cultivators.

5.4 SOURCES OF FINANCING REPAYMENTS

The sources from which repayments were financed by rural families are given in table on page 52.

The significance of the different sources of finance may be mentioned here. Current income and past savings indicate mainly finance from the owned resources

TABLE 5.4—SOURCES OF FINANCE FOR REPAYMENTS

[General Schedule data]

Source of finance	Total repayments per family	Percentage to total
	(Rs)	
Current income.....	108	61·1
Past savings.....	—	0·1
Sale of assets.....	26	14·5
Borrowings.....	14	8·0
Other sources.....	29	16·3
Total.....	177	100·0

of the cultivator. Borrowings on the other hand additionally indicate inability to finance the expenditure from owned resources. Sale of assets would also normally imply 'disinvestment' unless the sale in question represents a transaction in the normal course of business such as for example, sale of livestock by livestock breeders. The significance of other sources of finance was not quite clear. It is apparent, however, that 22·5 per cent of the total repayments financed out of borrowings and sale of assets resulted in a deterioration in the economic position of the cultivating families. The fact that sale of assets and borrowings had to be resorted to for financing repayments to this extent modifies the general picture emerging from the analysis of volume of repayments inasmuch as the repayment made from these sources was accompanied by a deterioration in the economic position of the cultivating families.

CHAPTER 6

FAMILY EXPENDITURE

6.1 INTRODUCTION

The term family expenditure under which we discuss below the pattern of expenditure by rural families connected with certain aspects of family living cannot be construed to mean 'total family expenditure'. It has already been indicated that the objective underlying the attempt to collect data on certain items of expenditure by rural families, was mainly to enable these families to recapitulate the main occasions for borrowing during the year. One-third of the total borrowings of rural families was for family expenditure. The important occasions of expenditure in connection with family living which gave rise to the need for borrowing and the level of total expenditure on these occasions, are aspects with which the present chapter is concerned. The items of expenditure in connection with family living on which information was collected were (1) construction and repairs of residential houses and other buildings, (2) purchase of household utensils, furniture, etc., (3) death ceremonies, (4) marriage and other ceremonies, (5) medical expenses, (6) educational expenses, (7) clothing, shoes, bedding, etc., and (8) litigation charges*. It would be observed that the most important direction in which data on family expenditure were not collected was expenditure incurred in connection with small day-to-day consumption needs of the family.

The total family expenditure on recorded items incurred by cultivators, non-cultivators and all rural families, according to the General Schedule is given below.

Group	(In rupees per family)
Big cultivators.....	1,683
Large cultivators.....	930
Medium cultivators.....	293
Small cultivators.....	198
All cultivators.....	460
Non-cultivators.....	168
All families.....	309

The main features of the data are that (i) the level of family expenditure was generally higher among the cultivators than among the non-cultivators, (ii) the

* Information on this item was collected under a general heading 'other expenditure' but is treated here along with other items of family expenditure, being closely allied to it.

level of expenditure of even the group of small cultivators was higher than that of non-cultivators and (iii) the level of expenditure of the big and the large cultivators was much higher than that of the medium and the small cultivators. The data for individual villages showed that the level of expenditure of cultivators as a group was uniformly higher than that of non-cultivators. This is, however, not true of the small cultivators and non-cultivators for all villages, the non-cultivators reporting a slightly higher amount of expenditure than the small cultivators in I. Pangidi and Tadikalapudi. The medium cultivators showed a uniformly higher level of expenditure than that of the small cultivators in all villages except Ankampalem.

6.2 CLASSIFICATION OF RECORDED ITEMS OF FAMILY EXPENDITURE

We might consider separately the expenditure on individual items of family living, recorded during the Survey. These items have been divided into four broad classes for the purposes of general comparison. The first of these is the expenditure on construction and repairs of residential houses and other buildings, the second is the expenditure on the purchase of durable consumer goods such as utensils, furniture, clothing, shoes, etc., the third is the expenditure in connection with death, marriage and other ceremonies and the fourth is medical and educational expenses and litigation charges.

6.2.1 Expenditure on construction and repairs of residential houses and other buildings

The expenditure on construction and repairs of residential houses and other buildings incurred by cultivators, non-cultivators and all families along with the proportion of this expenditure to the total expenditure on family living, is given below.

TABLE 6.1—EXPENDITURE ON CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS

[General Schedule data. Amount in rupees per family]

Group	Total family expenditure	Expenditure on construction and repairs of residential houses and other buildings	Expenditure on construction and repairs of residential houses and other buildings as percentage of total family expenditure
			(Per cent)
	1	2	3
Big cultivators.....	1,683	529	31·4
Large cultivators.....	930	246	26·5
Medium cultivators.....	293	40	13·7
Small cultivators.....	198	23	11·6
All cultivators.....	460	98	21·4
Non-cultivators.....	168	25	14·6
All families.....	309	60	19·4

The data indicate that construction and repairs of residential houses was a more important activity for the big and the large cultivators' groups, not only in terms of the amount of expenditure incurred but also in relation to the total family expenditure, reported by this group as compared to that in the medium and the small cultivators' groups. The relative importance of expenditure on this item to non-cultivators was slightly higher than those of medium and the small cultivator. The proportion of families reporting expenditure on this item was between 42 per cent and 43 per cent in both the cultivators' and non-cultivators' groups, whereas the expenditure incurred per reporting family amounted to Rs 230 among cultivators and Rs 58 among non-cultivators.

The expenditure on construction and repairs of residential houses may be said to reflect both physical necessity and levels of living. The variations in this expenditure among the selected villages bring out both these aspects. The average expenditures per family on this item in the selected villages, incurred by the cultivators, non-cultivators and all families as well as the proportion of cultivators incurring this expenditure are given below.

TABLE 6.2—EXPENDITURE PER FAMILY ON CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS : VILLAGE-WISE

[General Schedule data. Amount in rupees per family]

Village	CULTIVATORS		NON-CULTIVATORS	ALL FAMILIES
	Amount	Proportion of families reporting expenditure (Per cent)	Amount	Amount
	1	2	3	4
Parimella.....	328	65.0	24	186
Ajjaram.....	181	56.2	35	94
I. Pangidi.....	118	55.6	42	84
Tadikalapudi.....	55	30.7	15	41
Dondapudi.....	48	24.7	26	31
Pendyala.....	38	49.1	37	38
Karicherlagudem.....	34	29.7	9	18
Ankamplem.....	5	21.3	14	10
District.....	98	42.7	25	60

The ranking of villages in the descending order of the amount of expenditure per cultivating family and the proportion of families incurring expenditure does not show a marked difference. Parimella, Ajjaram and I. Pangidi occupy the first three places and Ankamplem the last place in both the cases. Pendyala which occupied a sixth place according to the level of expenditure per family, however, moved up to the fourth place according to the proportion of families incurring expenditure on this item. This village was overtaken by a cyclone in 1949 which appears to have been responsible for a large proportion of families incurring expenditure on construction and repairs of residential houses and other buildings.

6.2.2 Expenditure on purchase of durable consumer goods

We take up now for consideration the expenditure of rural families on durable consumer goods. In this group, expenditure was separately recorded for (1) purchase of household utensils, furniture, etc., and (2) purchase of clothing, shoes, bedding, etc. Table 6.3 below gives the expenditure on purchase of household utensils, furniture, etc.

TABLE 6.3—EXPENDITURE ON PURCHASE OF HOUSEHOLD UTENSILS, FURNITURE, ETC.

[General Schedule data]

	Expenditure per family	Proportion of families reporting expenditure	Expenditure as percentage of total family expenditure
	(Rs)	(Per cent)	(Per cent)
	1	2	3
Cultivators	13	15.4	2.9
Non-cultivators	5	13.3	3.1

The data for different villages indicate that in Ankampalem practically no expenditure was incurred on this item by the rural families. The expenditure incurred on this item by all families ranged from Rs 5 per family in Pendyala to Rs 18 per family in Ajjaram.

Expenditure on clothing, shoes, bedding, etc., was reported by almost all the rural families. The average expenditure on this item per family, the proportion of families reporting expenditure and the proportion of expenditure to total family expenditure are given below for cultivators and non-cultivators.

TABLE 6.4—EXPENDITURE ON PURCHASE OF CLOTHING, SHOES, BEDDING, ETC.

[General Schedule data]

	Expenditure per family	Proportion of families reporting expenditure	Expenditure as percentage of total family expenditure
	(Rs)	(Per cent)	(Per cent)
	1	2	3
Cultivators	155	98.6	33.7
Non-cultivators	75	94.2	44.7

This was by far the largest single item of expenditure incurred by cultivators as well as non-cultivators, among the recorded items of family expenditure. The importance of this item of expenditure among different groups of cultivators showed significant variations. It was observed for example that it accounted for 43.3 and 46.1 per cent of the total family expenditure of the medium and the small cultivators, respectively, as against only 24.7 and 27.3 per cent of the total family expenditure of the big and the large cultivators, respectively. It is at the same time noteworthy

that the expenditure incurred on this item by the big and the large cultivators in terms of amounts was larger than that incurred by the medium and the small cultivators, the average expenditure per family being Rs 415, Rs 254, Rs 127 and Rs 91 from the big to the small cultivators' groups. The proportion of expenditure on clothing, shoes, etc., to the total family expenditure thus appears to have been larger in the medium and the small cultivators' groups as compared to that of expenditure on this item to the total in the big and the large cultivators' groups, mainly because the expenditure on these essential items absorbed a substantial proportion of the resources available to the medium and the small cultivators for family expenditure. It could, therefore, be said that a larger proportion of expenditure on this item by the medium and the small cultivators to the total family expenditure was indicative of the compulsive character of requirements of clothing, etc., which had to be satisfied first before outlays in other directions could be undertaken.

Expenditure on clothing, shoes, bedding, etc., would reflect, more than expenditure on any other recorded item, the prevailing levels of living. The level of expenditure on this item in different selected villages is set out below for the cultivating and the non-cultivating families.

Village	Cultivators (Rs)	Non-cultivators (Rs)
I. Pangidi.....	223	124
Ajjaram.....	213	95
Parimella.....	191	95
Dondapudi.....	151	77
Karicherlagudem.....	126	48
Pendyala.....	120	50
Tadikalapudi.....	115	75
Ankampalem.....	93	39

I. Pangidi and the two irrigated villages namely, Ajjaram and Parimella ranked at the top in the descending order of villages arranged according to the size of expenditure per cultivating family. Ankampalem, the upland village, showed the lowest level of expenditure on this item among the selected villages. It is also noteworthy that the ranking of villages according to the level of expenditure on this item per cultivating as well as non-cultivating family was practically the same. It would, therefore, appear that the factors conditioning the village economy as a whole such as location, etc., influenced the cultivating as well as the non-cultivating families of the village in a similar way.

6.2.3 Expenditure on death, marriage and other ceremonies

Expenditure on ceremonial occasions may be considered next. Expenditure on death ceremonies and on marriage and other ceremonies were recorded separately in the General Schedule. The expenditure on death ceremonies and its relative importance in the total family expenditure may be observed from Table 6.5 on page 58.

TABLE 6.5—EXPENDITURE ON DEATH CEREMONIES

[General Schedule data]

	Expenditure per family	Proportion of families reporting expenditure	Expenditure as percentage of total family expenditure
	(Rs)	(Per cent)	(Per cent)
	1	2	3
All cultivators.....	13	8.9	2.8
Non-cultivators.....	7	7.1	4.0

In view of the small proportion of the families reporting expenditure on this item, its share in the total family expenditure was small. The families incurring this expenditure spent on an average Rs 143 per reporting family among cultivators and Rs 94 per reporting family among the non-cultivators.

As occasions of expenditure, marriages and other ceremonies are important. The data about expenditure on marriage and other ceremonies are set out below.

TABLE 6.6—EXPENDITURE ON MARRIAGE AND OTHER CEREMONIES

[General Schedule data]

	Expenditure per family	Proportion of families reporting expenditure	Expenditure as percentage of total family expenditure
	(Rs)	(Per cent)	(Per cent)
	1	2	3
All cultivators.....	109	20.1	23.6
Non-cultivators.....	29	12.7	17.4

The importance of expenditure on marriage and other ceremonies was next only to that of expenditure on purchase of clothing, shoes, bedding, etc., both among the cultivating as well as the non-cultivating families. The expenditure on this item, however, was reported by a small proportion of families unlike that on purchase of clothing, bedding, shoes, etc. The level of expenditure per family on this item in the selected villages was generally larger in the small cultivators' group as compared to that in the non-cultivators' group except in Ajjaram and Pendyala.

6.2.4 Medical and educational expenses and litigation charges

The important occasions of family expenditure leading directly to consumption are covered by the preceding discussion. Expenditure incurred by the rural families on professional services such as medical, educational and legal are given on page 59.

Medical expenses constituted the most important type of expenditure among this group, accounting for about 10 per cent of the total family expenditure of rural families. The proportion of rural families incurring expenditure on this item was more than one-third of the total and it was as high as two-fifths of the total in the cultivating class. The high proportion of families reporting expenditure on medical

TABLE 6.7—MEDICAL AND EDUCATIONAL EXPENSES AND LITIGATION CHARGES
[General Schedule data]

	MEDICAL EXPENSES		EDUCATIONAL EXPENSES		LITIGATION CHARGES	
	Culti-vators	Non-culti-vators	Culti-vators	Non-culti-vators	Culti-vators	Non-culti-vators
	1	2	3	4	5	6
Expenditure per family (Rs)..	43	19	18	4	11	4
Proportion of families reporting expenditure (Per cent)..	40·8	31·9	10·3	4·1	10·4	2·5
Expenditure as percentage of total family expenditure (Per cent).....	9·3	11·6	3·9	2·4	2·4	2·3

services may be the result of a fairly well-developed economy in which, a substantial proportion of the rural families have access to and can afford medical services, or it may indicate a high incidence of certain endemic diseases. It appears that both these factors were probably responsible for the high proportion of families reporting expenditure on medical services. The incidence of malaria in this district, as pointed out earlier is quite high, indicating that sanitary and health conditions in the rural areas of the district are not very satisfactory. The level of expenditure on medical services was the highest in Dondapudi situated near the forests and it was also high in the two irrigated villages. The importance of expenditure on education and litigation charges in the total family expenditure was relatively small, both in the cultivating and non-cultivating classes. The proportion of families reporting expenditure on education and litigation charges was higher in the cultivating than in the non-cultivating class. The average expenditure on litigation charges in three villages of the upland tract which are relatively backward was higher than that in the other selected villages of the district.

The sources from which the total family expenditure of all rural families was financed, are indicated below.

TABLE 6.8—SOURCES OF FINANCE FOR DIFFERENT ITEMS OF FAMILY EXPENDITURE : ALL FAMILIES
[General Schedule data]

Source of finance	Amount (Rs)	Percentage to total
	1	2
Current income.....	171	55·3
Past savings.....	30	9·7
Sale of assets.....	9	2·9
Borrowings.....	97	31·4
Other sources.....	2	0·6
Total.....	309	100·0

A substantial proportion of family expenditure was financed from owned resources, viz., current income and past savings. Borrowings accounted for financing a little less than one-third of the total family expenditure on recorded items. The extent to which borrowing was resorted to for financing different items of family expenditure showed some variations. It is observed that expenditure on durable consumer goods such as utensils, furniture, clothing, shoes, bedding, etc., and that on education was financed to a very small extent from borrowings. Expenditure on ceremonial occasions was financed from borrowings to a greater extent than any other item of family living. A substantial proportion of expenditure on construction of residential houses and other buildings as well as that on medical and legal services was also financed from borrowings. The pattern of financing different items of family expenditure reveals that occasional expenditure such as ceremonial expenditure, expenditure on construction and repairs of residential houses and other buildings, medical expenses and litigation charges tend to be financed by borrowings to a greater extent than other items of family expenditure.

The variations in the pattern of financing family expenditure according to the size of cultivated holdings may be illustrated with the help of the data collected in the intensive enquiry.

TABLE 6.9—FAMILY EXPENDITURE ACCORDING TO SOURCE OF FINANCE

[Intensive enquiry data. Amount in rupees]

Source of finance	TOTAL FAMILY EXPENDITURE	
	Upper strata	Lower strata
	1	2
Current income.....	299.0 (50.5)	117.7 (47.2)
Past savings.....	76.0 (12.8)	17.3 (6.9)
Sale of assets.....	26.6 (4.5)	13.2 (5.3)
Borrowings.....	190.3 (32.2)	101.3 (40.6)
Total.....	591.9 (100.0)	249.5 (100.0)

(Figures in brackets indicate percentages to total)

The lower strata cultivators resorted to borrowing for financing family expenditure to a greater extent than the upper strata cultivators. This trend is not inconsistent with the data on purposes of borrowing which revealed that a larger proportion of the total borrowing of cultivators in the lower strata was for family expenditure than that of borrowings of cultivators in the upper strata.

CHAPTER 7

CAPITAL EXPENDITURE

7.1 INTRODUCTION

The data on capital expenditure discussed in this chapter have significance from two points of view. Firstly, capital expenditure may often be an occasion for borrowing. Secondly, capital expenditure may result in an increase in the capital assets of the cultivator and may improve his productive capacity. In relation to the first aspect, capital expenditure stands on the same footing as family expenditure, but in relation to the second aspect, it has further significance as it throws light on capital formation in the rural areas of the district.

The data on capital expenditure have been classified for detailed examination into three categories. There are, firstly, the data relating to financial investment expenditure by the rural families. This data taken together with information collected in the intensive enquiry regarding financial assets of the sample of cultivating families and their preference in relation to channels into which savings could be directed, present a total picture of financial savings and investments of rural families, which is of considerable importance for the purpose of our enquiry. Secondly, there is the item which we have termed 'non-farm business investment expenditure'. This is an omnibus class about which we have not much detailed information but the total dimension of which may be of significance for our enquiry. Capital expenditure other than that on financial investment or non-farm business has been termed 'capital expenditure in agriculture'. In this group, capital expenditure on purchase of land and livestock had been treated apart from other capital expenditure in agriculture. The reasons for treating them separately are set down at the appropriate place.

7.2 FINANCIAL INVESTMENT EXPENDITURE

Information relating to financial investments is drawn from three sources. The first is the return in the General Schedule, of expenditure under the class called 'financial investment' which includes a number of items. The information relates to actual expenditure incurred during the year by the families covered by the General Schedule. The two additional sources of information relate to the data obtained in the intensive enquiry. The first of these comprises ownership of financial assets by the selected cultivating families, information on which was obtained in the schedule relating to the assets position of the selected cultivating families and the second, replies given by the cultivators to the questionnaire on savings possibilities and savings behaviour.

Information on expenditure incurred on acquiring financial assets was collected in the General Schedule under three heads, namely, (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. It will be observed that postal savings were not included under deposits in the intensive enquiry relating to assets but instead were classified along with assets held in the form of National Savings Certificates, etc.

The proportion of rural families reporting expenditure on each of the three categories of financial assets during the year, the amount of expenditure incurred per reporting family as well as the average expenditure per family as ascertained in the General Schedule are given in Table 7.1 below.

TABLE 7.1—FINANCIAL INVESTMENT EXPENDITURE : PROPORTION OF FAMILIES REPORTING EXPENDITURE, EXPENDITURE PER FAMILY AND PER REPORTING FAMILY

Group	PURCHASE OF SHARES IN CO-OPERATIVE SOCIETIES, BANKS, ETC.			ADDITIONS TO DEPOSITS IN CO-OPERATIVE SOCIETIES, POSTAL SAVINGS AND OTHER BANKS, ETC.			PURCHASE OF NATIONAL SAVINGS CERTIFICATES, TREASURY BONDS, ETC.		
	Pro- por- tion of fam- ilies report- ing expen- diture	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion of fam- ilies report- ing expen- diture	Expen- diture per family	Expen- diture per report- ing family	Pro- por- tion per report- ing family	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
Big cultivators.....	3.1	1	44	10.6	72	682	—	—	—
Large cultivators.....	1.9	1	29	4.5	25	566	—	—	—
Medium cultivators.....	0.9	—	5	1.0	2	174	—	—	—
Small cultivators.....	0.5	—	27	0.2	—	37	—	—	—
All cultivators.....	1.1	—	21	1.8	8	464	—	—	—
Non-cultivators.....	0.3	1	20	1.0	2	239	—	—	75
All families.....	0.7	—	21	1.4	5	382	—	—	75

Investment by the rural families of the district in the purchase of National Savings Certificates, Treasury Bonds, etc., appears to have been negligible during the Survey year. The amount invested in the purchase of shares in co-operative societies, banks, etc., by the rural families of the district was also insignificant although the proportion of families reporting purchase of this type was higher than that of those reporting purchase of National Savings Certificates, etc. The only significant form of financial investment reported by the rural families of the district was deposits in co-operative societies, postal savings and other banks, etc. The proportion of

families reporting purchase of shares in co-operative societies, etc., as well as of those reporting deposits in co-operative societies, etc., during the Survey year showed a decline from the big to the small cultivators' group and from the cultivators' to the non-cultivators' class. The amounts involved in the purchase of shares and additions to deposits also showed a similar trend.

The proportion of families reporting purchase of shares in co-operative societies, banks, etc., may be indicative of the extent to which additions to membership in co-operative institutions occurred in the district during the Survey year. The expenditure incurred on the purchase of shares does not necessarily indicate purchase of shares by new members only. The practice of making payments towards the purchase of shares in instalments is prevalent in co-operative institutions of the district. The proportion of families reporting purchase of shares in co-operative societies, etc., therefore, may not comprise only those who were enrolled as new members during the Survey year. The variations in these proportions between different groups of cultivators, however, would be of significance as indicating the extent to which membership of co-operative institutions in the district was drawn from different cultivating families during the year, as there is no reason to believe that of those who reported expenditure on the purchase of shares in co-operative societies, the proportion of new members would be different in different groups. The decline in the proportion of families reporting purchase of shares of co-operative societies from the big to the small cultivators' group thus indicates in all probability that the membership of co-operative societies was drawn to an increasingly greater extent from the larger cultivators. The data collected from the sample of selected cultivators in which the assets held by them in the shares of co-operative societies, etc., were ascertained, indicate a similar trend. The proportion of families reporting ownership of such shares in the upper strata was 8·8 per cent, whereas the proportion of such families in the lower strata was nil. These trends are not altogether surprising in view of the fact that the loan operations of the co-operative institutions, at the time of the Survey, were largely based on the ownership of land and other assets. The extent to which the relatively smaller cultivators could avail of the credit facilities provided by the societies, therefore, would be limited and the inducement to such cultivators to join co-operative institutions would be lacking.

The other aspects of the data on the financial investments and assets are not of much significance to need further comment. The total financial investment expenditure per family under the three categories discussed above in the selected villages indicates that it was the highest in the two irrigated villages namely, Parimella and Ajjaram followed by I. Pangidi ; at the other extreme no expenditure of financial investments was incurred in Pendyala and Ankampalem.

The replies given by the sample of selected cultivators to the questionnaire on the pattern of savings may be considered next. The questionnaire did not elicit any information of a quantitative nature. The first set of questions in this questionnaire related to the holdings of financial assets or deposits by cultivators in

institutional forms, namely (1) Postal Savings Bank, (2) Government securities, (3) co-operative societies (both deposits and shares), (4) insurance policies and (5) private bankers. Of the eighty cultivators selected from the upper strata, 26 reported holdings in co-operative societies, one in insurance policies and one in Postal Savings Banks; of the forty cultivators selected from the lower strata, eight cultivators reported holding of financial assets in the form of shares or deposits in co-operative societies. When asked whether the reason for their not holding savings in any of the institutional forms noted in the questions above was (1) no margin of savings (2) preference for holding the savings in cash, (3) preference for purchasing bullion and ornaments and (4) preference for lending money, an overwhelming proportion said that the reason was they had no margin for savings. In the upper strata 48 cultivators reported that they had no margin for savings; similarly, all the 32 cultivators in the lower strata who replied to this question indicated that they had no margin for savings. Five cultivators from the upper strata who showed preferences for savings in other than the institutional forms mentioned earlier said that their preference was for lending money; three preferred to hold the savings in cash, one of whom intended to buy land and another intended to purchase a house. It is obvious that only a small proportion of cultivators among the upper strata alone had any significance for the alternatives available for diverting their savings in other than institutional channels.

The low rate of interest was mentioned as the reason for not investing in Postal Savings Banks by eight cultivators in the upper strata; six said that lack of local facilities was responsible for their not holding deposits in Postal Savings, whereas three cited difficulties of withdrawals as the reason. Two said that they would like to hold deposits in Postal Savings Banks, if facilities were made available. In the case of Government securities, among the upper strata cultivators, nine each said that a low rate of interest and difficulties of encashing were responsible for their not holding such securities. Inconvenience of holding and lack of local facilities were given as the reasons by eight and five cultivators, respectively. As may be expected, only a small number of cultivators expressed difficulties in diverting their savings to the co-operative societies, banks, etc. Five cultivators of the upper strata gave low rate of interest as the reason for not holding deposits in co-operative societies, banks, etc., and three each as lack of local facilities and the distrust of societies. One cultivator said that subject to facilities being made available he would divert his savings in this channel. Difficulties in the way of diverting their savings in insurance policies evoked answers from a fairly large number of cultivators. This is in itself a noteworthy fact, indicating perhaps that although insurance policies were not at all patronized, they created a considerable amount of interest among the upper strata cultivators. Ten cultivators of the upper strata said that they were apprehensive about realizing the money when needed. Regular payment of premium was cited as the difficulty by nine. Four said that lack of local facilities was the main obstacle, whereas the complicated nature of this form of investment and 'superstition' were given as the reasons by eight cultivators each.

7.3 CAPITAL EXPENDITURE IN NON-FARM BUSINESS

Information was collected regarding the total capital expenditure in non-farm business but not regarding the details thereof. This information relates to only the activities of rural households and not to the capital expenditure on non-farm business in rural areas by urban residents. The pattern of non-farm business expenditure among different groups of rural families is discussed below.

The proportion of cultivating and non-cultivating families reporting non-farm business expenditure and the average expenditure per reporting family and per family were as under.

TABLE 7.2—NON-FARM BUSINESS EXPENDITURE

[General Schedule data. Amount in rupees]

	Proportion of families reporting (Per cent)	Average expenditure per reporting family	Average expenditure per family
All cultivators.....	4.9	2,271	112
Non-cultivators.....	6.9	1,845	127

The proportion of families reporting expenditure on non-farm business was rather small and it was slightly higher in the non-cultivators' than in the cultivators' class. In the absence of detailed information on the nature of this expenditure and in view of the small proportion of families reporting expenditure, the dimension of expenditure on this item does not call for further comments. The average expenditure per cultivating family on this item in the selected villages, arranged in the descending order of the level of this expenditure was as under.

TABLE 7.3—CAPITAL INVESTMENT EXPENDITURE IN NON-FARM BUSINESS : CULTIVATING FAMILIES

[General Schedule data]

Village	Expenditure per family (Rs)	Proportion of families reporting (Per cent)
Ajjaram.....	377	4.9
Parimella.....	187	5.1
I. Pangidi.....	117	2.2
Pendyala.....	81	12.0
Dondapudi.....	55	3.9
Ankapaalem.....	36	4.3
Karicherlagudem.....	15	3.1
Tadikalapudi.....	12	3.8

The highest average expenditure per cultivating family was reported in Ajjaram followed at a considerable distance by Parimella. The fact that this expenditure was far and away, the largest of its kind in Ajjaram, evidently appears to be due to the flourishing brass-ware industry in that village, a mention of which has already been made.

The proportion of non-cultivating families reporting capital expenditure on non-farm business was higher than that of cultivators. The expenditure per family in different villages arranged in the descending order of that expenditure is given below.

TABLE 7.4—CAPITAL EXPENDITURE IN NON-FARM BUSINESS : NON-CULTIVATORS

Village	Expenditure per family	Proportion of families reporting
	(Rs)	(Per cent)
Ajjaram.....	501	5.4
I. Pangidi.....	102	8.9
Dondapudi.....	84	12.7
Tadikalapudi.....	61	8.7
Parimella.....	35	3.2
Ankorpalem.....	27	6.3
Karicherlagudem.....	8	4.7
Pendyala.....	6	4.7

Ajjaram continues to rank first in the level of capital expenditure in non-farm business among non-cultivators also. Although the proportion of families reporting such expenditure was not very high, the amount of expenditure per reporting family was by far the highest at Rs 9,241 as compared to the next highest figure of Rs 1,145 per reporting non-cultivating family in I. Pangidi. The high level of expenditure in Ajjaram among non-cultivators also appears to be related to the brassware industry of the village. In I. Pangidi, 49.4 per cent of the total population, according to the 1951 Census, was non-agricultural and 36.1 per cent was occupied in production other than cultivation. These proportions were the highest in each case among all the selected villages. It has been reported that a large proportion of the village population was working in stone-quarries which abound in the surrounding area. The high ranking of the village in the level of non-farm capital expenditure, it would thus appear, was not inconsistent with the importance of non-farm business activity reported in the village. In Dondapudi, where the proportion of non-cultivators reporting this expenditure was the highest, non-farm business activity was of considerable importance. The proportion of non-agricultural population in the village was 33.9 per cent, being the second highest among the selected villages, whereas that of the population depending on production other than cultivation at 13.9 per cent was the third highest among the selected villages, next to I. Pangidi and Ajjaram. The non-farm business activity in the village is connected with the forests in whose proximity it is situated. A large number of labourers work as fuel cutters and the bamboo-work industry is reported to be established in the village. Tapping of 'toddy-palms' is also an activity which occupies a sector of the village population. Tadikalapudi is the village next in ranking. It has already been noted that this is the largest selected village with a population only slightly under 5,000 persons. There are a number of small-scale industrial establishments in the village. Parimella as mentioned before, ranks after these four villages. It has no wide-spread or important village industry. The important point is that among

non-cultivators, the level of non-farm business expenditure was related much more closely to the importance of non-farm business activity in the selected villages than was the case with the level of non-farm business expenditure of cultivators. This would indicate that the non-cultivators had much more to do with non-farm business activity than the cultivators, which is what might be expected although this was not very clearly indicated by the relative size of this expenditure by cultivators and non-cultivators.

7.4 CAPITAL EXPENDITURE IN AGRICULTURE

Information on capital expenditure in agriculture was collected under the following categories.

- 1) Purchase of land
- 2) Reclamation of land
- 3) Bunding and other land improvements
- 4) Digging and repair of wells
- 5) Development of other irrigation resources
- 6) Laying of new orchards and plantations
- 7) Purchase of livestock
- 8) Purchase of implements, machinery and equipment
- 9) Construction of farm houses, cattle sheds, etc.

Capital investment expenditure in agriculture which was not covered by any of these items was recorded under a separate head, which we shall refer to as miscellaneous capital investment expenditure in agriculture. The expenditures on purchase of land and livestock call for a somewhat more detailed consideration, on account of their special significance.

7.4.1 Purchase of land

The expenditure incurred on the purchase of land amounted to Rs 163 per cultivating family, whereas it was only Rs 6 per non-cultivating family. Cultivators in all the eight selected villages reported expenditure on this item, and non-cultivators, in five villages only. The highest expenditure by cultivating families on this item was recorded in Ajjaram at Rs 323 per family, and the lowest in Ankampalem, at Rs 9 per family. The small cultivators reported expenditure on purchase of land in all the selected villages.

The proportion of families who reported expenditure on the purchase of land was 7.5 per cent among the cultivators and 0.3 per cent among non-cultivators. The proportion of cultivating families reporting purchase of land in the selected villages, arranged in the descending order of this proportion is given in table on page 68.

The main feature of these data is that the proportion of families reporting purchase of land was lower in the two irrigated villages than in most of the upland villages. The relatively lower proportion of families reporting purchase of land in the irrigated villages indicates that the land values in these villages were perhaps

quite high in the fertile deltaic tract and cultivators would not generally be ready to part with their land in this tract even at high prices.

Village	Proportion of families reporting (Per cent)
I. Pangidi.....	13.9
Pendyala.....	8.6
Karicherlagudem.....	7.9
Dondapudi.....	7.8
Ajjaram.....	7.4
Tadikalapudi.....	4.9
Ankampalem.....	4.3
Parimella.....	2.8

Purchase of land was an activity in which the small and the medium cultivators did not participate to an appreciable extent, as will be evident from the following.

Group	Proportion of families reporting (Per cent)	Value of land pur- chased per report- ing family (Rs)
Big.....	22.7	4,073
Large.....	13.7	3,116
Medium.....	4.7	1,055
Small.....	4.8	856

The proportion of families reporting purchase of land and the value of land purchased per reporting family among the medium and the small cultivators was smaller than that among the big and the large cultivators. The share of different groups as also strata, in the total value of land is given below.

	Share in total value of land (Per cent)	
General Schedule data		
Big cultivators.....	57.6	
Large cultivators.....	80.5	
Medium cultivators.....	12.0	
Small cultivators.....	7.5	
All cultivators.....	100.0	96.3
Non-cultivators.....		3.7
Intensive enquiry data		
Upper strata cultivators.....	85.7	
Lower strata cultivators.....	14.1	

It is evident that as compared to their proportion in the cultivating population, the share in the value of land purchased by the medium and the small cultivators was very small.

7.4.2 Source of finance for purchase of land

The sources of finance for the purchase of land for all rural families were as under.

TABLE 7.5—SOURCE OF FINANCE FOR THE PURCHASE OF LAND : ALL FAMILIES

Source of finance	EXPENDITURE FINANCED FROM THIS SOURCE	
	Amount in rupees per family	(Per cent)
Borrowing.....	39	47.4
Sale of Assets.....	19	23.0
Past Savings.....	15	18.0
Current Income.....	9	11.5
Total.....	82	100.0

The finance for the purchase of land came to a large extent from borrowed funds, followed by sale of assets ; owned funds (current income and past savings) accounted for less than 30 per cent of the total expenditure incurred in this connection. The total capital investment expenditure in agriculture financed by borrowings was Rs 100 per rural family and therefore, borrowings for financing expenditure on the purchase of land, amounting to Rs 39 per rural family constituted 39 per cent of the total borrowings of rural families in this connection.

7.4.3 Net purchase or sale of land

In the General Schedule, information was collected regarding the amounts realized from the sale of certain assets, including the sale of land. These data show that all rural families in all the selected villages realized Rs 61 per family from the sale of land as compared to an outlay of Rs 82 per family reported on the land purchased by them. The value of land sold thus constituted 74 per cent of the value of land purchased. A complete agreement between the purchase and sale value may not be obtained owing to (1) the limitations of sampling as indicated by the quality of our sample, (2) errors in reporting of values and (3) transactions in land between rural and urban residents. The relationship between the value of land purchased and sold among different groups of rural families is given in Table 7.6 on page 70.

The value of land sold by cultivators constituted about three-fifths of the value of land purchased by them ; on the other hand, among non-cultivators, the value of land sold was more than four times that of land purchased by them. The possibility that cultivators might have purchased land from non-cultivators is indicated by these data. Whether this was a continuation of, or the beginning of, a general trend in this direction, or it was merely a chance concurrence during the Survey year cannot be indicated on the basis of our data.

TABLE 7.6—PURCHASE AND SALE OF LAND

Group	Value of land purchased per family (Rs)	Value of land sold per family (Rs)	Proportion of the value of land sold to that of land purchased (Per cent)
Big cultivators.....	923	362	39
Large cultivators.....	427	247	58
Medium cultivators.....	50	38	76
Small cultivators.....	41	31	76
All cultivators.....	163	100	61
Non-cultivators.....	6	25	417
All families.....	82	61	74

It is, however, important to note that the Madras Estates Abolition Act, 1951, was due to be enforced in the district soon after the completion of the General Schedule year of the Survey. The extent to which sales recorded by non-cultivators were influenced by the impending legislation cannot also be indicated with the help of the data collected in the Survey. Cultivators in all the four groups reported a net purchase of land.

The cultivating families reported a net purchase of land in seven out of eight villages selected for the Survey, whereas the non-cultivators reported a net sale of land in seven villages. In both the irrigated villages the group of small cultivators reported net sale of land to a substantial extent. In I. Pangidi, the medium cultivators reported net sale of land. The possibility that cultivators in these villages might have sold land to cultivators in the higher decile group cannot be ruled out. The medium and the small cultivators did not report net sale of land to any significant extent in the other villages selected for the Survey.

7.5 PURCHASE OF LIVESTOCK

The expenditure on purchase of livestock and the proportion of families reporting expenditure on livestock are given below.

TABLE 7.7—PURCHASE OF LIVESTOCK

[General Schedule data]

Group	Expenditure per family (Rs)	Proportion of reporting families (Per cent)	Expenditure per reporting family (Rs)
Big cultivators.....	257	52.7	488
Large cultivators.....	167	44.4	377
Medium cultivators.....	62	33.2	187
Small cultivators.....	29	18.8	153
All cultivators.....	84	32.3	261
Non-cultivators.....	8	7.7	105
All families.....	45	19.6	229

The expenditure on purchase of livestock was incurred largely by cultivating families of the district. The average expenditure per cultivating family was lower at Rs 84 than that on the purchase of land which was Rs 163 per cultivating family. The proportion of families reporting purchase of livestock and the value of livestock purchased declined from the big to the small cultivators. The share of the medium and the small cultivators in the total value of livestock purchased by all cultivators was 28·8 per cent and 10·3 per cent, respectively, which was higher than the corresponding share of cultivators in these two groups in the purchase of land. The value of livestock purchased per cultivating family in the selected villages is given below.

Village	Value of live- stock purchased per cultivating family (Rs)
Ajjaram.....	160
Parimella.....	155
Dondapudi.....	148
Karicherlagudem.....	88
I. Pangidi.....	61
Pendyala.....	55
Tadikalapudi.....	54
Ankampalem.....	31

The highest expenditure on the purchase of livestock was recorded in the two deltaic villages, Ajjaram and Parimella. Among the upland villages the value of livestock purchased in Dondapudi was almost as high as that in the deltaic villages. The expenditure on the purchase of livestock by non-cultivators was the highest in Dondapudi at Rs 13 per family. Conditions for rearing livestock were perhaps more favourable in Dondapudi than in the other upland villages on account of its proximity to the forests which would provide a cheap source of fodder. Ankampalem returned the lowest level of expenditure on purchase of livestock per cultivating family among the selected villages.

7.5.1 Source of finance for purchase of livestock

The sources of financing purchase of livestock by all rural families were as under.

Source of finance	Proportion of expenditure financed from this source (Per cent)
Borrowings.....	53·0
Sale of assets.....	13·8
Current income.....	29·9
Past savings.....	3·3

The proportion of expenditure on livestock financed from owned resources was about one-third of the total expenditure on the item as compared to 29.5 per cent of the total expenditure on the purchase of land financed from owned resources. A little over half of the total expenditure was financed from borrowings as compared to 47.4 per cent of the total expenditure on the purchase of land financed from borrowings. The average expenditure on the purchase of livestock was Rs 45 per rural family of which Rs 24 was financed from borrowings. The total capital investment expenditure financed from borrowings was Rs 100 per rural family, 24 per cent of which were used for purchase of livestock, as against 39 per cent for the purchase of land.

7.5.2 Net purchase or sale of livestock

The data on net purchase or sale of livestock are given below.

TABLE 7.8—NET PURCHASE (+) OR SALE (—) OF LIVESTOCK

[General Schedule data]

Group	Expenditure on purchase of livestock per family (Rs)	Receipts from sale of livestock per family (Rs)	Net purchase (+) or sale (—) of livestock per family (Rs)
Big cultivators.....	257.0	85.4	+ 171.6
Large cultivators.....	167.4	70.5	+ 96.9
Medium cultivators.....	62.0	35.4	+ 26.6
Small cultivators.....	28.8	20.2	+ 8.6
All cultivators.....	84.4	41.6	+ 42.8
Non-cultivators.....	8.1	8.0	+ 0.1
All families.....	44.9	24.2	+ 20.7

A complete agreement between purchase and sale transactions of all rural families in the selected villages is not observed in the livestock transactions and also for reasons given in discussions on net purchase or sale of land. The value of livestock purchased or sold by non-cultivating families almost cancelled each other out. The cultivating families, on the other hand, reported a substantial net purchase of livestock which declined from the big to the small cultivators. The cultivating families reported a net purchase of livestock in six out of eight villages selected for the Survey. Net sale of livestock was reported by the cultivating families in Pendyala and Ankampalem.

The proportion of families reporting net purchase and sale of livestock, both purchase and sale of livestock or neither purchase nor sale of livestock on the basis of the data collected in the intensive enquiry is given in Table 7.9 on page 73.

Half of the cultivating families did not report any transactions in livestock. However, the proportion of non-reporting families was much larger among the lower strata cultivators, at about three-fifths of the total, than among cultivators of the

TABLE 7.9—PROPORTION OF FAMILIES REPORTING PURCHASE AND SALE OF LIVESTOCK

[Intensive enquiry data. In per cent]

Strata	Purchase of livestock	Sale of livestock	Sale and purchase of livestock	Neither purchase nor sale of livestock
	1	2	3	4
Upper strata.....	41·7	42·1	25·8	41·9
Lower strata.....	21·5	30·0	9·6	58·1
All cultivators.....	31·6	36·1	17·7	50·0

upper strata of whom only about two-fifths did not report any transactions in livestock. The proportion of families reporting purchase and that of those reporting sale was about equal among the upper strata cultivators, whereas among the lower strata cultivators, the proportion reporting sale was higher at 30 per cent as against only 21·5 per cent reporting purchase. The proportion of those reporting both purchase and sale of livestock was 9·6 per cent in the lower strata cultivators. The proportion of those reporting only purchase or only sale of livestock in the upper strata was about equal at 16 per cent. It would thus be seen that among lower strata cultivators, although only about 41·9 per cent were engaged in livestock transactions, 20·4 per cent or nearly half of those were engaged only in sale of livestock, whereas in the upper strata, of the 58·1 per cent reporting livestock transactions, those who were exclusively engaged in sale of livestock constituted only 16·3 per cent of the total. A substantial proportion of the lower strata cultivators were thus only selling livestock. This may partly be due to the fact that some members of the lower strata cultivators were livestock breeders, particularly in the upland villages who were selling livestock as the current products of their business. At the same time, the possibility that cultivators in the lower strata may at times be compelled to sell livestock as a readily cashable asset for financing some urgent and unavoidable expenditure, cannot be ruled out in this connection.

7.6 CAPITAL EXPENDITURE IN AGRICULTURE OTHER THAN LAND AND LIVESTOCK

We have so far considered the position regarding capital expenditure on purchase of land and purchase of livestock. There remain to be considered types of capital expenditure undertaken in relation to land and other fixed assets of farm or in relation to farm equipment, other than livestock ; all these put together may be called 'other capital expenditure in agriculture'. The data on the expenditure incurred by each family during the period of twelve months preceding the month of investigation and the sources from which the expenditure was financed were specifically obtained with regard to (1) reclamation of land, (2) bunding and other land improvements, (3) digging and repair of wells, (4) development of other irrigation resources, (5) laying of new orchards and plantations, (6) purchase of implements, machinery and transport equipment and (7) construction of farm houses, cattle sheds, etc. Provision was made for entering expenditure on capital investment in agriculture other than

that on items mentioned above under a residual heading called 'other capital investment in agriculture'. To avoid confusion, this item is being termed 'miscellaneous capital expenditure in agriculture' in the discussion below.

The following table gives the expenditure per family on purchase of land, livestock and 'other' capital expenditure in agriculture for the different classes of cultivators.

TABLE 7.10—EXPENDITURE ON SPECIFIED ITEMS OF CAPITAL EXPENDITURE IN AGRICULTURE

[General Schedule data. Amount in rupees]

Item	EXPENDITURE PER FAMILY				
	Big cultivators	Large cultivators	Medium cultivators	Small cultivators	All cultivators
	1	2	3	4	5
Other capital expenditure in agriculture.....	909	381	46	16	140
Purchase of land.....	923	427	50	41	163
Purchase of livestock.....	257	167	62	29	84

The amount spent on 'other' capital expenditure in agriculture by all cultivating families was slightly less than that spent on the purchase of land ; it was, however, considerably larger than the amount spent on the purchase of livestock. The data for the cultivating classes reveal that the relatively greater importance of 'other capital expenditure in agriculture' as compared to the expenditure on the purchase of livestock was an attribute of only the big and the large cultivators ; 43.5 per cent and 39.1 per cent of their respective total capital expenditure in agriculture was incurred on 'other capital expenditure' and only 12.3 per cent and 17.1 per cent of the total on the purchase of livestock. The medium and the small cultivators, on the other hand spent proportionately larger amounts on livestock which accounted for 39.3 per cent and 33.7 per cent of their respective total capital expenditure as compared to 29.1 per cent and 18.6 per cent of the total, respectively, on 'other capital expenditure in agriculture'. Other capital expenditure of cultivators in all groups was lower than that on the purchase of land.

In view of the fact that 'other capital expenditure in agriculture' has a direct bearing on agricultural production, its incidence per acre of cultivated holding would have some significance. The relative shares of cultivated holdings and of 'other capital expenditure in agriculture' are given in table on page 75 for the four main classes of cultivators.

It would be observed that the shares of both the medium and the small cultivators in 'other capital expenditure in agriculture' were about half of their respective shares of cultivated holdings, whereas those of the big and the medium cultivators exceeded their shares of the cultivated holdings. Consequently, other capital

Group	Share of cultivated holdings (Per cent)	Share of 'other capital investment in agriculture' (Per cent)
Big cultivators.....	41·7	66·1
Large cultivators.....	69·3	83·7
Medium cultivators.....	24·0	12·9
Small cultivators.....	6·7	3·4

expenditure in agriculture per acre of cultivated holding declined from the big to the small cultivators' group. A more marked difference in the level of expenditure per acre as between cultivating classes was noticeable in the items such as construction of farm houses, cattle sheds, etc., digging and repair of wells and laying of new orchards and plantations. The expenditure per acre on purchase of implements and machinery among the medium and the large cultivators, was more or less of a similar order of magnitude, whereas that of the small cultivators was distinctly lower. The medium cultivators spent a proportionately larger amount on this item than any other group of cultivators. Expenditure on development of other irrigation resources among the large and the medium cultivators per acre was also of a similar order of magnitude whereas that of the small cultivators was very small. There was a great deal of equality in expenditure per acre on the reclamation of land and bunding and other land improvements among the medium and the small cultivators.

As a supplement to the discussion regarding the expenditure per acre by different groups of cultivators on other capital investment in agriculture, figures of expenditure per acre on this item taken together with expenditure on purchase of livestock might be found interesting. The per acre figures of these two items together may be considered to represent the total expenditure per acre in agriculture on capital account that cultivators undertook. For obvious reasons, expenditure on purchase of land cannot be included in this category. Capital investment in agriculture on land reclamation, bunding, irrigation resources or implements and machinery, etc., represents one aspect of maintenance, replacement or development expenditure in relation to capital assets, chiefly land and implements. Expenditure on purchase of livestock represents similar expenditure in relation to maintenance of that important aspect of the equipment of the cultivator. The two together would give a truer idea of per acre expenditure, on an average, in this regard than the per acre calculation relating to 'other capital expenditure' by itself.

A peculiarity of the expenditure on the purchase of livestock was that the share of larger cultivators in this expenditure was less than their share of cultivated holdings, whereas the shares of the medium and the small cultivators were larger than their corresponding shares of total cultivated holdings, as may be observed from table on page 76.

Group	Share of cultivated holdings (Per cent)	Share of expenditure on purchase of livestock (Per cent)
Big cultivators.....	41·7	31·0
Large cultivators.....	69·3	60·9
Medium cultivators.....	24·0	28·8
Small cultivators.....	6·7	10·3

In view of the above it may be expected that the expenditure on the purchase of livestock per acre of cultivated holding incurred by the medium and the small cultivators would be higher than that of the big and the large cultivators. The change in the relative positions of the cultivating classes after adding expenditure on the purchase of livestock to other capital expenditure in agriculture, may be seen from the following data.

Group	Other capital expenditure in agriculture (Rs)	Expenditure on purchase of livestock (Rs)	Total of the two columns (Rs)
Big cultivators.....	25·0	7·1	32·1
Large cultivators.....	18·9	8·4	27·3
Medium cultivators.....	8·5	11·5	20·0
Small cultivators.....	8·4	14·5	22·9
All cultivators.....	16·0	9·4	25·4

The disparity in capital expenditure in agriculture per acre of cultivated holding between the cultivating groups after adding expenditure on the purchase of livestock to other capital expenditure in agriculture, has narrowed. The small cultivators, moreover, show a larger expenditure per acre than the medium cultivators when expenditure on purchase of livestock is added. The increase in the expenditure on the purchase of livestock per acre of cultivated holding as one moves down the decile-groups, is probably explained by the indivisible nature of the asset as a result of which the incidence of its value per acre shows an increase as the size of the holding declines. It is, however, evident that the total capital expenditure in agriculture per acre other than that on the purchase of land was higher in the big and the large cultivators' groups as compared to that in the medium and the small cultivators' groups.

7.6.1 Proportion of families reporting 'other capital expenditure in agriculture'

Table 7.11 shows the number of families in each group, reporting expenditure on the item concerned, as per cent of the total number of families in the group.

TABLE 7.11—PROPORTION OF FAMILIES REPORTING OTHER CAPITAL EXPENDITURE IN AGRICULTURE

[General Schedule data. In per cent]

Group	Recla- mation of land	Bund- ing and other land im- prove- ments	Digging and repair of wells	Deve- lop- ment of other irriga- tion re- sources	Laying of new or- chards and planta- tions	Pur- chase of new imple- ments and machi- nery	Con- struc- tion of farm houses, cattle sheds, etc.	Other capital expen- diture in agri- culture
	1	2	3	4	5	6	7	8
Big cultivators.....	15.9	37.8	8.0	11.8	7.1	36.7	25.3	1.4
Large cultivators.....	9.6	24.9	4.8	7.2	5.3	27.4	18.5	0.5
Medium cultivators.....	4.7	8.4	0.9	2.9	1.2	11.9	6.2	0.4
Small cultivators.....	2.1	4.8	—	0.9	—	3.4	1.0	0.3
All cultivators.....	5.4	12.4	1.8	3.6	2.1	14.1	8.4	0.4
Non-cultivators.....	0.2	1.0	0.1	0.2	—	0.4	0.4	0.1
All families.....	2.7	6.5	1.0	1.8	1.0	7.0	4.3	0.2

The proportion of non-cultivators reporting expenditure on the various items comprising 'other capital expenditure in agriculture' was less than 1 per cent. The proportion of cultivating families reporting expenditure on the various items of 'other capital expenditure' was generally small, as compared to that of those reporting purchase of livestock which was 32.3 per cent. It was, however, higher as compared to the proportion of cultivating families reporting purchase of land which was 7.5 per cent, on three items of 'other capital expenditure'. These were (1) purchase of implements and machinery, (2) bunding and other land improvements and (3) construction of farm houses, cattle sheds, etc. It is noteworthy that the proportion of families reporting expenditure on digging and repair of wells was less than 2 per cent, despite the fact that six out of eight villages selected for the Survey were in the upland tract which is not canal irrigated. The proportion of families reporting expenditure on the various items comprising 'other capital expenditure in agriculture' in the four cultivating groups followed a broadly similar pattern. It is, however, noteworthy that the proportion of families reporting expenditure on different items did not exceed 12 per cent and 5 per cent on any items in the medium and the small cultivators' groups, respectively.

7.6.2 Other capital expenditure in agriculture per family

The relative importance of the various items of other capital expenditure in agriculture according to the General Schedule data may be observed from the data on page 78.

The expenditure on construction of farm houses, etc., was larger than that incurred on any other item of other capital expenditure in agriculture. The expenditure on bunding and reclamation of land taken together came next in importance, followed by that on purchase of implements and machinery. The proportion

Item	(Amount in rupees per cultivating family)
Construction of farm houses, cattle sheds, etc.....	41
Purchase of new implements and machinery.....	30
Bunding and other land improvements.....	23
Digging and repair of wells.....	19
Reclamation of land.....	11
Development of other irrigation resources.....	11
Laying of new orchards and plantations.....	3
Miscellaneous.....	2
Total	141

of families reporting expenditure on these items was larger than that of those reporting expenditure on other items as seen earlier. The order of importance of the various items of 'other capital expenditure' to different groups of cultivators reveals that the big and the large cultivators exhibited the same pattern as all cultivators. A large proportion of the expenditure of the medium cultivators was concentrated on the purchase of new implements and machinery but the expenditure on construction of farm houses, etc., was negligible. The two items of expenditure in connection with land improvements received proportionately greater attention by the medium cultivators as compared to the small cultivators. The pattern of expenditure on various items by the small cultivators revealed that about two-fifths of the total expenditure was incurred on miscellaneous items. The expenditure on the construction of farm houses, etc., incurred by them was negligible. Another important feature of the expenditure of the small cultivators was the total lack of any outlay on both items connected with irrigation and water resources.

7.6.3 Other capital expenditure in agriculture per reporting family

The following is the average size of expenditure per reporting cultivating family on the various items of 'other capital expenditure' in agriculture excluding the miscellaneous expenditure.

(General Schedule data)

Item	Expenditure per reporting cultivating family (Rs)
Digging and repair of wells.....	1,065
Construction of farm houses, cattle sheds, etc.....	490
Development of other irrigation resources.....	294
Purchase of new implements and machinery.....	214
Reclamation of land.....	192
Bunding and other land improvements.....	185
Laying of new orchards and plantations.....	163

The expenditure per reporting family on various items was generally less than Rs 300 except on digging of wells and construction of farm houses.

7.6.4 Source of finance for other capital expenditure in agriculture

The sources from which other capital expenditure in agriculture was financed are indicated in Table 7.12 below.

TABLE 7.12—OTHER CAPITAL EXPENDITURE IN AGRICULTURE ACCORDING TO SOURCE OF FINANCE

[General Schedule data. Amount in rupees per family]

Source of finance	OTHER CAPITAL EXPENDITURE IN AGRICULTURE								
	Re- clama- tion of land	Bund- ing and other land im- prove- ments	Dig- ging and repair of wells	De- vel- op- ment of other irriga- tion resour- ces	Laying of new or- chards and plan- tations	Pur- chase of imple- ments, mach- inery and trans- port equip- ment	Con- struc- tion of farm houses, cattle sheds, etc.	Mis- cellan- eous capital expen- diture in agri- cul- ture	Total
	1	2	3	4	5	6	7	8	9
Current income.....	2 (35.1)	5 (43.8)	2 (18.7)	2 (29.4)	1 (59.2)	7 (46.5)	6 (30.6)	— (6.1)	25 (36.2)
Past savings.....	— (4.9)	1 (8.0)	1 (8.7)	— (0.4)	— (2.9)	1 (9.0)	3 (12.9)	— (—)	6 (8.7)
Sale of assets.....	— (—)	— (0.2)	— (1.3)	— (7.2)	— (—)	— (2.3)	— (—)	1 (60.7)	1 (1.4)
Borrowings.....	3 (60.0)	6 (48.0)	7 (67.5)	3 (61.2)	1 (36.5)	6 (42.2)	11 (54.7)	— (33.2)	37 (53.6)
Other sources.....	— (—)	— (—)	— (3.8)	— (1.8)	— (1.4)	— (—)	— (1.8)	— (—)	— (—)
Total	5 (100.0)	12 (100.0)	10 (100.0)	5 (100.0)	2 (100.0)	15 (100.0)	20 (100.0)	1 (100.0)	70 (100.0)

(Figures in brackets denote the proportion of expenditure financed by the source to the total expenditure)

Considering all items together, borrowings constituted the most important source accounting for 53.6 per cent of the total other expenditure in agriculture incurred by the rural families. It was the largest single source for financing all individual items comprising other capital expenditure in agriculture except the expenditure on purchase of new implements and machinery and laying of new orchards. Over two-thirds of the total expenditure on digging of wells was financed from borrowings. This was also the item on which the expenditure per reporting family was the highest. Current income was the only other important source of financing 'other capital expenditure' in agriculture.

We give below the expenditure on four items of other capital expenditure in agriculture by the upper and the lower strata cultivators and the credit requirements for these four items, in respect of which information is available.

Item	UPPER STRATA			LOWER STRATA		
	Expen-	Credit	Ratio	Expen-	Credit	Ratio
	diture	require-	of	diture	require-	of
	(1)	ments	2 : 1	(4)	ments	5 : 4
		(2)	(3)		(5)	(6)
Digging and repair of wells . .	44.3	325	7	1.5	125	83
Bunding and other land im-						
provements*.....	114.4	265	2	10.4	75	7
Purchase of implements and						
machinery.....	33.4	68	2	6.7	36	5
Development of other irriga-						
tion resources.....	18.8	71	4		5	

(* Including reclamation of land)

The upper and the lower strata cultivators both required a larger amount of credit for digging and repair of wells than any other item, both in terms of absolute amounts and in terms of ratios of credit requirements to actual expenditure. The lower strata cultivators reported a very small expenditure on this item. Among the other three items the ratios of credit requirements to actual expenditure were uniformly higher among the lower strata cultivators than among the upper strata cultivators. Among the upper strata cultivators the ratio of requirements to actual expenditure on development of other irrigation resources was higher than the corresponding ratios in the case of land improvements and purchase of machinery. The lower strata cultivators who did not spend anything on development of other irrigation resources, expressed the need for certain requirements in that connection. The actual expenditure on digging and repair of wells and on development of other irrigation resources, by both the strata of cultivators was much smaller than their expenditure on the other two items. It would appear from the above that the requirements for credit, in relation to actual expenditure incurred, were greater in those directions, the expenditure in connection with which was proportionately lower, and *vice versa*. The credit requirements of cultivators were thus greater in those directions where the needs were relatively less satisfied and lower in those directions in which the needs were satisfied to a greater extent. It would follow from the above that if additional credit for development purposes was made available to the cultivators of this district, the pattern of its utilization would be somewhat different from that of actual expenditure in connection with development purposes. This pattern would show a greater emphasis on digging and repair of wells and development of other irrigation resources than that revealed by the actual proportions of expenditure incurred on these items, whereas the proportionate expenditure on bunding, land improvements and purchase of machinery, etc., may be found to be somewhat lower than is actually the case. Although this trend would be exhibited by cultivators of both the strata it would be more marked in the case of cultivators of the lower strata.

The above discussion on the various items comprising other capital expenditure in agriculture related to the composite figures of all the eight villages in the district selected for the Survey. It may now be useful to consider the position of different villages. The relative levels of expenditure in this connection in different villages are considered under two main heads. The items of expenditure in connection with land improvements, namely reclamation of land and bunding and other land improvements are grouped under one head whereas the others are grouped under the other.

The expenditure per cultivating family on land improvements in the selected villages is given below.

Village	Expenditure on land improvements per cultivating family
	(Rs)
Karicherlagudem.....	159
Tadikalapudi.....	113
Dondapudi.....	102
I. Pangidi.....	66
Parimella.....	53
Pendyala.....	41
Ajjaram.....	24
Ankampalem.....	18

The main feature of the data is the relatively high expenditure on land improvement in the villages of the upland tract as against that in those of the deltaic tract. It would be noticed that Karicherlagudem, Tadikalapudi and Dondapudi, occupy the first three places, whereas Parimella and Ajjaram occupy the fifth and the seventh places, respectively. The expenditure on the remaining items of 'other capital expenditure' in the selected villages was as under.

Village	Other capital expenditure per cultivating family
	(Rs)
I. Pangidi.....	172
Ajjaram.....	162
Dondapudi.....	86
Parimella.....	70
Karicherlagudem.....	36
Tadikalapudi.....	23
Pendyala.....	18
Ankampalem.....	7

The two deltaic villages namely Parimella and Ajjaram are among the first four. On the other hand, two of the three upland villages, namely Karicherlagudem and Tadikalapudi, which were first and second in the earlier case, now occupy the fifth and sixth places, respectively. It appears that land improvements by way of reclamation, bunding, etc., constitute a more important direction of capital expenditure in agriculture among the upland villages, particularly those in the sparsely populated northern part of the district than in the deltaic villages. This feature may be related to the relatively poor quality of land in the upland tract.

7.7 INVESTMENT DISINVESTMENT

7.7.1 Deficits or surpluses in the rural economy

In the preceding sections, those transactions of the rural family which led either directly to capital formation or to an investment of savings were considered. One important direction in which capital transactions connected with family living may take place, namely, construction and repairs of residential houses and other buildings, was considered earlier in Chapter 6. All these transactions, as noted at the outset, have a significance beyond being important occasions of borrowing by the rural families. They have been termed capital transactions, because, it is assumed, they have a certain investment effect. In view of this, they would reflect in an important measure the savings effort of rural families during the Survey year.

Consideration may be given here to the possibilities of utilizing these data for indicating deficits in the economy. The measurement of surpluses and deficits, from the accounting standpoint, involves either (1) a complete enumeration of total assets and liabilities at the beginning and at the end of a period and comparing the two, or (2) a full enumeration of all transactions during the period *on the current account*, that is, excluding transactions involving transfer of capital assets or changes in liabilities. The latter approach would not prove fruitful as the Rural Credit Survey could not undertake a full enumeration of all current transactions even in respect of the sample of selected cultivators. An attempt to construct balance sheets on the basis of such transactions as were recorded would leave gaps, as for example, in respect of day-to-day expenditure on food, tobacco, etc., or in respect of receipts from non-farm business activity which would be unpredictable. The results, therefore, could not be made to yield a picture of surpluses and deficits in the economy. On the other hand, the former approach, involving a measurement of changes in assets and liabilities, although subject to certain limitations, gets over some of the major difficulties involved in casting the balances on the current account. For example, the underestimation or under-reporting of crops or stocks or the under-reporting of prices would not affect the balance cast on the capital account. Before proceeding to examine the data, some of the important limitations involved in the approach followed here may be mentioned in passing. They are discussed in their fuller significance in Part I, Volume I of the Survey Report.

On the credit side of the balance on capital account, investment in bullion and jewellery and lendings of the rural families to others could not be ascertained

as direct questions on these matters were likely to arouse the suspicion of the respondents. In the light of the conditions prevailing during the Survey year, however, investment in bullion, etc., could not have been of a magnitude which would materially change the position as obtained from the recorded transactions. The limitation arising out of the non-availability of data on lendings of rural families is, perhaps, likely to be more serious. Data were, however, collected on the total outstanding dues of these families.

In the recorded transactions on capital account, certain limitations arise out of the assumption of the investment effect of these transactions. It was practically impossible for a survey with the limited objectives of the Rural Credit Survey to distinguish, for example, between net capital investment and gross capital investment. The former would have to take into account the amount to be set apart in lieu of replacement, depreciation, damage, obsolescence, etc. Thus, there would be a certain amount of overestimation in the investment effect of recorded transactions. It may, however, be noted that in one particular instance, namely, in the purchase of livestock, where replacement element is likely to loom large, omission of all livestock transactions, from the balance sheet on capital account, would reduce the extent of overestimation likely to be introduced. An overestimation may also occur, it should be noted, on account of the inclusion of maintenance and repair elements in the recorded transactions, as distinct from the pure investment element, which could not be avoided.

Finally, no data were obtained in relation either to inventories in kind or resources in cash of the families investigated, either at the beginning or at the end of the period for which information was collected. The improvement or deterioration in the general economic position which came about as a change in inventories, that is, a change in the stocks of various kinds of commodities held by the rural family during the year, or because of depletion of, or increase in, its cash resources would not be apparent in the enquiry. The stocks and inventories position for most rural families in most years, however, does not change in a significant way.

It is obvious that the gaps indicated above would introduce an element of error in our calculations, which according to particular circumstances might be large or small. Clearly, in an unfavourable year, individuals may allow their resources in kind and cash to run down or their other assets to depreciate. On the contrary, those who are in a prosperous condition may be building up both cash and kind resources and may also be in a position to lend to others or to purchase bullion. It may, therefore, well happen that the results yielded by our data underestimate the position at both the ends of the scale, that is, they show the position, perhaps, of those who are prosperous as being in fact less so than what it actually was, and also, though not necessarily to an equal extent, underestimate the deterioration in the position of those who did not do well during the year.

The transactions on capital investment account of which we have taken note are capital expenditure in agriculture as recorded in the General Schedule and the non-farm business expenditure in the nature of capital investment. The repayment of old debts and the acquisition of various financial assets have also been considered capital transactions on investment account. On the side of disinvestment, we have taken into account all borrowings made for whatever purpose during the year and all sales of assets during the year. Thus, the position is judged by us in terms only of definite changes in extent of physical assets or financial assets owned and no surplus or deficit is recognized unless it exhibits itself through a net change recorded during the year in the ownership of either types of capital assets or certain financial obligations.

The data obtained from the General Schedule have been used in the manner indicated above to calculate a balance of investment or disinvestment position for the given class or group and the results are given below. It may be noted that the General Schedule figures used in the following discussion are average figures per family, arrived at by dividing the total surplus or deficit for a group or class by the total number of families in the group or class. The data do not indicate the net position of individual families within a group or class. The net investment or disinvestment for individual families was worked only in respect of the families selected for intensive enquiry, the results of which are discussed subsequently.

The net investment or disinvestment of different groups of rural families during the Survey year is given below.

Group	Net investment (+) or disinvestment (—) (In rupees per family)
Big cultivators.....	+ 758
Large cultivators.....	+ 117
Medium cultivators.....	+ 24
Small cultivators.....	— 56
All cultivators.....	+ 29
Non-cultivators.....	+ 49
All families.....	+ 39

The cultivators as well as the non-cultivators show net investment during the year. Cultivators in all groups except those in small cultivators' group show net investment. The net investment per family declined from the big to the medium cultivators' groups. The non-cultivating families reported a higher net investment per family than the cultivating families.

The investment and disinvestment per rural family on each item of the balance on capital account is given on page 85.

Investment/Disinvestment	Average amount per family (Rs)
I Investment	
(1) Capital expenditure in agriculture.....	197
(2) Capital expenditure in non-farm business.....	120
(3) Financial investment expenditure.....	5
(4) Repayment of old debts.....	177
Total.....	499
II Disinvestment	
(1) Borrowings.....	361
(2) Sale of assets.....	99
Total.....	460
III Net investment (+) or disinvestment (—).....	+ 39
IV Expenditure on construction and repairs of residential houses and other buildings.....	60

Financial investment expenditure is insignificant in relation to the total on the investment side of the capital account. The most important direction in which investment by rural families took place was capital expenditure in agriculture. Repayment of old debts and non-farm business expenditure came next in importance. On the disinvestment side borrowings and sale of assets were the only two items which accounted respectively for about four-fifths and one-fifth of the total disinvestment. The totals of investment and disinvestment were much larger for all cultivators, varying between Rs 740 to Rs 770 per family as compared to those of the non-cultivators, which varied between about Rs 200 and Rs 250 per family.

The net position of the different groups of cultivating and non-cultivating families does not show any fundamental change when expenditure on construction and repairs of residential houses is added. The net investment per cultivating family, however, exceeds that per non-cultivating family after this expenditure is taken into account.

The intensive enquiry data collected for the sample of selected families show that the cultivators of the upper strata have a positive balance whereas those of the lower strata have a negative balance. The net position of the lower strata cultivators continues to show a negative balance even after adding expenditure on construction and repairs of residential houses. The grouping of the selected cultivators according to the value of their gross produce shows that cultivators in six out of seven groups upto a value of gross produce of Rs 2,000 have a negative balance. Cultivators in groups with a value of gross produce above Rs 2,000 showed a positive balance,

except the group with the value of gross produce between Rs 4,000 to Rs 5,000 comprising 3.5 per cent of the cultivating families which showed a negative balance.

The proportion of families reporting net investment, net disinvestment, equal investment-disinvestment and neither investment nor disinvestment, on the basis of the intensive enquiry are given below.

Strata	Net invest- ment	Net disinvest- ment	[Per cent]	
			Invest- ment and disinvest- ment equal	No in- vestment or dis- invest- ment
Upper strata.....	41.2	48.3	4.6	5.9
Lower strata.....	28.8	59.3	3.8	8.1

It is clear from the above that a larger proportion of cultivators in both the strata showed net disinvestment than that of those showing net investment. The data thus indicate that the economic activity during the year resulted in an unfavourable balance on capital account for a larger proportion of cultivators than that of those showing a positive balance. In terms of amount, families from the upper strata cultivators usually show a larger amount of net investment or disinvestment as the case may be than those from the lower strata cultivators. The proportion of families showing net disinvestment exceeding Rs 100 per family was 85 per cent and that of those showing net disinvestment exceeding Rs 500 per family was 40 per cent. In the lower strata cultivators, on the other hand, the proportion of those showing a negative balance of less than Rs 100 approximated 50 per cent, while less than 5 per cent showed a negative balance exceeding Rs 500 per family. The position was similar insofar as the net investment was concerned. These trends are probably explained by the considerable differences in the level of operation of the economy of the two strata of cultivators.

The net investment or disinvestment in the selected villages for cultivators, non-cultivators and all rural families is given in Table 7.13 on page 87.

Rural families in five out of eight villages selected show net disinvestment. The cultivating families in all these villages also show a negative balance, whereas, non-cultivators in four of these villages show a negative balance. The cultivating families of Ajjaram show a large positive balance.

The net position of the cultivating and non-cultivating families, after adding the expenditure on construction and repairs of residential houses remains unchanged in three of the five villages in each case, which showed net disinvestment. In the cultivators' group, Parimella and Pendyala show a change from negative to positive balance as a result of this addition; in the non-cultivators' group Dondapudi and Pendyala show a similar change. Construction activity was more important in

TABLE 7.13—INVESTMENT-DISINVESTMENT: INTER-VILLAGE VARIATIONS

[General Schedule data. Amount in rupees per family]

	All cultivators	Non- cultivators	All families
	1	2	3
Parimella			
1) Net Investment-Disinvestment.....	-126	- 86	-108
2) Construction and repairs of residential houses and other buildings.....	328	24	186
Item 1 + 2.....	202	- 62	78
Ajjaram			
1) Net Investment-Disinvestment.....	346	382	367
2) Construction and repairs of residential houses and other buildings.....	181	35	94
Item 1 + 2.....	527	417	461
I. Pangidi			
1) Net Investment-Disinvestment.....	172	14	102
2) Construction and repairs of residential houses and other buildings.....	118	42	84
Item 1 + 2.....	290	56	186
Dondapudi			
1) Net Investment-Disinvestment.....	- 79	- 13	- 28
2) Construction and repairs of residential houses and other buildings.....	48	26	31
Item 1 + 2.....	- 31	13	3
Karicherlagudem			
1) Net Investment-Disinvestment.....	103	- 38	12
2) Construction and repairs of residential houses and other buildings.....	34	9	18
Item 1 + 2.....	137	- 29	30
Tadikalapudi			
1) Net Investment-Disinvestment.....	- 74	16	- 43
2) Construction and repairs of residential houses and other buildings.....	55	15	41
Item 1 + 2.....	- 19	31	- 2
Pendyala			
1) Net Investment-Disinvestment.....	- 10	- 28	- 16
2) Construction and repairs of residential houses and other buildings.....	38	37	38
Item 1 + 2.....	28	9	22
Ankampalem			
1) Net Investment-Disinvestment.....	-193	- 25	-107
2) Construction and repairs of residential houses and other buildings.....	5	14	10
Item 1 + 2.....	-188	- 11	- 97

Pendyala than in other villages on account of the cyclone which overtook the village prior to the Survey year. It is, therefore, not surprising that both the cultivating and the non-cultivating families of this village should show a positive balance after adding expenditure on construction and repairs of residential houses. The cultivators of Parimella had also shown a very large amount of expenditure on construction and repairs of residential houses, which was not exceeded by that of those in any other village. In Dondapudi where a similar change has taken place in the group of non-cultivating families, the net disinvestment originally observed was of a very small order as compared to other villages in which non-cultivators showed net disinvestment. The data for the different groups of cultivators in different villages show that after adding the expenditure on construction and repairs of residential

houses, the number of villages showing net disinvestment among the small cultivators was reduced from six to five, the village Pendyala having changed position. Among the medium cultivators, no change is noticed in the position of five villages showing net disinvestment even after adding expenditure on construction and repairs of residential houses. As may be expected, the position of the big and the large cultivators altered radically as a result of the addition of this expenditure. Thus, only two and one instead of three and five villages, respectively, show net disinvestment after the addition of this expenditure. A net disinvestment was recorded in Ankampalem even after the addition of this expenditure, in all the four groups of cultivators.

The fact that the medium and the small cultivators showed net disinvestment in a majority of villages even after adding expenditure on construction and repairs of residential houses, together with the intensive enquiry data which revealed that a majority of cultivators showed net disinvestment, indicates that the economic activity during the Survey year, resulted in a negative balance on capital account for a substantial proportion of cultivating families, particularly in the medium and the small cultivators' groups. The big and the large cultivators, on the other hand, appear to have generally fared better after taking into account expenditure on construction and repairs of residential houses and other buildings, and were mainly responsible for the positive balance on capital account shown by all cultivators.

CHAPTER 8

CURRENT FARM OPERATIONS

8.1 INTRODUCTION

In this chapter, we discuss the data collected through the intensive enquiry in regard to the expenditure incurred by the selected cultivating families on various items connected with the operation of current farm business and the receipts therefrom. The data were collected only for the selected cultivating families and no attempt was made to obtain similar details for all the cultivating families investigated through the General Schedule. The information was collected separately for the two six-month periods, namely, April to September 1951 and October 1951 to March 1952. For purposes of study, the data for the full year April 1951 to March 1952 are presented in this chapter and information for the two six-month periods is utilized only for a study of seasonality of farm receipts and expenses.

Before going into details revealed by the study of farm business, it may be useful to examine the total figures of the value of gross produce reported. The value of gross produce of farm is the value of all kinds of crops including fodder, but not including livestock products such as milk or poultry products. It is the value of total produce of crops, whether sold, disposed of in other ways or retained for consumption for use in farm business or for sale. Table 8.1 below, gives the distribution of cultivators of the upper and lower stratas according to values of gross produce.

TABLE 8.1—DISTRIBUTION OF SELECTED CULTIVATORS ACCORDING TO VALUE OF GROSS PRODUCE ON FARM

[Intensive enquiry data]

Value of gross produce	Upper strata	Lower strata
Nil.....	—	5 (12·5)
Less than Rs 200.....	3 (3·8)	9 (22·5)
Rs 200 to Rs 400.....	9 (11·2)	13 (32·5)
Rs 400 to Rs 600.....	9 (11·2)	7 (17·5)
Rs 600 to Rs 1,000.....	16 (20·0)	5 (12·5)
Rs 1,000 to Rs 3,000.....	26 (32·5)	1 (2·5)
Rs 3,000 to Rs 5,000.....	13 (16·3)	—
Rs 5,000 and above.....	4 (5·0)	—
Total.....	80 (100·0)	40 (100·0)

(Figures in brackets are percentages to total)

It would be observed from the above data that 73·8 per cent of the cultivators of the upper strata were concentrated in the groups with a value of gross produce above Rs 600 per family and 85 per cent of the cultivators of the lower strata were in groups with a value of gross produce below Rs 600 per family. 12·5 per cent of the lower strata cultivators reported no gross produce at all and those having a gross produce exceeding Rs 1,000 per family, accounted for only 2·5 per cent of the total number of families of their class. Among the upper strata cultivators there were none who did not report any gross produce and those with a value of gross produce exceeding Rs 1,000 per family, accounted for 53·8 per cent of the total number of families of their class. Considering all cultivators together, the data reveal that more than half the cultivators returned a value of gross produce below Rs 600 per family and about two-thirds, below Rs 800 per family.

8.2 CURRENT FARM EXPENDITURE

Cash expenditure of cultivators on the current farm business during the year was grouped under five main heads, viz., (1) purchase of seed, (2) purchase of manure, (3) purchase of fodder, (4) cash wages and (5) other cash expenditure. The relative importance of different items of expenditure to cultivators in the upper and the lower strata may be observed from the table below.

TABLE 8.2—CURRENT CASH FARM EXPENDITURE

[Intensive enquiry data. Amount in rupees per family]

Strata	Purchase of seed	Purchase of manure	Purchase of fodder	Cash wages	Other cash ex- penditure	Total
	1	2	3	4	5	6
Upper strata.....	38·2 (3·7)	138·4 (13·4)	104·4 (10·1)	339·6 (33·0)	409·3 (39·7)	1,029·9 (100·0)
Lower strata.....	12·0 (6·0)	19·1 (9·6)	27·4 (13·7)	59·5 (29·8)	81·4 (40·8)	199·4 (100·0)

(Figures in brackets give percentage to total)

The cash farm expenditure per family of cultivators of the upper strata was about five times larger than that of those in the lower strata. Other cash expenditure constituted the most important item of expenditure accounting for about 40 per cent of the total cash farm expenditure of cultivators of both the strata. Expenditure on cash wages was next in importance, accounting for 33 per cent and 30 per cent of the total cash expenditure of the upper and the lower strata cultivators, respectively. Expenditure on seed claimed the lowest proportion of cash farm expenditure, whereas purchase of manure and fodder accounted for a little under one-fourth of the total cash farm expenditure, in both the strata of cultivators. It is apparent from the above that the pattern of current cash farm expenditure was broadly similar for the upper and lower strata cultivators.

A complete record of outlays both in kind and in cash on seed and manure was obtained. It is possible, therefore, to indicate the relative importance of

expenditure in cash and kind for these two items separately. Cash expenditure on seed by the upper and the lower strata cultivators constituted 38 per cent and 48 per cent, respectively, of the total expenditure on seed, indicating that the upper strata cultivators were able to retain a greater part of their requirements of seed from own production than cultivators in the lower strata. In the case of manure, the proportion of cash to total expenditure was higher for the upper strata cultivators probably on account of the greater use of fertilizers, and manures other than farm-yard manure, made by them, which would have to be purchased.

The relative importance of the various items comprising other cash expenditure, for cultivators of the upper and the lower strata, may be observed from the table below.

TABLE 8.3—OTHER CURRENT CASH FARM EXPENDITURE

[Intensive enquiry data]

Item	PERCENTAGE TO TOTAL 'OTHER CURRENT CASH FARM EXPENDITURE'	
	Upper strata	Lower strata
	1	2
1. Cash contributions to tenants, co-sharers and partners.....	—	—
2. Purchase of materials for farming.....	—	—
3. Maintenance and repair of implements and machinery.....	1.6	1.2
4. Hire of implements and bullocks.....	0.3	2.9
5. Transport charges for marketing.....	0.3	0.1
6. Sale commissions.....	—	—
7. Storage and other marketing costs.....	1.1	—
8. Salaries paid to annual or permanent farm servants.....	56.6	25.6
9. Cash rent paid to landlords.....	13.7	43.4
10. Land revenue and other agricultural charges.....	9.0	9.0
11. Interest paid on loans.....	12.6	17.3
12. Other cash farm expenses.....	4.7	0.5
Total.....	100.0	100.0

The most important items of expenditure for cultivators of both the strata were, (1) salaries paid to annual or permanent farm-servants, (2) cash rent paid to landlords and (3) interest paid on loans. For the cultivators of the upper strata, salaries paid to annual or permanent farm-servants was the most important single item of 'other cash expenditure'. Cash rent on the other hand was the most important item of expenditure for the lower strata cultivators. It is, however, still noteworthy that in terms of absolute amounts cash rent paid by upper strata cultivators was Rs 56 per family as against Rs 35 per family paid by lower strata cultivators. Interest paid on loans constituted a slightly higher proportion of the other cash expenditure of lower strata cultivators as compared to the upper strata cultivators. The pattern of other cash farm expenditure thus reveals that the upper strata cultivators spent a major proportion on the hire of permanent farm servants, reflecting the larger scale of their farm operations. Payments of rent and interest

on the other hand constituted the largest segments of the total other cash expenditure of the lower strata cultivators. Thus, the lack of adequate degree of ownership of land and capital resulted in a proportionately greater drain on the current resources of the lower strata cultivators, to meet the annual charges in connection with the use of these factors.

A little less than one-third of the total farm expenditure was incurred in kind by cultivators of both the strata. The data on expenditure in kind, however, do not include the value of fodder grown on the farm and used on the farm itself. The items constituting farm expenditure in kind were (1) expenditure on seeds, (2) expenditure on manure, (3) wages in kind other than at harvest and (4) disposals in kind after harvest. The relative importance of these items among cultivators of the upper and the lower strata may be observed from the following.

	(Amount in rupees per family)	
	Upper strata	Lower strata
Expenditure on seed.....	61.5 (12.2)	12.9 (13.7)
Expenditure on manure.....	129.4 (25.7)	28.6 (30.3)
Wages in kind other than at harvest.....	0.3 (0.1)	- (-)
Total disposals.....	312.2 (62.0)	52.9 (56.0)
Total kind expenditure.....	503.4 (100.0)	94.4 (100.0)

(Figures in brackets indicate percentages to total)

Disposals at harvest accounted for the major proportion of farm expenditure in kind of cultivators in both the strata, followed by expenditure on manure and seed. Wages in kind other than at harvest accounted for an insignificant proportion of the total expenditure in kind. The lower strata cultivators spent proportionately more on seed and manure than the upper strata cultivators, whereas the proportionate expenditure of the upper strata cultivators on disposals after harvest was greater. Disposals in kind at harvest time comprised (1) rent share to landlords or co-sharers, (2) wages to labour for harvesting, (3) remuneration to artisans and (4) other payments at harvest. Rent share to landlords or co-sharers accounted for 65.3 per cent and 59.2 per cent of the total disposals of the upper and the lower strata, respectively. Wages to labour for harvesting and remuneration to artisans accounted for a slightly higher proportion of the total disposals of the lower strata cultivators as compared to that of those of the upper strata cultivators. Other payments in kind were unimportant for cultivators in both the strata.

8.3 CASH RECEIPTS

Attention may now be turned to the cash receipts of cultivators of the upper and the lower strata. Cash receipts from the sale of crops and fodder and from other sources were as under.

[Intensive enquiry data. Amount in rupees per family]

Strata	Cash receipts from sale of crops and fodder	Other cash receipts	Total cash receipts
Upper strata.....	1,120	372	1,492
Lower strata.....	148	519	667

It would be observed that the cash receipts of cultivators in the lower strata were less than half of those of cultivators in the upper strata. Other cash receipts of the lower strata cultivators were, however, larger than those of the upper strata cultivators.

The relative importance of different sources of cash receipts was as under.

Source of finance	PROPORTION RECEIVED FROM THIS SOURCE TO TOTAL CASH RECEIPTS	
	Upper strata (Per cent)	Lower strata (Per cent)
Sale of crops and fodder.....	70·3	22·1
Wages.....	10·6	51·5
Carting.....	7·8	11·3
Remittances.....	3·4	5·9
Rent.....	2·9	5·5
Others.....	4·9	3·7
Total.....	100·0	100·0

The overwhelming importance of crop production as a source of cash receipts to cultivators of the upper strata and the major importance of receipts from wages to cultivators of the lower strata, is indicated by these data. The receipts of the lower strata cultivators from wages were Rs 343 per family as compared to Rs 169 per family of the upper strata cultivators. Other sources of cash receipts enumerated in our schedule were sale of milk and milk products, sale of poultry and poultry products, sale of seed and plants, sale of manure, interest on loans and miscellaneous sources.

8.4 SEASONALITY OF FARM BUSINESS

The cash farm expenditure and receipts of cultivators during the two six-month periods, namely, April to September 1951 and October 1951 to March 1952, into which the Survey year was divided indicate the element of seasonality in the farm

business operations. Total cash receipts exceeded current cash farm expenditure, during each of the two six-month periods, as can be seen from the table below.

TABLE 8.4—SEASONALITY, FARM EXPENSES AND RECEIPTS

[Intensive enquiry data. Amount in rupees per family]

Strata	APRIL TO SEPTEMBER 1951		OCTOBER 1951 TO MARCH 1952	
	Current cash farm expenses	Total cash receipts	Current cash farm expenses	Total cash receipts
	1	2	3	4
Upper strata.....	527·3	619·8	502·6	972·8
Lower strata.....	121·0	307·4	78·4	359·3

Cultivators of both the strata show a larger volume of receipts during the second six-month period, whereas the current cash farm expenditure of both the groups of cultivators was slightly lower in the second than during the first six-month period. A breakdown of the various items of total cash receipts indicates that receipts from sale of crops and fodder as well as from wages, the two principal items of cash receipts were larger during the second six-month period as compared to the first, for cultivators of both the strata. The larger volume of receipts from the sale of crops and fodder during the second six-month period appears to be due, in part, to the sale of crops sown during the earlier six-month period ending October 1951. The larger cash farm expenditure during the first six-month period indicates that the main cultivation season of the district was *kharif*. It is, however, important to note that the current cash farm expenses during the first six-month period were not very much higher than those recorded for the second six-month period. Thus, although the *kharif* season may be relatively more important than the *rabi* season, farm operations in connection with the latter also appear to be significant in magnitude. It would be recalled that the district receives rainfall both from the South-West and the North-East monsoons, the latter coinciding with the commencement of the *rabi* season. A considerable proportion of the cultivated area is moreover irrigated, some perennially.

8.5 SOURCE OF FINANCE FOR FARM EXPENDITURE

The current cash farm expenditure of the cultivators of the upper and the lower strata, financed from different sources during each of the two six-month periods, is shown in Table 8.5 on page 95.

The proportion of cash farm expenditure of cultivators of the upper as well as the lower strata financed from borrowings was distinctly higher during the first than during the second six-month period. This trend is what may be expected from the seasonality in cash receipts and farm expenditure in the district. The proportion of borrowings for the individual items of farm expenditure, also generally reflected this seasonality in borrowings. It may also be observed that borrowing was more important as a source of finance for current farm expenditure of the cultivators of the upper strata as compared to its importance to those of the lower strata.

TABLE 8.5—SOURCE OF FINANCE FOR CURRENT CASH FARM EXPENDITURE
[Intensive enquiry data]

Strata	EXPENDITURE FINANCED BY EACH SOURCE AS PERCENTAGE OF TOTAL EXPENDITURE ON FARM				
	Current income	Past savings	Sale of assets	Borrowings	Others
	1	2	3	4	5
April to September 1951					
Upper strata.....	66.0	2.1	0.2	30.7	0.9
Lower strata.....	79.6	—	0.1	20.3	—
October 1951 to March 1952					
Upper strata.....	78.1	1.1	0.3	20.0	0.5
Lower strata.....	90.5	—	0.3	9.2	—

8.6 CURRENT FARM EXPENDITURE ON MAJOR CROPS

It was mentioned earlier that the information regarding the current farm operations of selected cultivators was collected separately for different crops. Expenditure on only those items which are directly related to the cultivation of individual crops was recorded against each crop. We have made no attempt to consider the allocation of overhead expenses. The expenditure on five important crops on the basis of these data is given in the table below.

TABLE 8.6—VALUE OF GROSS PRODUCE AND CULTIVATION EXPENSES

[Intensive enquiry data. Amount in rupees per acre]

Crop	Value of gross produce	Expen- diture on seed	Expen- diture on manure	Cash wages	Disposals in kind at harvest time
	1	2	3	4	5
Upper strata					
Rice.....	213.8	7.6	16.4	41.6	58.8
Millets.....	41.7	2.8	11.1	4.7	8.5
Other pulses.....	22.1	5.5	0.3	1.9	3.7
Oilseeds.....	47.2	5.2	10.4	12.1	5.3
Tobacco.....	504.5	5.4	82.0	45.4	13.6
Lower strata					
Rice.....	191.8	9.8	21.8	39.4	40.8
Millets.....	27.7	2.9	8.6	1.7	4.2
Other pulses.....	23.9	5.3	0.2	0.2	4.9
Oilseeds.....	50.7	5.9	8.6	12.6	4.6
Tobacco.....	513.2	—	96.5	32.3	—

The above data bring out the high value of gross produce as well as cost of cultivation of tobacco, for cultivators of both the strata. Expenditure on manure for this crop was the most important constituent item followed by cash wages. Cultivators of the lower strata reported expenditure only on these two items in the cultivation of tobacco. Next in importance, both from the standpoint of value

of gross produce and expenditure was rice. The most important item of cash expenditure in the cultivation of rice was wages to hired labour. Disposals in kind made by cultivators of both the strata at harvest time in connection with rice, however, exceeded cash wages paid by them. Oilseeds, millets and pulses were next in importance both from the standpoint of the value of gross produce and expenditure per acre of sown area. Expenditure on cash wages and disposals in kind after harvest per acre, were usually slightly lower for cultivators of the lower strata as compared to those of the upper strata. The value of gross produce as well as the expenditure per acre of sown area were, however, of similar orders of magnitude in both the strata of cultivators. The fact that the value of gross produce per acre for different crops was approximately the same for cultivators of both the strata, with the exception of that from millets, indicates that the yields per acre were not significantly affected by the size of holdings.

CHAPTER 9

CREDIT AGENCIES

The relative importance of agencies which supply credit to the rural families and the modes of their operation are discussed in this chapter. The replies of the rural families to the question as to the agency from which they borrowed or to whom their outstanding debt was owed constitute the basis for the discussion on the relative importance of credit agencies. The investigation of the modes of operation of different types of credit agencies was carried out independently by directly interviewing the agencies through seven schedules and five questionnaires. The schedules were used for the investigation of the working of the Government and the co-operative financing agencies, seeking, in the main, quantitative information. The assets and liabilities of the co-operative credit and marketing societies and land mortgage banks were studied in addition to the study of their loan operations. A schedule was also drawn up for making case studies of individual loan applications, in respect of both institutional and private agencies, from which the time-lag between the dates of application and disbursement of credit, steps taken to enforce recovery of loans and reasons, in the case of rejected applications, for rejection, were studied. In the case of the private credit agencies, comprising mainly moneylenders, traders and indigenous bankers as well as commercial banks, the investigation emphasized the qualitative rather than the quantitative aspect, in view of the unwillingness on the part of private agencies to reveal their business records in full. Questionnaires were used for these four agencies. A questionnaire was also canvassed for the primary co-operative societies, as regards their working, from the office bearers of each society.

In all, the agencies supplying credit were classified into nine categories, *viz.*, Government, co-operatives, relatives, landlords, agriculturist moneylenders, professional moneylenders, traders and commission agents, commercial banks and 'others', and all loans were classified according to source of borrowing. Under 'Government', all borrowings from Government through various departments and under various schemes were included. Borrowings from different types of co-operative institutions, such as primary credit societies, marketing societies, central co-operative banks and land mortgage banks were treated together under co-operatives. The private moneylenders were divided into four important categories. These were, the professional moneylenders, the agriculturist moneylenders, the landlords and the relatives. Those whose main source of income appeared to be agriculture were classified as agriculturist moneylenders. In view of the difficulties involved in ascertaining the major source of income of moneylenders, the classification provides only a rough indication of the extent to which moneylending business

is carried on side by side with the cultivation of land. The landlords were put in a separate category, mainly with a view to ascertaining the dependence of tenants on their landlords for obtaining credit. This category of credit agency, therefore, was specified only in the case of tenants and that too, to the extent of their borrowings from or debt owed to their own landlords. In all cases, where loans from relatives carried interest they were classified under the appropriate credit agency such as agriculturist moneylenders, private moneylenders, etc. A residual category termed 'others' comprised creditors, if any, who could not be properly classified under any one of the agencies mentioned above.

The share of different credit agencies in the borrowings of these two groups was as under.

	All cultivators (Per cent)	Non-cultivators (Per cent)
Government.....	2.1	0.3
Co-operatives.....	3.1	2.2
Relatives.....	2.0	10.4
Landlords.....	0.2	—
Agriculturist moneylenders.....	61.5	53.2
Professional moneylenders.....	20.9	5.3
Traders and commission agents.....	8.1	14.5
Commercial banks.....	1.5	13.2
Others.....	0.5	0.9

It will be observed that the cultivating families of the district obtained the bulk of the amount borrowed by them during the year from private credit agencies, only 3.1 per cent and 2.1 per cent of the total being supplied by the co-operatives and Government. The agriculturist moneylender was the important among the private credit agencies who together with professional moneylenders and traders and commission agents accounted for about 90 per cent of the amount borrowed during the year. Landlords, commercial banks and relatives each accounted for an insignificant proportion of the total borrowings of cultivators during the year. The proportion of the amount borrowed by non-cultivators from co-operatives and Government was even smaller than that of the cultivators. The agriculturist moneylender was the most important credit agency for the non-cultivators also. It was observed, however, that traders and commission agents, commercial banks and relatives were more important as credit agencies for non-cultivators than professional moneylenders indicating that the sources of credit of the non-cultivators were more diversified.

The data collected from the sample of selected cultivators show the same general trends as those observed in the case of cultivators in the preceding discussion based on the General Schedule data. The intensive enquiry data enable us to classify loans from each credit agency according to the purpose and period of loan. Following the eight-fold classification discussed in Chapter 4, the loans have been divided into five major purposes, a further breakdown of which into long-term and short-term

purposes is provided in the case of three namely, agricultural, non-agricultural and consumption purposes. The other two purposes were repayment of old debts and miscellaneous purposes. The proportion of borrowings for different purposes to total borrowings of cultivators according to intensive enquiry data are given below.

AGRICULTURAL		NON-AGRICULTURAL		CONSUMPTION		(In per cent)	
						Repay- ment of old debt	Mis- cellan- eous
Short- term	Long- term	Short- term	Long- term	Short- term	Long- term		
20·0	46·9	2·4	2·7	6·9	12·2	2·7	6·2

Over two-thirds of the borrowings were for agricultural purposes, whereas most of the remaining were for consumption purposes. Nearly 54 per cent of the borrowings from co-operatives, according to these data, were for consumption purposes, and the remaining for agricultural purposes, mostly short-term. All borrowings from Government were for short-term agricultural purposes. Borrowings from agriculturist moneylenders were mainly for long-term and short-term agricultural purposes accounting for 53·3 per cent and 19·5 per cent of the total borrowings from them, respectively. Consumption purposes and non-agricultural purposes accounted for 16·8 per cent and 6·0 per cent, respectively, of the total borrowings of selected cultivators from the agriculturist moneylenders. In the case of other important private agencies, namely traders and relatives, borrowings for consumption purposes constituted a much larger proportion of the total borrowings than that in the case of agriculturist moneylenders. Borrowings from these agencies for agricultural purposes were mostly of a short-term character.

The relative importance of different credit agencies is studied in the case of individual villages on the basis of only two broad categories. These are the institutional agencies comprising Government and the co-operatives and the private agencies comprising all other classes of lenders. The average amount borrowed per family from 'institutional' and 'private' agencies is given in the table below.

TABLE 9.1—AVERAGE AMOUNT BORROWED PER FAMILY, FROM INSTITUTIONAL AND PRIVATE MONEYLENDING AGENCIES

Village	ALL CULTIVATORS		NON-CULTIVATORS	
	Institutional agencies (Rs)	Private agencies (Rs)	Institutional agencies (Rs)	Private agencies (Rs)
	1	2	3	4
Dondapudi.....	11	658	1	135
Parimella.....	164	693	19	160
Pendyala.....	9	411	2	68
Tadikalapudi.....	68	403	31	121
Ajjaram.....	10	533	—	385
Ankarpalem.....	—	361	—	71
I. Pangidi.....	6	846	—	137
Karicherlagudem.....	1	512	—	73

The data bring out the fact that in two villages with co-operative societies namely Parimella and Tadikalapudi, the institutional agencies met a larger proportion of the credit needs of the rural families than those met by these agencies in other villages.

The proportion of borrowings from institutional agencies by the different groups of cultivators in these two villages was as under :

Village	(In per cent)			
	Big	Large	Medium	Small
Parimella.....	17·4	19·6	16·6	22·0
Tadikalapudi.....	15·5	14·9	13·4	10·5

In Tadikalapudi the proportion of institutional credit declines from the big to the small cultivators.

The share of different credit agencies in the debt outstanding was as under.

Credit Agency	Cultivators	Non-cultivators
	(Per cent)	(Per cent)
Government.....	1·5	0·5
Co-operatives.....	3·1	7·7
Relatives.....	4·6	11·3
Landlords.....	—	—
Agriculturist moneylenders.....	60·5	54·5
Professional moneylenders.....	23·4	7·7
Traders and commission agents.....	6·5	17·5
Commercial banks.....	—	—
Others.....	0·3	0·9

The proportions of debt owed to different credit agencies by the cultivators followed a pattern which was broadly similar to that observed in relation to borrowings during the year. It will be observed that Government and co-operatives accounted for an insignificant proportion of the outstanding debt the bulk of which was owed to agriculturist and professional moneylenders. The relative importance of different credit agencies to non-cultivators on the basis of data on outstanding debt was also broadly similar to that observed in relation to borrowings during the year, with minor variations.

CHAPTER 10

GOVERNMENT FINANCE

10.1 LEGAL FRAMEWORK

The working of finance provided by Government to the agriculturists is considered in this chapter. It deals with the general framework of Government finance, the total amounts of loans given in the district during the Survey year, case-studies of a few of these loans and finance obtained from Government by rural families in the selected villages. Finance was provided for agriculturists by Government in the Madras State of which West Godavari district was a part at the time of the Survey, mainly under two Acts, namely: (1) Land Improvement Loans Act of 1883 and (2) Agriculturists' Loans Act of 1884. The purposes, terms and conditions of loans are governed largely by the provisions contained in the two Acts, the rules made thereunder and the executive and administrative instructions given by the Government of the State from time to time which are found in the Madras Taccavi Manual.

10.2 LOANS UNDER LAND IMPROVEMENT LOANS ACT, 1883 AND AGRICULTURISTS' LOANS ACT, 1884

The purposes for which loans are made under the Land Improvement Loans Act of 1883 are (1) construction of wells, tanks and other works connected with agriculture, (2) preparation of land for irrigation, (3) provision of drainage facilities and protective measures against floods, erosion or other damage to land, (4) reclamation and other permanent land improvements for agricultural purposes, (5) reconstruction or renewal of any of the foregoing or additions or alterations thereto, and (6) other purposes relating to land development. The purposes for which loans are made under the Agriculturists' Loans Act of 1884 are (1) purchase of seed, cattle and breeding bulls and other purposes not covered by the former Act, (2) rebuilding of houses destroyed by flood, fire or storm, (3) raising of plantations and orchards, (4) purchase of fodder for cattle, manure, carts, implements, etc. and (5) relief of distress.

The period for which the loans may be made is not rigidly laid down. Under the former Act, however, loans are given sometimes for more than ten years, while under the latter loans cannot generally be given for a period exceeding ten years. The rate of interest charged is $4\frac{1}{2}$ per cent and the repayment has to be in equal instalments payable in March every year. It may be pointed out that the rate is in no way related to the purpose or the duration of the loan. The sanctioning authority fixes the method of repayment, after taking into account the purpose and amount of the loan and the repaying capacity of the borrower. The following instalments are fixed in respect of certain purposes.

Land Improvement Loans Act, 1883

Construction and repair of wells	— 30 equal annual instalments
Other purposes	— Not more than 20 instalments

Agriculturists' Loans Act, 1884

Manure and seed for crops which can yield return in 20 months	— 2 equal annual instalments
Manure and seed which cannot yield return in 30 months	— 12 equal annual instalments
Distress relief	— 6 equal annual instalments
Any other purpose	— 20 equal annual instalments

The custody of loan records is vested in the sanctioning authority but whoever the latter may be, all loan sanction orders are communicated to the Tahsildars who maintain a taluk loan ledger containing the demand, collection and balance statements with a view to effecting and watching recoveries. Repayments are made by remittances into the treasuries by borrowers or through village officers, following the issue of demand notices by the Tahsildar. In case of failure to repay, the amount of the loan will be sought to be recovered as arrears of land revenue under the Revenue Recovery Act of 1864. The instalment of repayments can be waived under conditions when remission of *kist* is permitted.

There is no limit on the amount any individual may borrow but there are limits on the amounts which can be borrowed for any specific purpose under the Agriculturists' Loans Act, 1884, as follows.

Purchase of seed, cattle and stallions for breeding : rebuilding of houses destroyed by fire, flood or storm.....	Rs 1,000
For planting orchards.....	Rs 3,000
Purchase of fodder, construction of cattle sheds, purchase of carts, manure, sugar-cane mills, acquisition of lands, etc.....	Rs 2,000
Building of dwelling houses by agriculturists in rural areas.....	Rs 1,000

Under the Land Improvement Loans Act, 1883 the land to be improved (including the site of work) is generally the security for the loans issued. If the value of the applicant's interest in the land to be improved does not exceed by one-third the amount applied for, collateral securities are required consisting of (1) other lands owned by the applicant or (2) the land of others who agree to be sureties or (3) personal security upto an amount of Rs 250 or 25 per cent of the total loan whichever is less. Under the Agriculturists' Loans Act, 1884 the saleable interests of the applicant in the land held by him constitute the security and where this security does not exceed by one-third the amount of the loan, additional collateral security as in the case of the Land Improvement Loans Act, 1883 is required. Where a loan is repayable in two annual instalments or within a period of less than two years, no security is taken. Non-occupancy *ryots* in estates are not normally given loans unless sufficient collateral security to cover the full amount of the loan can be

produced. On the security of their entire estates, zamindars and big landlords can be granted special loans.

The following authorities are empowered to sanction loans not exceeding in each case the sums specified.

Tahsildar.....	Upto Rs 500
Revenue Divisional Officer.....	Upto Rs 1,000
Collector.....	Upto Rs 5,000
Board of Revenue.....	Upto Rs 10,000
State Government.....	Above Rs 10,000

An agriculturist who seeks a loan should make an application in writing to the taluk office of his area giving particulars such as those of the amount required, purpose and the security that can be offered. An enquiry will be conducted on a specified day by the Revenue Inspector or a higher official depending upon the amount applied for, after giving adequate publicity in the village and inviting objections, if any, to the grant of the loan. The enquiry officer obtains from the village officers various particulars regarding the applicant and also their confirmation of the details given in the application. He may also call the applicant for a personal enquiry after giving sufficient notice in advance. He will then make a detailed report to the sanctioning authority with special reference to such factors as the solvency of the applicant, the adequacy of the security offered, the purpose of the loan, the adequacy of the loan for the purpose, the rights of the applicant in land, encumbrances, if any, and arrears of land revenue. If the sanctioning authority is satisfied in all respects, the loan is sanctioned and an order issued to that effect. A security bond is then obtained from the borrower in the prescribed form. The administrative instructions of the Board of Revenue require that the period between the date of application and the date of sanction and disbursement should not exceed two months. Loans are disbursed either in cash in villages after the identification of the applicant or by a bill on the sub-treasury at the taluk headquarters, where it will have to be encashed by the applicant, the latter being the more common practice.

The period is prescribed in the loan sanction order within which the work relating to the purpose of the loan should be completed. After the expiry of this period, therefore, the Tahsildar or his Revenue Inspector visits the village to inspect the work and to satisfy himself that the loan is being utilized for the purpose stated by the applicant and the loans which have been misapplied are summarily recovered. A loan works register is maintained by the Tahsildar where the results of such verifications are recorded.

10.3 LOANS UNDER SPECIAL SCHEMES

10.3.1 Cyclone Relief Loans

Interest-free loans were given during 1949-50 and 1950-1 under this scheme to agriculturists in such districts as Visakhapatnam, East and West Godavari, Krishna and Guntur which had been affected by the cyclone in 1949, for purposes like

purchase of fodder, seed, implements, cattle, construction of cattle sheds and re-building of and repairs to houses, etc. The loans were made under the two Taccavi Acts and administered by temporary staff specially appointed for the purpose.

10.3.2 Schemes administered by the Agricultural Department

I. Interest-free loans for the purchase of seed, manure and implements :

This scheme was launched in 1949-50 in connection with the Grow More Food Campaign and is administered by the Agricultural Department headed by the District Agricultural Officer. These loans are made under the Agriculturists' Loans Act, 1884. The maximum amount that can be advanced to agriculturists under the scheme was fixed originally at Rs 80 and has subsequently been raised to Rs 120. The loans, which are often in kind, should not exceed in value fifteen times the land revenue paid by the borrower and are interest-free. Though they are issued on personal security in the case of tenants, owners' surety is required. There is no detailed enquiry into the repaying capacity beyond obtaining a certificate in this regard from the village officers. The loan is not less than Rs 20 and should be in multiples of Rs 10 in any case. Repayment is fixed in two equal annual instalments to be paid along with land revenue.

II. Intensive manuring scheme :

Under this scheme which has been in operation since 1950-1, interest-free loans are extended to agriculturists in the shape of chemical fertilisers (ammonium sulphate and super phosphate in the ratio of 1 : 2 in value) under the Agriculturists' Loans Act, 1884. This differs from the cash loans granted for the purchase of seed, manure and implements, in that the loans under this scheme can be made only in the shape of chemical fertilisers to be used only for growing paddy under assured water supply. The individual borrowing limit is Rs 200 per *ryot* on the basis of Rs 25 per acre and these loans can be made even when there are other outstanding loans.

III. Purchase of implements and manure for cotton :

Mention may also be made here of few other schemes administered by Agricultural Department under which, (1) loans can be made upto Rs 100 in each case for the purchase of implements at $4\frac{1}{2}$ per cent repayable in 2 years and (2) for the purchase of manures for cotton upto Rs 200 in each case, repayable at the end of the crop season. In the case of loans made by the Agricultural Department, the correctness of the particulars in an application are verified by a 'Field Mistry' of the Agricultural Department and the application is sent to the District Agricultural Officer with the recommendation of the Demonstrator. A loan sanction order is made out by the District Agricultural Officer under copy to the Tahsildar of the taluk and the disbursement is made through the Agricultural Demonstrator after the personal security bond has been taken. The entire loan record is then sent to the Tahsildar concerned who will be the custodian of these records and also responsible for effecting recoveries.

IV. *New well subsidy scheme :*

Under this scheme which was in operation between 1947 and 1950-51, a sum representing one-half of the cost of construction of a new well was advanced as a loan under the Land Improvement Loans Act, 1883, in the first instance. The well had then to be completed in accordance with certain specifications laid down by the Revenue Department such as (1) that enough water should be supplied to cultivate at least one acre, (2) the subsoil water should not be brackish or saline, (3) it should be at least eight yards of depth and should have at least nine feet of water at the height of summer and (4) an agreement should be given that only food crops would be grown for six years with the water of this well. The amount which had initially been given as a loan was treated as a subsidy when these conditions were found to be satisfied. If the well was not sunk or the conditions were not fulfilled, the loan was to be recovered in full together with interest.

V. *Hire-purchase of oil engines :*

Oil engines and electric motors are being made available to agriculturists on a hire-purchase basis, the amount being required to be repaid in five and three instalments, respectively. This scheme is administered by the Joint Director of Agriculture through the District Agricultural Officer. The local enquiry, etc., are attended to by the Tahsildar who issues a solvency certificate in respect of the applicant. On the basis of a priority-register of applicants maintained by the District Agricultural Officer, the Joint Director of Agriculture recommends applications to the Commissioner of Food Production and on obtaining his sanction, passes the loan sanction order, fixing the amount to be granted and the number and amount of instalments. No money is given but only the engine or motor supplied, which remains the property of the state till the payment of the last instalment. In this connection, mention may also be made of the Madras Land Improvements and Agriculturists' Loans (Pumping Installations and Agricultural Machinery or Plant) Rules, 1933 under which loans are granted to any owner or occupier of arable land for erecting or completing a pumping installation or for the purchase of agricultural machinery or plant and for carrying out any improvement to his land in connection with the use of such machinery or plant. The powers for making these loans which were once exercised by the Directors of Agriculture and of Industry and Commerce were vested in the Revenue Department, at the time of the Survey.

10.3.3 Loans Disbursed during 1950-51

The amount disbursed by the Government under the two Taccavi Acts and the Grow More Food Campaign in the West Godavari district during 1950-51 exceeded Rs 68 lakhs, as may be observed from Table 10.1 on page 106.

The proportion of the number of applications sanctioned did not exceed 30 per cent of the number received except in the case of applications for loans under the Grow More Food Campaign, which constituted less than 3 per cent of the total number of applications under all categories. The amounts sanctioned were about two-fifths of the total amount involved in applications received. An overwhelming proportion of loans were under the two Taccavi Acts, which accounted for over

TABLE 10.1—GOVERNMENT FINANCE FOR AGRICULTURAL PURPOSES DURING 1950-51

[Amount in hundreds of rupees]

	APPLICATIONS RECEIVED		APPLICATIONS SANCTIONED		
	Number	Amount applied for	Number (3 as percentage of 1)	Amount applied for	Amount sanctioned (5 as percentage of 2)
	1	2	3	4	5
Land Improvement Loans Act, 1883.....	39,914	1,21,359	11,686 (29·3)	49,761	49,761 (41·0)
Agriculturists' Loans Act, 1884.....	20,862	40,294	6,160 (29·5)	..	16,308 (40·5)
Loans under the Grow More Food Campaign.....	1,591	2,083	1,162 (73·0)	1,567	1,567 (75·2)
Cash subsidies under the Grow More Food Campaign.....	460	3,623	111 (24·1)	519	830 (22·9)

	PURPOSE FOR WHICH AMOUNT WAS SANCTIONED†							
	Purchase of seed	Purchase of implements	Purchase of draught animals	Well digging and other irrigation	Land improvement	Consumption	Other purposes	Purpose not specified
	6	7	8	9	10	11	12	13
Land Improvement Loans Act, 1883.....	-	2,592@ (5·2)	-	-	26,601 (53·5)	-	7,724 (15·5)	12,844 (25·8)
Agriculturists' Loans Act, 1884.....	1,809* (11·1)	-	301 (1·8)	-	-	-	11,926 (73·1)	2,271 (13·9)
Loans under the Grow More Food Campaign	1,567* (100·0)	-	-	-	-	-	-	-
Cash subsidies under the Grow More Food Campaign.....	170* (20·5)	-	165 (19·9)	330 (39·8)	165 (19·9)	-	-	-

(@ Relating to advance made for current farm expenditure (including purchase of implements).

* Includes amounts sanctioned for purchase of manure, fodder and implements.

† Figures in brackets indicate percentages to total amount sanctioned.

Rs 56 lakhs of the total amount sanctioned. It appears that the amount of loans given during 1950-51 was far above the normal disbursement of Government finance in the district. During 1949, the coastal districts of the Madras State were overtaken by a cyclone. It is reported that over Rs 50 lakhs were allotted by the State Government under the Cyclone Relief Scheme for the West Godavari district, to be given as interest-free loans to the agriculturists during 1949-50 and 1950-51. Only a small proportion of this allotment, however, appears to have been utilized during

the year 1949-50, and a very large amount of loans were disbursed in the subsequent year, mainly under the Land Improvement Loans Act, 1883. The purposes of loans have to be viewed in the light of this background. For instance the amount of loans shown under 'purposes not specified' at Rs 12·8 lakhs, accounting for 25·8 per cent of the amount sanctioned under the Act, were reported to be mainly for consumption purposes as well as for repairs to houses. It is also noteworthy that several purposes for which *taccavi* loans are made under the normal procedure were included in the Cyclone Relief Scheme. This scheme proved more popular than the others apparently because the terms, conditions and the procedure for obtaining loans under it were easier. A substantial part of the loans shown against Agriculturists' Loans Act, 1884 were separately given under the Intensive Manuring Scheme, and were administered by the Agricultural Department along with similar loans and subsidies, under the Grow More Food Campaign.

10.4 CASE-STUDIES OF GOVERNMENT LOANS

One hundred and twenty cases of applications for loans comprising 100 sanctioned applications and 20 rejected applications, were selected at random at the four taluk centres where the investigation was concentrated, and a case-study was made of these applications. The table below gives the amount of loans applied for and sanctioned on the basis of data collected for case-studies.

TABLE 10.2—AMOUNTS OF LOANS APPLIED FOR AND DISBURSED

[Amount in rupees]

Size of Loan	TOTAL APPLICATIONS STUDIED		LOANS SANCTIONED AND DISBURSED			
	Number	Amount applied for	Number	Amount applied for	Number	Amount disbursed
	1	2	3	4	5	6
Upto Rs 30.	2	40	2	40	3	60
Rs 30 - Rs 50.	—	—	—	—	1	40
Rs 50 - Rs 100.	7	550	7	550	8	575
Rs 100 - Rs 300.	20	3,805	15	2,855	25	4,480
Rs 300 - Rs 500.	9	3,100	7	2,500	20	7,400
Rs 500 - Rs 1,000.	78	39,800	66	33,700	43	22,000
Rs 1,000 and above.	3	3,500	2	2,500	—	—
Not ascertainable.	1	..	1	..	—	—
Total.	120	50,795	100	42,145	100	34,555

The bulk of the amount of loans applied for and disbursed was accounted for by loans of Rs 500 to Rs 1,000. The loans disbursed did not exceed Rs 1,000 in any case although there were a few applications for loans exceeding this amount.

The data on page 108 show the time-lag between the date of application and of sanction for the loans sanctioned.

Thus while two-fifths of the loans were sanctioned within three months, 19 per cent required a time-lag of three to five months and 25 per cent of five to eight months or more. The time-lag for 16 per cent of the loans could not be ascertained. These data, however, have to be used with caution for the following reasons.

Time-lag	Number of loans sanctioned
Less than one month.....	11
One to three months.....	29
Three to five months.....	19
Five to eight months.....	17
Over eight months.....	8
Not ascertainable.....	16

1. The dates entered as dates of application, etc., are not always correct ; the applications might be received earlier, and entered in the register on some later date at the Taluk Office, the same date being entered as the date of application. In fact, in several cases the registers contain only the date of receipt and the date of application is not mentioned.

2. The time-lag between the two dates cannot be interpreted as a correct index of the delays in dealing with the applications. Applications for loans are bound to be taken up by the authorities concerned after a certain number are accumulated and whereas the time-lag for the applications received earlier would be large, that for the applications received later would be relatively small. Although the administrative procedure lays down several formalities, and even prescribes a time limit within which the applications are to be disposed of, in practice this is not adhered to, and there are even a few cases in which the loans are first informally sanctioned, and all the formalities gone through subsequently. Moreover, even a time-lag of more than one month might be too large, if the loans required are for current agricultural operations which depend upon the season.

The following table gives the distribution of loans sanctioned purpose-wise.

TABLE 10.3—CASE STUDY OF LOANS ADVANCED BY GOVERNMENT : LOANS DISBURSED FOR VARIOUS PURPOSES

	Purchase of manure	Purchase of livestock	Digging and repair of wells	Bunding and other land improvements	Other purposes, more than one purpose and purpose not specified@	Total
	1	2	3	4	5	6
Number of loans disbursed....	15	6	2	22	55	100
Amount disbursed.....	1,480 (4.3)	2,900 (8.4)	1,500 (4.3)	8,150 (23.6)	20,525 (59.4)	34,555 (100.0)

(Figures in brackets give percentages to total)

@ Include 2 loans amounting to Rs 1,000 for construction of farm houses, barns, cattle sheds, etc. Include 29 loans amounting to Rs 9,275 for construction and repairs of residential houses and other buildings.

Includes 1 loan amounting to Rs 500 for repayment of old debts.

It would be observed from the above table that a large proportion of loans under unspecified purposes were for construction and repairs to houses. These loans appear to have been given under the 'Cyclone Relief Scheme'. Excepting fifteen loans, all the others were made against the security of immovable property which in most cases would be the holding owned by the applicant. All loans, except the fifteen loans given for the purchase of manure were for a duration of three to five years or more. The duration of two loans for digging and repairs of wells was not specified.

As the data for case-studies were collected from the registers and files available at the taluk offices, we do not know what were the actual steps taken or stages between the application for and the sanction of various loans. But there is reason to believe that the standard procedure required in respect of various schemes was followed in practice without much deviation. In the case of the Cyclone Relief Loans, the following steps were involved.

1. Enquiry by the Revenue Inspector, in the case of loans under Rs 500 and by a higher authority for higher amounts,
2. Report by the enquiry officer to the officer competent to sanction the loan,
3. Further enquiry, if necessary,
4. Sanction of the loans and
5. Execution of a bond by the borrower and the disbursement.

In the case of loans under the intensive manuring scheme, the procedure is similar to that of the other *taccavi* loans, but the application is received and enquired into by the Agricultural Demonstrator, with the help of the village officials. The loan is sanctioned by the District Agricultural Officer, and a copy of the sanction order communicated to the Tahsildar and the Treasury Deputy Collector, who issues a bill for the amount sanctioned; the bill is encashed by the Agricultural Demonstrator, who gets the loan disbursed to the applicant in the shape of chemical manures by a co-operative society or a firm stocking the manures. In the case of the Cyclone Relief Loans, it was found, according to the records in the registers, that the Revenue Inspectors investigated and reported whether or not the work for which the loan was issued, *e.g.*, repair of house, improvement to land, etc., was in fact carried out. In the case of the 'intensive manuring' loans, since they are disbursed in the shape of manure, it is presumed that they would be used for the purpose for which they were taken.

It was not found necessary, in the case of the loans studied in this district, to resort to extraordinary steps for recovery. As such there were no cases of loans on which the annual instalments due were not paid and, therefore, there was no occasion to proceed against the borrowers. There was no significant divergence between the stipulated mode of repayment and the actual mode adopted.

A study of the rejected loan applications is instructive, in that it throws light on some of the factors responsible for rejection. In twelve out of twenty rejected

case studies the absence of satisfactory security was the cause for rejection. Several of the *pattas* of cultivators in this district as in the other districts of the former Madras State, were joint *pattas*, i.e. *pattas* jointly held by several persons. In some others, the *patta* was in the name of another person, such as the ancestor from whom the property was inherited or someone from whom it was purchased, since transfers of property were not immediately registered in the holdings register nor was such registration necessary for legal purposes. In all such cases, the applicant who had no *patta* in his name, was judged as not having produced a satisfactory security and his application was rejected. In all these cases, it would appear that rejection is merely on technical grounds and there is room for the removal of some of these disabilities. In some cases, the applicant may be required to produce an encumbrance certificate in respect of his holding and he finds it both difficult and costly to do so. The loan is rejected because the certificate is not forthcoming. In one case, it was reported that a loan for a small amount (Rs 100) was sanctioned, but the applicant was asked to go to the taluka headquarters to sign the bond, which he was unwilling to do in view of the cost and trouble involved; hence the sanction was cancelled. In five cases, rejection was due to the fact that for some reason or other the applications were kept pending for fairly long periods, and by the time they were forwarded to the sanctioning authority, the allotment of funds for the particular scheme, for the financial year concerned was exhausted. In other cases, the applications were rejected on the ground that the application was on enquiry found to be not bona fide, i.e. that the purpose for which the loan was asked was either already fulfilled or not genuine. An important point about the rejected applications is that in most cases, the fact of rejection and the reasons for it are not communicated to the applicant, but the application is merely filed.

The data collected from the rural families through the Survey, indicate the extent to which different groups of families availed of Government finance. The relevant aspects of these data are given in Table 10.4 on page 111.

The above data indicate that the proportion of the amount borrowed from and debt owed to Government by cultivators in different groups to their total borrowings and debt was extremely small, despite the fact that the amount disbursed during the year was larger than usual on account of the Cyclone Relief Scheme. The proportion of families borrowing from and indebted to Government declined steadily from about 8 per cent in the big cultivators' group to about 1 per cent in the small cultivators' group. The amounts borrowed from and owed to Government per borrowing or indebted family, also declined from the big to the medium cultivators' group but showed increase to some extent in the small cultivators' group. It appears from these data that generally Government finance was availed to a much larger extent by the big and the large cultivators' groups than the medium and the small cultivators' groups.

It is apparent from the foregoing discussion that Government finance is available, usually, under two sets of conditions. In the first instance, an emergency such as the

cyclone which overtook the coastal parts of the district in 1949 makes it necessary for Government to step in immediately with help, part of which is rendered in the shape of loans. In all such cases, Government finance plays a vital role which cannot easily be taken over by any other agency. Government finance also appears important in reinforcing certain policies of the Government, such as the Grow More Food Campaign, under which loans largely for particular schemes are given. The attractive features of the system are that some loans are interest free, and others are obtainable at 4 1/2 per cent, a rate lower than that charged by any other agency. Further, the limits up to which the loans are made are not so strictly laid down as in co-operative institutions, and the period for which credit is available is generally either medium-term or long-term.

TABLE 10.4—BORROWINGS FROM AND DEBT OWED TO GOVERNMENT

[General Schedule data]

Item	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
Borrowings from Government							
Proportion of families re- porting borrowings (Per cent).....	8.0	5.3	2.3	1.0	2.8	0.2	1.5
Borrowings per reporting family (Rs).....	662	549	256	367	436	255	422
Borrowings from the agency as percentage of total borrowings (Per cent) ..	1.9	2.1	2.1	2.2	2.1	0.3	1.7
Debt owed to Government							
Proportion of indebted families (Per cent).....	8.1	5.0	2.1	1.2	2.7	0.2	1.4
Debt per indebted family (Rs).....	673	605	266	337	468	341	460
Debt owed to the agency as percentage of the total debt owed (Per cent).....	1.4	1.5	1.1	1.6	1.5	0.3	1.2

As against these, there are several defects which make the system a failure in actual working. Ordinarily, an agriculturist is eligible for a loan only if he has a clearly established interest in land as an owner or occupancy tenant, and is able to offer that interest as security. Those unable to do so, either for technical reasons (*e.g.*, joint *pattas*, lack of consent of zamindars or landlords or other members of the family, or inability to produce an encumbrance certificate) or because they belong to the class of landless tenants, are unable to take advantage of the system. The result of some of these features is that the financial assistance provided by Government is, in fact, kept away from the reach of the poorer and smaller agriculturists, as we have witnessed in the data discussed above, for whose benefit it was probably designed and still continues to be administered.

CHAPTER II

CO-OPERATIVE FINANCE

II.1 CO-OPERATIVE ORGANIZATION

The co-operative organization in the West Godavari district, like other districts of the Madras State, had its legal basis in the Co-operative Societies Acts (Central) of 1904 and 1912, but at present its legal sanction is derived from the Madras Co-operative Societies Act of 1932. The Act provides for the establishment of various types of co-operative institutions at the initiative of those who desire to undertake any activity on a co-operative basis, but vests substantial powers in respect of the registration, audit, supervision and control, and liquidation, if necessary, in the hands of the Registrar of Co-operative Societies. The Registrar is assisted by Joint Registrars, Deputy Registrars, Co-operative Sub-Registrars, Senior and Junior Inspectors, etc. The duty of supervision, audit and control over a category or some categories of institutions is entrusted to an officer in each area, so that adequate and specialized attention could be paid to each type of institution. Further, with several years of experience a large body of orders, instructions, etc., have been issued, model bye-laws for various types of institutions framed and all these have gone into the building up of an elaborate administrative procedure ; they have been incorporated into a comprehensive Co-operative Manual (a revised edition of which was brought out in 1952) although a large number of Government orders go on being issued from time to time to add to or modify the existing ones as required.

The departmental staff play an important role in promoting and regulating the activity of the movement. The official set up at the time of the Survey with which the co-operative financial institutions had to deal, is therefore outlined below briefly. It comprised (1) the Registrar for the State as a whole, assisted by Joint Registrars for certain specialized functions, (2) the Deputy Registrar who was invariably in charge of a district, but may be in charge only of a part of it in special cases (Special development officers of the same cadre were appointed in several districts to look after certain aspects of the movement), (3) the Co-operative Sub-Registrars who may be in charge of the supervision of any particular set of institutions such as credit societies, multi-purpose societies, land mortgage banks, marketing federations or marketing societies, etc. ; there were also separate Deputy Registrars for land mortgage banks for purposes of valuing lands, scrutinizing title, etc. and (4) Co-operative Inspectors, Senior and Junior, in charge of functions such as audit of societies, inspection and audit of certain institutions such as weavers' societies, milk-supply unions, co-operative wholesale stores, etc., or in charge of certain special functions such as the conducting of sales, etc. A number of trained departmental officers are generally placed at the disposal of co-operative institutions on deputation

in such capacities as paid secretaries, executive officers and managers, thereby providing an essential element of efficient staff in charge of institutions which are mainly voluntary in character ; even where the institutions recruit their own staff, they should have qualifications approved by the Registrar.

11.2 TYPES OF CO-OPERATIVES

There were various types of co-operative institutions, engaged in providing agricultural credit. We might consider here the organizational structure of institutions of different categories. They were mainly institutions dealing with short and medium term credit or with long-term credit. In the former category, at the primary level, were the credit, credit-cum-marketing or the multi-purpose societies, and at the intermediate level, the supervisory unions, the central co-operative banks and marketing federations. In the latter category were the land mortgage banks which do not have any intermediary institutions. Most of the primary credit societies were encouraged to change their by-laws so as to facilitate the assumption of multi-purpose functions, and, therefore, renamed 'multi-purpose societies'. In fact, most of such societies continued to be mainly credit societies, with an additional activity such as the distribution of manures or supply of other requisites taken up by a few. There were, however, a few full-fledged multi-purpose societies aiming at a simultaneous development of marketing, distribution of agricultural requisites and of consumers goods, improvement of agricultural production, etc. Almost all the primary credit and multi-purpose societies were based on the 'Raiffeisen' model, there being one society (consisting of at least ten members) for a village or group of contiguous villages and based on unlimited liability. It, however, happens that some census villages have more than one co-operative credit society, as these are, in fact, groups of villages or hamlets.

11.3 ADMINISTRATIVE STRUCTURE OF PRIMARY SOCIETIES

The administrative structure of a primary society is simple ; the general body consisting of all members has the final voice in all important matters, but most of the day-to-day activities of the society are carried on by the *Panchayat* which is the managing committee, consisting of the President, the Secretary, and a few members. The members of the *Panchayat* act in an honorary capacity, but the Secretary, in some cases may be paid an honorarium ; large societies may have paid managers or secretaries, who are not members of the *Panchayat*.

11.3.1 Working capital of primary societies

The working capital of the primary societies is derived mainly from loans granted by the central financing agency, partly from deposits from members and non-members, only savings and fixed deposits being generally accepted, and, to a small extent, from share-capital, the amount of the share being kept low. There were in the Madras State, a large number of urban banks or urban credit societies as distinguished from the rural credit societies functioning on a limited liability basis in urban areas. Several of such societies have admitted agriculturist residing within their jurisdiction as members, and have been financing such members. Urban

banks generally raise the major part of the funds from share capital and the deposits of members and non-members and draw rarely on the Central Bank for finance.

11.4 MARKETING SOCIETIES

Co-operative marketing societies have been organized in some areas, with a view to promoting the organized marketing of agricultural produce by pooling together the produce of small farmers, grading and processing it where possible, eliminating unnecessary middlemen, and enabling the producer to obtain a fair and reasonable price for his produce. An important aspect of their activity consists in supplying the producer with finance to enable him to hold his produce and wait for favourable price conditions in the market. The membership of marketing societies consists both of individuals and of primary co-operative societies. These societies draw their funds mainly from share capital and loans or cash credits given by the Central Co-operative Bank. Marketing societies make loans to their members on the security of produce deposited in the godowns of the society, or held in the producer's own godown, under the control of the society. They have also been in some cases distributing agricultural requisites such as improved seed, manure, and implements to their members.

11.5 SUPERVISORY UNIONS

Supervisory unions have been established, generally one for a taluk, with primary co-operative societies as members, to arrange for the internal audit, supervision and inspection of primary co-operative societies and also to arrange for training and propaganda for the co-operative movement. Supervisors are employed by the unions to assist the central banks in seeing that the accounts and records of primary societies are maintained properly. They also scrutinize and forward the loan applications from the societies to the central bank. The expenses of supervising unions are met from a supervision fund, created out of the contributions of the primary societies and the central bank. Where such unions exist, they also serve as electoral colleges for electing the representatives of the primary societies to the directorate of the central bank. In most cases the unions have only a nominal existence and all the powers and functions of supervision are in fact exercised by the central banks themselves through the supervisors who are treated as their employees. In areas where unions do not exist, the supervisors are actually the paid staff of the central banks. Provision has been made to see that there is at least one supervisor for every twenty primary credit or multi-purpose societies.

11.6 CENTRAL CO-OPERATIVE BANKS

Every district (excepting the Nilgiri district) had a central co-operative bank which acts as the financing institution and balancing centre for all co-operative institutions in the district. In few districts, there are more than one central banks. In the case of the West Godavari district, although there is only one central bank, with headquarters at Eluru, parts of the district are within the jurisdiction of other central banks of neighbouring districts. Thus, the co-operative institutions of Bhimavaram taluk are affiliated to and financed by the Krishna Central Co-operative Bank, Masulipatam, which was doing this work before the separation of the West

Godavari district from the Krishna district. The co-operative societies of Polavaram taluk are financed by the Rajahmundry Central Co-operative Bank, East Godavari. The Krishna Central Bank has opened a branch at Bhimavaram to cater to the needs of the societies in the taluk. The West Godavari Central Bank has not established any branches in the district.

11.6.1 Organizational Structure

The central co-operative bank is a composite institution, having individual shareholders, as well as co-operative societies as their members, but in the board of directors, the representatives of societies are double the representatives of individual shareholders so that the societies have an effective voice in the management of the bank. Individual shareholders are allowed to continue in the banks with a view to providing for efficiency, business experience and knowledge in the board of directors, and to infuse confidence in the depositing public who may not trust an institution entirely controlled by borrowing societies. Most of the day-to-day activities of the central bank, including the disposal of loan applications, is attended to by an Executive Committee consisting of the President, the Vice-President, the Treasurer and two other members of the Board. The management of the bank is attended to by a Secretary, who is a salaried officer, while, in most cases there is an Executive Officer, whose main responsibility is to control the work of the field staff and to develop the movement in the district.

11.6.2 Working capital of central banks

The central banks derive their funds mainly from share capital, deposits and other borrowings. Deposits of all types, *i.e.*, current, savings, fixed and recurring are received from societies, public authorities and institutions and individuals, and such deposits constitute an important part of their working capital. The central banks receive loans from the state co-operative bank, which refinances itself to a certain extent by drawing on the credit limits available from the Reserve Bank of India. In certain cases, the central banks also obtained some accommodation from the former Imperial Bank of India under special arrangements. All the co-operative societies in the district are expected to maintain part of their cash reserves and reserve funds with the central bank in the shape of deposits and also borrow, if necessary, only from the central bank. Except in the case of loans on the security of their own fixed deposits the central bank does not lend to individuals directly.

11.7 MARKETING FEDERATIONS

Marketing federations, which are intended to co-ordinate the activities of marketing societies in the district and deal with agencies outside the district in an organized manner, were organized in certain centres of the Madras State. One such federation exists in Eluru, West Godavari district, which is engaged mainly with the marketing of paddy. The federation has both individual producers and marketing societies as members and conducts business both on the basis of outright purchase and commission. A Provincial Co-operative Marketing Society also existed in the Madras State, but it had not started functioning as a central organization for marketing in the State at the time of the Survey.

11.8 LAND MORTGAGE BANKS

The supply of long-term credit is the function of land mortgage banks. A primary land mortgage bank is organized with a jurisdiction of one or more taluks, on a limited liability basis. The land mortgage banks in the district derived its funds to a small extent from the share capital of members, but mainly from the loans given by the Madras State Central Land Mortgage Bank Ltd., which was the apex institution for all land mortgage banks in the State. Some of the primary land mortgage banks, established before the central land mortgage bank came into existence, had issued their own debentures, but subsequently this function was centralized under the central land mortgage bank. The management of the primary land mortgage banks vests in a board of directors, and every mortgage bank which has loans outstanding from its members to the extent of not less than Rs 4 lakhs has to appoint a paid secretary. The banks are assisted by the Co-operative Sub-Registrars and the Deputy Registrar for land mortgage banks in the scrutiny of loan applications, establishment of the title to the land offered as security, assessment of its value, etc.

As may be noticed from the general description of co-operative institutions given above the organization of the co-operative structure in the districts of Madras State is federal in character. The primary societies deal with individual members and the societies at a higher level such as central banks or the state bank do not directly deal with individuals. Primary societies subscribe to the share capital of intermediary and apex institutions and are represented in the management of some, but do not have any direct dealings with primary societies of the same type. Relations have, however, been established between primary credit or multi-purpose societies and marketing societies, so as to facilitate the co-ordination of credit and marketing activities. Reference may be made here to the scheme of controlled credit operating in certain districts, including the West Godavari district. Under this scheme, the primary credit societies make advances for cultivation expenses to their members, such advances being calculated at definite rates for different commodities such as groundnut, cotton, etc. The funds necessary for this purpose are drawn out of a cash-credit placed at the disposal of the societies by the central bank. The members agree to market their produce, when harvested, through the co-operative marketing society to which they are affiliated. After the amounts are disbursed, intimation is given to the central bank and the marketing society, and the advances are converted into regular term-loans repayable before specific dates. Marketing *panchayatdars* are appointed by the societies to collect the produce of the members and take it for sale to the marketing society. When the borrowers' produce is sold through the marketing society, the society deducts the amount due to the central bank (and any instalment due to the local primary land mortgage bank) out of the sale proceeds and remits the balance to the individual producer, under advice to the primary society. Thus a link is established between the central financing agency, the primary credit society and the marketing society. The relations between the primary societies and the central bank have already been described. The State co-operative bank in turn, acts as a repository of cash balances and reserve funds, balancing

centre and financing institution for all of them. The state co-operative bank affords, in addition to loans, cash credit facilities to the central banks for certain purposes. Subscriptions to the share capital of intermediary and apex institutions and to the debentures of the central land mortgage banks are made by co-operative societies of all types out of their own funds within the limits prescribed by the Registrar.

Co-operative credit and marketing institutions of all types in the district were selected for a study of their activities in the years 1949-50 and 1950-1 ; a detailed analysis was made of the loans granted by the societies to their members in 1950-1. Answers to the questionnaire on the working of primary societies were also obtained from the office-bearers. In addition to the central bank in the district, the following institutions were investigated.

	Primary credit and multipurpose societies	Marketing societies	Land mortgage banks
Total number of institutions in the district.....	553	29*	6
Number of institutions in- vestigated for the Survey..	12	5*	2

(* Including one marketing federation)

The twelve primary societies selected for investigation comprised four which were working in the four villages with co-operative societies selected for the Survey, four primary societies in other villages selected on a random basis, and four primary societies located at the taluk headquarters or marketing centres where the study of other agencies supplying credit was undertaken. The various types of co-operative institutions located at the selected centres in this district, including the primary societies, which were investigated for the Survey are listed on page 118.

11.9 WORKING OF CO-OPERATIVE INSTITUTIONS SELECTED FOR STUDY

11.9.1 Primary societies

An analysis of the activities of the twelve primary co-operative credit and multi-purpose societies reveals that their total working capital was Rs 1.11 lakhs comprising owned funds, deposits and borrowings. The owned funds accounted for 30.2 per cent of the total working capital. The paid-up share capital accounted for 46.2 per cent, the reserve fund 41.3 per cent and other funds 12.5 per cent of the total owned funds. Deposits accounted for an insignificant proportion of the working capital of the societies. One of the primary functions of the societies according to their bye-laws which is to inculcate among the members the habit of thrift, does not appear to have received due attention. The deposits of about Rs 1,500 were moreover restricted almost entirely to the Parimella Co-operative Credit Society. The proportion of working capital of the societies derived from borrowed funds was 68.5 per cent comprising mainly loans or cash credits taken from the Central Bank.

NAMES OF THE SELECTED CENTRES

Type of Institution	Eluru	Tadepalligudem	Tanuku	Palacole & Narasapur	Jangardedigudem
Central Bank	The Co-operative Central Bank Ltd., Eluru	—	—	—	—
Primary Co-operative Credit or Multipurpose Society	The Eluru Adi-Dravida Co-operative Credit Society, Eluru	The Tadepalligudem Co-operative Credit Society, Tadepalligudem	The Tanuku Multipurpose Co-operative Credit Society, Tanuku	—	The Jangardedigudem Multipurpose Co-operative Credit Society
Marketing Society	1. The Eluru Co-operative Loan & Sale Society, Eluru 2. The West Godavari District Co-operative Marketing Federation, Eluru	The Tadepalligudem Co-operative Marketing Society, Tadepalligudem	The Tanuku Co-operative Marketing Society, Tanuku	The Palacole Fruit Growers Marketing Society, Palacole	—
Land Mortgage Bank	The Eluru Co-operative Land Mortgage Bank Ltd., Eluru	The Tadepalligudem Co-operative Land Mortgage Bank Ltd., Tadepalligudem			

Loan operations

Of the twelve societies investigated, two societies did not issue any loans during the years 1949-50 and 1950-1 nor reported any other activity at the time of the Survey, and were therefore classified as dormant. Two other societies, which happened to be registered in two of the eight villages selected for the Survey namely in Pendyala and in Dondapudi, did not advance any loans during the year 1950-1. Both these

were comparatively small societies with a very small working capital. The total membership of all the twelve societies was 1252, but they made only 618 loans during the year. The total amount of loans advanced by the societies was Rs 78,783, whereas repayments during the year, towards loans borrowed during the year as well as outstanding at the beginning of the year, amounted to Rs 84,632. Excluding the two dormant societies the total number of members was less than 100 in six societies; in three of these the number was less than 50. The two societies in Pendyala and Dondapudi which did not advance any loans during the year, had 74 and 77 members, respectively. In Parimella and Tadikalapudi which were the other two villages selected for the Survey with co-operative credit societies, the membership was 129 and 319. The borrowing power of three societies was Rs 5,000 or less, whereas it exceeded Rs 15,000 in all other societies. The maximum borrowing power of individuals was usually Rs 500. In the case of Pendyala M. P. Co-operative Society it was only Rs 300 whereas in the case of Parimella and Tadikalapudi societies it was Rs 1,000. The total amount of outstanding loans of all the societies was Rs 89,209 of which the amount overdue was Rs 18,572. Bad and doubtful debts were, however, small at Rs 297 only. The societies had investments of Rs 19,274, 55.7 per cent of which were in shares and debentures of co-operative institutions and 43.7 per cent were diverted to other channels, probably in fixed deposits with the Central Bank. Investments in Government securities were negligible. The financial position of the societies on the whole, was not bad. Overdues constituted a large proportion of the total outstanding dues in five societies including those in Pendyala and Dondapudi. All these five societies except one were very small with a membership of less than 100. Over 50 per cent of the outstanding loans were overdue in all these societies. Two societies, as mentioned before were dormant. Thus, out of twelve societies, only five were in a healthy financial position; of these five, three had membership of more than 100 and two, less than 100. The working capital was below Rs 5,000 in only one case, between Rs 5,000 and Rs 10,000 in two and exceeding Rs 10,000 in the remaining two. The profits made by the profit-making societies were very small and similarly the losses made by the losing societies were also small. None of the societies declared any dividend on share capital during the year. Although several societies were re-styled as multi-purpose, most of them had not taken up any activities other than credit. One society was running a cloth shop and two were formerly distributing kerosene oil.

We may now study the loans made by the societies in relation to the size, period and purpose for which given and security against which they were given. The loan transactions of the societies are studied for the year 1950-1; in the case of societies which did not advance any loan during the year 1950-1, loans made during the latest year for which information was available were studied. 44.7 per cent of the loans made were for less than Rs 100 and loans between Rs 100 and Rs 300 accounted for 43 per cent of the total number of loans. Of the remaining loans only 7 or 1.1 per cent were above Rs 1,000. 12.3 per cent of the loans above Rs 300

accounted for over 40 per cent of the total amount of loans. All the loans except one were for a period of less than one year.

The overall figures collected for the district as a whole reveal that the primary credit and multi-purpose societies advanced medium-term loans for Rs 2·82 lakhs as against Rs 51·10 lakhs advanced as short-term loans. It should be mentioned that loans for medium-term purposes are sometimes entered as loans for short-term purposes and renewed every year. The analysis of loans according to purpose has further been rendered somewhat difficult by the practice followed by several of the investigated societies of entering the purpose of loans as 'farm and family expenses'. One hundred and three loans accounting for 16·7 per cent of the total were reported to be for current farm expenditure and 233 loans accounting for 37·7 per cent were for more than one purpose. Loans for farm and family expenditure constituted 38 per cent of the total number of loans. It is probable that a considerable proportion of loans for more than one purpose and a part of the loans for farm and family expenditure were utilized for farm expenses. Loans for purchase of land, livestock and other capital expenditure were very few accounting for less than 1·5 per cent of the total number of loans. In terms of amount, the loans for current farm expenditure, those for more than one purpose and for farm and family expenditure accounted for 17·6 per cent, 44·6 per cent and 30·1 per cent, respectively, of the total amount disbursed. Loans for capital expenditure in agriculture accounted for only 1·5 per cent of the total amount disbursed. It may be recalled that the purpose-wise analysis of borrowings of selected cultivators from different credit agencies indicated that 28·9 per cent of the total borrowings from co-operatives were for agricultural short-term purposes which is slightly higher than that revealed by the proportion of the amount disbursed by the co-operatives for current farm expenditure. The fact that at least a part of the amount of loans for more than one purpose may have been for current farm expenditure suggests that the disparity may be attributable mainly to the methods of classification. Similarly, loans for agricultural long-term purposes according to purpose of borrowings of selected cultivators from co-operatives, accounted for 17·2 per cent of the total amount borrowed as against only 1·5 per cent disbursed for such purposes by co-operatives in the case of 10 societies studied in the district. A more noteworthy divergence between the two sets of data is in the proportion of loans for family expenditure. Borrowings of selected cultivators from co-operatives for consumption purposes, both short-term and long-term accounted for nearly 54 per cent of their total borrowings from this agency ; as against this, only 30·1 per cent of the total loans disbursed by the co-operative societies studied during the Survey were reported to have been given for family expenditure. Thus a much larger proportion of the loans from co-operatives appear to have been utilized for consumption purposes than the proportion of disbursement for such purposes.

An overwhelming proportion of loans given by the co-operative societies were advanced against sureties. 10·5 per cent of the loans were given on personal security alone and 4·1 per cent were given against immovable property. The latter accounted

for 12·7 per cent of the total amount of loans indicating that loans secured against immovable property were generally larger in size. In the case of about 53 per cent of loans, the interest rate charged varied between $6\frac{1}{4}$ to $7\frac{3}{8}$ per cent ; in the case of 46 per cent of the loans, the interest rate charged was $6\frac{1}{4}$ per cent and 1·3 per cent of the loans were given at a rate of interest below $6\frac{1}{4}$ per cent.

As in the case of loans made by the Government, ten loans made by each co-operative society for which information was available, were sampled and a case-study was made of such loans. The time lag between the date of application and sanction revealed by these case-studies was generally between one and two months, and in no case did it exceed four months. Generally, written applications are not submitted by the members ; the Secretary or the President is orally informed of the members' requirements. The society sanctions the loans at a *Panchayat* meeting and then obtains funds from the Central Bank by submitting a consolidated application, on which the Central Bank sanctions a loan. A difference between the loans initially sanctioned by the society and later disbursed arises if the Central Bank does not lend all the money required.

Of the twelve credit societies investigated, four were functioning fairly well, but the others were not being properly managed. In several cases, membership was limited to a very small proportion of the families in the village, the main reason for which was reported to be the lack of enthusiasm on the part of the President and other Office-bearers, in enlisting members. The outstanding defect in the case of most societies was that of indifferent or improper management, leading to the stagnation of the society. In several cases, a leading member of a powerful group or community, or the village *munsif*, or an influential landholder who was also a trader or moneylender, became the President or the Secretary of the society and dominated its affairs.

11.9.2 Marketing societies

At the time of investigation, there were 28 marketing societies and one marketing federation in the district. Several of them, however, were started during the war for supplying to the members certain commodities at controlled or fair prices and subsequently converted into marketing societies. Five co-operative marketing societies including the Federation were investigated. These societies had 138 societies and 2,296 individuals as members in 1950-1. The working capital of these societies was made up of owned funds and borrowings, mainly from the Central Bank, as these societies do not accept deposits. Apparently, owned funds which amounted to Rs 3·6 lakhs exceeded the borrowings of the societies which were of the order of Rs 94,600. However, in actual practice, outstanding borrowings of the societies do not give a true indication of the use of borrowed funds made by them since a large proportion of borrowings are repaid immediately after the marketing of produce is accomplished. During the year 1950-1 loans from co-operative banks and other sources amounted to Rs 24·65 lakhs. A substantial proportion of the owned funds of the societies were put in the reserve. Thus, whereas the

value of paid-up share capital amounted to Rs 1·6 lakhs that of reserve and other funds amounted to Rs 2·08 lakhs. The profits made by the societies on the procurement of foodgrains and distribution of controlled goods are usually responsible for the large amount of funds put under reserve. The value of consumption goods purchased and distributed by the societies during 1950-1 amounted to Rs 4·1 lakhs. These were mostly controlled commodities such as cloth, foodgrains, kerosene, etc. The volume of business in consumption goods is reported to have declined, during the year 1950-1, as the Central Co-operative Stores was established in the district, to which a substantial proportion of the business was transferred. The marketing societies studied also supplied agricultural perquisites to the tune of Rs 26·7 lakhs comprising seed, manures, etc. A substantial part of this would have been in the form of chemical manures made available to agriculturists under the intensive manuring scheme. The marketing activities proper of the societies, consist only of the sale of members' produce on a commission basis. Sale of such produce was restricted only to the Palacole Fruit Growers' Co-operative Society amounting to Rs 38,900. This society had developed good business in oranges, lemons and bananas. The West Godavari Co-operative Marketing Federation Ltd., has been running a rice mill. Other societies were not engaged in any processing activity. The loans extended by the society to members amounting to Rs 54,300 only were negligible as compared to the volume of commodities handled. Most of these were advanced by the new Tadepalligudem Co-operative Marketing Society. Three of the five co-operative marketing institutions studied, reported profits aggregating to Rs 47,500 during the year 1950-1 and two institutions reported losses amounting to Rs 1,000. Although Rs 26,300 were reported to be outstanding in respect of two societies which advanced loans, the overdues were only of the order of Rs 2,400.

From a purely financial standpoint, the working of the marketing societies can be considered to be successful. It is, however, clear that the role of the societies was confined mainly to the distribution of consumers goods. There was very little of co-operative marketing arranged by these societies for the benefit of their members and the marketing finance supplied by them was equally insignificant. Several of the 28 marketing societies in the district were recently established. Many of them have a good financial basis in the shape of the share capital collected from the erstwhile producers-cum-consumers societies. Two factors which formerly hampered the working of the marketing societies were the existence of controls on foodgrains and the keen competition from traders. The removal of controls over foodgrains should enable several of these societies to begin their marketing activities. It is also possible for some of them to build *pucca* godowns in places where accommodation for storage is required. From our investigations at the selected marketing centres, it was found that at two of them (Tadepalligudem and Jangareddigudem) there was demand for additional godown accommodation.

11.9.3 Central Co-operative Bank

The Co-operative Central Bank, Eluru, is the central financing agency for the major part of the district, excepting two taluks (Bhimavaram and Polavaram)

which are served by the Central Banks of Masulipatam and Rajahmundry in the neighbouring districts. The bank had 60 individual members and 504 member societies, and a paid-up share capital of Rs 4.5 lakhs in 1950-1. Its reserve fund was Rs 1.6 lakhs and total owned funds Rs 6.6 lakhs. The owned funds are being built up regularly by additions to the reserve fund and the bad debts reserve out of profits, as recommended by the Registrar. Owned funds constituted 13.4 per cent of the total working capital of the Central Bank. The Bank was able to attract deposits to the tune of Rs 23.57 lakhs, which exceeded the borrowings from the State Co-operative Bank amounting to Rs 19.32 lakhs. A large proportion of the deposits was of the fixed type, mainly from public bodies and institutions. Current deposits were next in importance and were mainly derived from primary non-credit societies, such as stores, etc. In the case of savings deposits, public bodies and institutions accounted for a major proportion of the total. It is not surprising that the primary credit or multi-purpose societies had contributed very little to the total volume of deposits of the Central Bank. These societies, as seen earlier, have not succeeded in promoting the habit of thrift among members and depended to an overwhelming extent upon loans and cash credits from the Central Bank.

In this connection, reference may be made to the 'Rural Savings Drive' made by this Central Bank along with others in 1951, in accordance with the suggestion made by the Registrar of Co-operative Societies, Madras. The drive was initiated on 13 October 1951 and closed by the end of the year, and was intended to collect additional fixed deposits to the tune of Rs 9.42 lakhs. The assistance of co-operative officials, as well as of prominent non-official co-operators was fully mobilised in furtherance of the drive. The rate of interest offered by the bank was $3\frac{1}{4}$ per cent. The results of the drive may be seen from the following figures.

Fixed deposits received during the period from individuals, public bodies and institutions other than co-operative societies

From individuals.	Rs 1,38,415
Others.	Rs 2,28,393

Total.	Rs 3,66,808
--------------------	--------------------

In spite of strenuous and active canvassing only Rs 3.7 lakhs were collected as against the target of Rs 9.42 lakhs. But the main object of mobilizing savings from the rural areas was not fulfilled to any great extent. The major part of the collections were from local bodies and institutions, whose funds were diverted from other types of investment, to investment in fixed deposits with the Central Bank, and these accounted for 62 per cent of the deposits. Only 12 per cent of the total came from rural areas, while 26 per cent was from urban areas. Agriculturists contributed only 11 per cent of the total, amounting to Rs 38,365, while non-agriculturists, mainly in the urban areas, contributed 27 per cent amounting to Rs 1,00,050. Among the reasons for the poor degree of success of the drive in

this district the chief ones are said to be (1) the coincidence of the drive with the busy season when funds were largely required by agriculturists and other business people and (2) the overall monetary stringency experienced as a result of the decline in agricultural prices during the year.

The loans and overdrafts from the State Co-operative Bank amounted to Rs 29·70 lakhs and Rs 9·81 lakhs during 1950-1. Overdrafts from joint stock banks and the former Imperial Bank of India were also obtained, amounting to Rs 9·21 lakhs. Credit facilities through these borrowings amounted to Rs 48·73 lakhs. Similar borrowings obtained during 1949-50 were somewhat smaller, at Rs 42·21 lakhs. Of the total borrowings during 1950-1, the amount outstanding was Rs 19·32 lakhs. The total amount of loans advanced by the Bank was Rs 62·85 lakhs, Rs 36·03 lakhs of which were to rural credit societies. Marketing societies claimed Rs 10·18 lakhs. The rest of the advances were to wholesale stores, other types of primary societies, weavers' societies and others. The total amount of loans outstanding at the end of the year 1950-1 was Rs 41·67 lakhs of which Rs 3·69 lakhs, or 8·9 per cent were overdue as compared to 6·5 per cent of the total outstanding loans being overdue in 1949-50. The increase in the percentage of overdues alongside of an increase in the magnitude of loan operations suggests that the general economic and seasonal conditions in 1950-1 were not favourable.

11.9.4 Land Mortgage Banks

Of the six primary land mortgage banks in the district, two banks were studied, one situated at Eluru and serving the two taluks of Eluru and Chintalapudi and another situated at Tadepalligudem, serving the Tadepalligudem taluk. While the bank at Eluru was one with a standing of 21 years at the time of the Survey, the bank at Tadepalligudem was established more recently. A primary land mortgage bank was started at Tadepalligudem in 1934. After having functioned successfully for several years, it had to be liquidated in 1947 owing to the discovery of fraudulent practices indulged in by some of its office-bearers. A new bank was organized in its place in 1947. The two banks together comprised 760 'A' class members, holding shares of Rs 10 each and possessing voting rights, and 1,129 'B' class members, holding shares of Re 1 and having no voting rights, in 1950-1. The working funds of the banks were mainly derived from the loans taken from the Central Land Mortgage Bank, and share capital and reserve fund played a minor part. The two banks together advanced 117 loans amounting to Rs 2·71 lakhs in 1950-1. The trend in advances by these institutions was on the increase and they were unable to meet all the demands on them, for lack of finance. At the time of investigation, 57 loan applications for Rs 1·73 lakhs were pending at various stages in the Eluru bank. Of the 78 villages included in the jurisdiction of the Eluru bank, loans had been made only in 45 ; of the 97 villages included in the area of the Tadepalligudem bank, only 47 villages had been advanced loans. In the case of both Banks the villages served are mostly the canal or tank irrigated areas, and the upland villages had mostly been left out. Repayments of loans by members of two Banks during the year amounted to Rs 54,648. Of these, advance repayments amounted to Rs 14,728.

The trend for heavy advance repayments which prevailed during the war and immediate post-war years, however, had petered out. On all loans, the banks charge $5\frac{1}{4}$ per cent interest, whereas the Central Land Mortgage Bank lends to them at $4\frac{1}{4}$ per cent. All the loans were made for a period of 20 years. As many as 52 of the 117 loans made were for amounts between Rs 1,000 and Rs 3,000. Loans under Rs 1,000 were 30, while those between Rs 3,000 and Rs 5,000 were 23, and those above Rs 5,000 only 12. Almost all the loans were for repayment of old debts and were given on the mortgage of land. The value of the land given as security is generally much higher than what is required under the regulations, usually twice the amount of the loans ; these values, moreover, are not the present market values but the highly conservative values estimated by the banks, generally at pre-war prices. The procedure for obtaining a loan from a land mortgage bank is somewhat complicated and involve the following stages.

- (1) An application is submitted in the prescribed form and the applicant is admitted as a member.
- (2) Preliminary enquiry is made by the bank's supervisor. On receipt of his report the applicant is asked to submit an encumbrance certificate in respect of the properties offered as security, for 24 years, and to furnish title deeds, evidences of discharged prior encumbrances and documents of evidence of possession and enjoyment of the properties.
- (3) The case is referred to the bank's legal adviser for opinion.
- (4) The bank will, thereafter, depute one or two of its directors to inspect the lands and report on their market value. The Co-operative Sub-Registrar for the land mortgage banks also conducts an inspection and makes a report on the value of the lands. He may call for any additional information required. If he is satisfied as to the security offered, the purpose of loan, the applicant's title to the land, his repaying capacity and character he recommends the sanction of the loan. Applications for Rs 10,000 and above are to be investigated similarly by the Deputy Registrar for Land Mortgage Banks.
- (5) After considering these reports, the Board of Directors of the Primary Land Mortgage Bank sanctions the loan and the whole file is sent to the Central Land Mortgage Bank, through the Deputy Registrar. The Deputy Registrar scrutinizes the case and forwards it with his recommendations to the Central Land Mortgage Bank.
- (6) The Executive Committee of the Central Land Mortgage Bank meets and considers the application and if it is satisfied, sanctions the loan and intimates the primary bank.
- (7) The primary bank gets the loan bond and mortgage deed executed and endorses it in favour of the Central Land Mortgage Bank. An encumbrance

certificate for the period elapsed since the application was submitted is obtained.

- (8) The Central Land Mortgage Bank places funds at the disposal of the primary bank. The primary bank calls for the creditors of the applicant and pays their dues, after obtaining the necessary discharge vouchers. The balance of the loan money, if any, will be paid to the applicant.
- (9) A further encumbrance certificate to cover the period between the execution of the bond and the final disbursement of money is obtained.
- (10) The whole loan file with all the necessary vouchers and other documents and a disbursement certificate from the Co-operative Sub-Registrar is sent to the Central Land Mortgage Bank.

The procedure involves a number of steps and is bound to take some time. An analysis of twenty loans, selected at random, shows that of these, only one loan was disbursed within one month of application ; two loans took three to six months, and thirteen loans, between six months and one year. Four loans involved a time-lag of over one year. A considerable delay between application and disbursement thus appears to be the usual feature of most of the loans. The proper utilization of the loans is ensured by the bank itself, paying off all the prior creditors of the borrower. Loans for the improvement of land were rare, but the banks have adequate machinery to watch the utilization of funds in such cases.

CHAPTER 12

PRIVATE CREDIT AGENCIES

12.1 INTRODUCTION

Our investigation of the private non-institutional credit agencies was confined to two types of moneylenders, professional moneylenders and the traders and commission agents. An attempt was also made to study the business methods of the class of people who have come to be designated as the indigenous bankers. The only institutional agency among private creditors is the commercial bank. The operation of these banks in relation to agricultural credit was also studied through a schedule. The investigation of moneylenders and traders emphasized the business practices rather than the actual volume of transactions. As in the case of Government and the co-operatives, case-studies of loans made by the moneylenders were made with the help of those who co-operated in this respect.

12.2 MONEYLENDERS

The investigation of moneylenders was carried out both in the selected villages and in the market or taluk centres where other credit agencies were being investigated. In the villages, the problem of ascertaining those who were engaged in moneylending to a substantial extent was not difficult. As a matter of fact, it was found that apart from numerous agriculturists who might lend money to their relatives and friends, the number of persons doing moneylending business and residing in the selected villages was comparatively small. The total number of village moneylenders investigated was 26. In the urban centres, lists of moneylenders were drawn up, with the help of information available from various sources. In each centre, the moneylenders were roughly divided into big moneylenders and small moneylenders according to the reported size of their operations and the persons selected from each category at random for investigation. The total number of persons thus approached and answering our questionnaires at the five selected market/taluk centres was 100. The description given in the following paragraphs of their moneylending activities is based on their replies to the questionnaires and the case-studies of loans made by them. It was possible to study 206 cases of loans made by village moneylenders.

Most of the village moneylenders were either cultivators or land-owners, and in a few cases, they combined other occupations such as trade, making of jewellery, etc. Five of them were non-cultivating land-owners. Only one was a shopkeeper without any interest in land. Among the urban moneylenders, there were as many as 39 having some interest in cultivation, although combining it with other professions such as trade, and functioning as commission agents. The rest of them were non-cultivators, though even among them, 41 were land-owners. The village

moneylenders found most of their clientele in owner-cultivators. Tenants and non-cultivating land-owners constituted upto 25 per cent of the clientele of only some of them. The clientele of the urban moneylenders, to the extent to which it was drawn from agricultural classes, consisted predominantly of non-cultivating land-owners and owner-cultivators. About 60 per cent of the urban moneylenders said that more than 50 per cent of their clientele consisted of owner-cultivators. The proportion of comparatively new clientele was less than 50 per cent in the case of a vast majority of the urban moneylenders. In the case of the village moneylenders, 76 to 100 per cent of the clientele was comparatively newly acquired, that is, since 1945. Over two-thirds of the village moneylenders, however, were themselves in business for less than ten years.

12.3 SIZE OF LOANS

A majority of village moneylenders said that they advanced only up to Rs 1,000 to each agriculturist, if there was adequate security. This indicates that the financial resources of the moneylenders in the villages were generally limited and they could not undertake to advance large amounts. Urban moneylenders, however, were in a position to advance larger amounts. An analysis of the case-studies of 70 loans made by all the moneylenders investigated revealed that loans under Rs 500 constituted nearly 60 per cent of the total number, but only about 12 per cent of the total amount of loans. Loans between Rs 500 and Rs 1,000 constituted 13 per cent of the total number and about 10 per cent of the total amount, while loans between Rs 1,000 and Rs 5,000 constituted nearly 23 per cent of the total number and about 54 per cent of the total amount. Loans over Rs 5,000 although relatively few in number constituted about 25 per cent of the total amount.

12.4 PURPOSE OF LOANS

The moneylender is not much interested in the purpose for which the borrower wants money and he does not also take any care to see that the borrower actually utilizes the money for a particular purpose. Most moneylenders, however, enquire from the borrower why he wants the loan and are aware, therefore, of the purpose for which it is being taken. An analysis of the replies of moneylenders indicates that both the village and urban moneylenders are prepared to lend for all purposes, such as current and capital expenditure on the farm, expenditure for consumption purposes and ceremonial occasions, etc. Financing for non-farm business expenditure, however, was done to a greater extent by the urban than by the village moneylenders. The case-studies of loans advanced by the village moneylenders reveal that loans advanced for financing capital expenditure in agriculture accounted for about 33 per cent of the total loans and 54 per cent of the total amount disbursed. Only about 11.7 per cent of the loans were for current farm expenditure, accounting for 2.5 per cent of the total amount advanced. Family expenditure accounted for 32 per cent of the loans, but only 14 per cent of the total amount. About 6 per cent of the loans involving 18 per cent of the total amount lent were for non-farm business expenditure.

Other expenditure accounted for the remaining 16·5 per cent of the amount of loans. The fact that the exact purpose is not always ascertained is indicated by a substantial proportion of the total number and amount of loans made under residual categories like 'other capital investment in agriculture', 'other current farm expenses' and 'other family expenses'; these categories were responsible for 39·2 per cent, 91·1 per cent and 49·1 per cent, respectively, of the amounts lent under the corresponding main purposes of borrowings. Other features of some importance are that 'purchase of land' was an important purpose of borrowings, accounting for 25·0 per cent of the number and 45·6 per cent of the total amount of loans for 'capital investment in agriculture'.

12.5 DURATION OF LOANS

A specific period within which each loan had to be repaid was not stipulated by most of the village moneylenders. Urban moneylenders on the other hand, said that they stipulated a period in most cases. In the large majority of cases, the period stipulated seems to be between one and three years. A substantial proportion of loans were repaid within the stipulated period, while in the case of a small number, repayment was made after the expiry of the period. According to the case-studies made, 711 out of 764 loans were not for any fixed duration. As many as twenty loans were of a medium-term character and ten of a long-term nature. These loans aggregated to a fairly large amount. This indicates that the private moneylenders did provide, although to a limited extent, medium and long-term credit.

12.6 SECURITY AND INTEREST RATE

A vast majority of loans by moneylenders were unsecured. In the case of a very small proportion, particularly where the amount was large, or the borrower not quite reliable, security of bullion or ornaments or of immovable property, in the shape of either the land of the owner or a residential building, was taken. The practice of entering loan transactions as conditional sales did not seem to prevail in this district. 671 out of 764 case-studies of loans, accounting for 88 per cent of the total amount, were given without any security. In the case of urban moneylenders, 30 loans for Rs 5,514 were given on the security of bullion and ornaments, 17 loans for Rs 1,825 on the security of agricultural produce and 41 loans for Rs 1,02,687 (18·1 per cent of the total amount) on the security of immovable property. Most moneylenders reported that the usual rate of interest they charged on loans irrespective of the duration and the security was 12 per cent simple interest per annum. A few reported that they charged an interest of 12 to 18 per cent on unsecured loans of a duration of less than one year. The case-studies of loans reveal that an overwhelming proportion of loans and amounts were advanced at an interest rate below $12\frac{1}{2}$ per cent.

12.7 SOURCE OF FINANCE

Most of the village moneylenders depended on their own funds for their business. Only nine village moneylenders said that their own finances were inadequate for their needs, and were supplemented, mainly by borrowings from other moneylenders

and in very few cases from banks to a limited extent. Among the urban moneylenders, 44 per cent said that their own finances were inadequate and they had to draw on other sources. Only two of them accepted deposits to a limited extent. Eleven of the urban moneylenders obtained finance to varying extents from banks, whereas, 41 obtained the finance required from other moneylenders. Loans from banks were available at $5\frac{1}{2}$ per cent to 7 per cent and loans from other moneylenders at 6 per cent to 9 per cent. Finance obtained from outside, in the case of 59 per cent of urban moneylenders who had to borrow, formed less than 25 per cent of their total business. According to most moneylenders, demands from their clients were heaviest in the period June-July-August, which is the cultivation season for the chief crops, and November-December-January-February, which is the harvesting season for the chief crops and the cultivation season for the second crop, in this district. The months of September and October, when the proceeds of some early crops come in, and January, February and March, when in most areas the principal harvest becomes available, were found to be the periods when most of the repayments on loans took place. March, April and May were also mentioned as months of repayment since the harvests of the second crop were available in this period. The large majority of moneylenders, in the villages as well as towns did not make any grain loans in this district. Only six urban moneylenders and four village moneylenders, said that they gave loans in grain. Grain loans were, on the whole, unimportant in this district.

The chief advantages of moneylender credit which make it extremely attractive and convenient to the rural borrower are: (1) lack of all formalities, (2) prompt supply of funds, up to the full extent required, provided the moneylender is satisfied as to the credit-worthiness of the borrower, (3) absence of pressure for repayment at any rigidly fixed date, (4) easy accessibility to the borrower, and in several cases (5) intimate contact between the borrower and the moneylender. Although the legal rate of interest in respect of loans to agriculturists, as laid down under the Madras Agriculturists Debt Relief Act, is only $5\frac{1}{2}$ per cent, most moneylenders were charging higher rates of interest. The most usual rate was 12 per cent and in the case of parties whose credit was good, between 6 and 9 per cent. The terms and conditions, including the rate of interest vary widely from person to person according to a variety of circumstances such as his economic position, need for the money, relations with the moneylender, etc.

The legislative measures of importance regulating the activities of moneylenders in relation to agriculturists are the Debt Relief Act, the Debtors' Protection Act and the Pawn Brokers' Act. There is no separate legislation for the licensing of moneylenders except in the case of pawn-brokers who have to take out licences and follow the procedure laid down in the Act; other Acts are important only in so far as they stipulate conditions for the maintenance of proper accounts and the maximum rate of interest that can be charged at $5\frac{1}{2}$ per cent. Evasion of the above mentioned provisions is very easy and universal, as their violation can be detected only when the aggrieved party takes the issue to a court of law, which is rare.

It has been clearly established from the data obtained by the Survey that private moneylenders supply the major part of rural finance in this district. In fact, the proportion of rural finance supplied by them amounted to about 80 per cent, according to the General Schedule data and about 90 per cent according to the data obtained from the selected families. A small part of finance was provided by relatives by way of interest-free loans, but this was negligible. Although there were substantial parts of this district under zamindari, the zamindars were never an important source of credit to the agriculturists and their abolition had not caused any restriction of credit. On the other hand, it is felt that in due course, abolition of zamindari would lead to a better basis for institutional credit which could not develop well in these areas owing to the absence of a full and free title to the land in favour of the cultivating tenant. Landlords were formerly supplying some credit to their tenants, but this system had come to a stop owing to the expectation of tenancy legislation. On the other hand, it is reported that landlords were asking the tenants to deposit by way of advance a year's rent with them so that their interests were safeguarded and for that purpose the tenants were resorting to private moneylenders.

12.8 TRADERS

Investigation of the activities of traders with special reference to their activities in financing the production or marketing of agricultural produce was carried out in this district in respect of 130 persons, of whom 30 were in the selected villages and 100 in the selected urban centres. For investigation at the urban centres, lists of traders dealing in agricultural commodities at these centres were prepared and twenty traders at each centre selected at random. Of the traders investigated in the villages, seventeen were wholesalers, one was a commission agent, ten were general merchants and nineteen were 'others'. Of the 100 urban traders, 92 were wholesalers, 29 commission agents and 7 general merchants. Twenty-two were engaged in processing of produce, 17 in cultivation, 7 in moneylending and 5 in 'others'. Wholesalers thus constitute the most important group of traders investigated. The important commodities dealt in by these traders were pulses, oilseeds, tobacco and sugar-cane. Dealing in foodgrains was formerly a very important aspect of trade, but during the period of controls and monopoly procurement, the part played by traders was necessarily restricted.

12.8.1 Methods of business

Outright purchase of the commodities without any prior arrangements was the most usual method adopted by the traders in this district. Most of the traders investigated were wholesale merchants and a relatively large part of the trade transactions of this district took place at the weekly markets held in important market centres. Agriculturists themselves, or village traders who buy the produce from growers, collect the produce and take it to the nearest market centres where they are able to dispose off the produce without difficulty. Trade on the basis of prior arrangements prevailed on a limited basis, mainly among the traders of the upland areas, where the agriculturists were relatively backward. A fair volume of trade also took place on a commission basis.

12.8.2 Advances against standing crops and produce

Advances may be made by traders against standing crops, or against stocks of commodities after being harvested. Thirty-nine of the one hundred and thirty traders investigated said that they were making advances against standing crops, of which the more important ones were pulses, oilseeds, chillies and tobacco. Advances were made at various stages of production, but advances just before harvesting seem to be more important than at other stages. In most cases, the extent of advance was between 26 and 50 per cent of the estimated value of the crop. About 48 per cent of the traders who answered the questions, stipulated that the crop should be handed over to them when harvested, while about 52 per cent did not make any such stipulation. Advances against harvested crops, particularly pulses, oilseeds, tobacco, gur, etc., were given by 30 out of the 130 traders investigated. Of these, the vast majority advanced in lump sums at the time of taking delivery of the produce, the final settlement being made at a later stage. The credit extended on the security of harvested crops varied generally between 51 to 75 per cent of the estimated value of the commodities in the case of two-thirds of the traders while in the remaining one-third of the cases, advances were between 25 and 50 per cent of the value of the produce.

12.8.3 Storage

Arrangements for the storage of produce, purchased or acquired on the basis of advances by traders were made by the traders themselves. Several traders, about 73 per cent of the total, owned their godowns including storage space in their own houses, while about 25 per cent took godowns on rent. A large number of them did not have any clear-cut arrangements.

12.8.4 Disposals of produce

The type of customer with whom the traders had to deal in selling the produce would differ from commodity to commodity and also from trader to trader. In the case of foodgrains, the major part had to be sold to Government, or to their authorised procurement agents who were either rice millers or wholesale traders, and small portion had to be sold to retailers or consumers directly. In other cases, wholesale merchants were again the main purchasers; this applied in particular to pulses and oilseeds. In the case of sugar-cane, *gur*, and tobacco retail sales were also made. Depending on the type of customer, the trader gave a certain amount of credit to him. About 22 per cent of the traders got immediate cash payment for their sales, while the others had to extend credit to their customers.

12.8.5 Sources of finance

Most of the traders stated that their owned funds were not adequate to meet the demands made on their business and had to obtain credit from other agencies. The two most important sources of such credit were banks and moneylenders; 99 out of the 111 traders who had to borrow and reported borrowings obtained some credit from moneylenders, while 45 of them reported that they got some credit from banks. As many as 65 traders obtained 76 to 100 per cent of their total credit

requirements from moneylenders ; of the 45 traders reporting credit transactions with banks, 50 per cent of their total requirements were satisfied in the case of 19, while 26 obtained from 51 to 100 per cent of their requirements. This indicates that although banks made marketing credit available, their rules and regulations resulted in restricting the volume of credit available to the traders. However, while credit from banks was available at less than $7\frac{1}{2}$ per cent, moneylenders, except in very few instances, required interest somewhere between 9 per cent and 12 per cent. Cases of higher interest rates, going up to 18 per cent although few were also not unknown. Bank credit was quite popular with traders, particularly because of its low cost and prompt availability, but moneylender credit was resorted to, to a greater extent because the extent of security required and the margin to be kept in the case of produce loans was much higher in the case of commercial banks than the moneylenders.

12.8.6 Seasonality

The seasonal pattern of requirements for funds depended to a large extent on the type of commodities dealt in by the traders and the types of advances they made. Considering that the principal harvest period for this district is December and January, the period January, February, March and April is one when the requirements of funds for traders dealing in foodgrains, pulses and some oilseeds, e.g., *gingelly* is highest. In the case of others such as those dealing in sugar-cane, tobacco and groundnut, and also for the traders who make production advances in the early sowing and transplantation season, the period April-May-June is a busy season when funds are required on a large scale.

12.9 COMMERCIAL BANKS

The role of the commercial banks in agricultural finance is mainly confined to advances given against the security of agricultural produce to traders and big agriculturists. A questionnaire was sent to branches of commercial banks functioning in this district with a view to ascertaining the nature of activities of commercial banks in this respect. Replies were received from nineteen branches although twenty-four branches of commercial banks were reported to be operating in the district at the time of the Survey. Two branches of banks did not provide any advances against agricultural produce. The data analysed below, therefore, relate to seventeen bank branches in the district.

12.9.1 Pattern of advances

Nearly three-fourths of the total advances against agricultural produce were given as cash credit, about one-fifth as loans and only a small proportion as overdrafts. The principal commodities against which advances of all the above types were made were paddy, rice, groundnut, *gingelly*, tobacco, gram (pulses), soapnuts and coconut. The total advances as on 30 September 1951, against the security of agricultural produce amounted to Rs 47.86 lakhs. The fact that the major part of the finance involved in the rice trade in the district does not come into this picture, as it was being procured on behalf of Government under special financial arrangements, has to be taken into account. Under normal conditions, bank finance of

a much larger magnitude would be involved in this type of accommodation in respect of paddy and rice. About 98 per cent of the finance was made available to wholesalers and small amounts were also lent to commission agents and a few cultivators. The major purpose of advances given was 'general trading purposes' constituting 77·8 per cent of the total advances to wholesalers. Purchase of agricultural commodities accounted for 21·8 per cent, while production credit for agriculture came to less than 1 per cent. The major part of what has been described as 'general trading' however, must have consisted of trading in agricultural produce and therefore, it cannot be said that the finance provided for purchasing agricultural produce was restricted to only what was shown under that head. Advances to the extent of Rs 25,70,382 were made to several individuals who were agriculturists or interested in agriculture on the security mostly of bullion and ornaments and on other eligible securities, and it is not unlikely that a substantial part of such advances was used for agricultural purposes. Clean advances were very low at Rs 77,378. Most of the well-established scheduled banks stated that they did not make clean advances. As most of the advances to traders were by cash credit, the question of 'period' does not arise, and the advances are to be considered strictly short-term. Even in the case of term loans, most banks made loans for periods not exceeding twelve months, while loans over twelve months were reported only by five bank branches. The busy periods during which there was heavy demand for funds was January, February and March; May, June and July; and November and December. Repayment appeared to be concentrated in March and April; August and September; and December, January and February. The seasonal pattern would of course depend largely on the particular commodities for the marketing of which finance may be needed.

The commercial banks played a fairly important role in financing trade in agricultural produce, and a relatively minor role in providing personal credit, mainly on the security of bullion and ornaments to some agriculturists. To the extent that commercial banks provide substantial cash credit accommodation on the security of agricultural produce to traders, they facilitate the payment of immediate cash to the agriculturists by the traders. To this extent, the credit extended by commercial banks to traders has its own importance in the scheme of rural credit. The commercial banks operating in this district were mostly the branches of well-established scheduled banks, working in almost all the important trading centres of the district except one, viz., Jangareddigudem. It has been reported that this place, is an important market centre in the uplands tract, where the produce of the plains and that of the uplands as well as the produce of the forest areas is brought and traded in large quantities.

12.10 INTER-RELATIONSHIP BETWEEN CREDIT AGENCIES

The inter-relationships between the various categories of lending agencies whose modes of operation have been discussed may now be considered. There was no direct relationship between the State Government and the co-operative credit institutions in the Madras State, as financing agencies at the time of the Survey. Government did not subscribe to the share capital of co-operative banks, or deposit

any amount with them. The Co-operative Department of the State, however, provided for the supervision and control of the movement and rendered assistance in various other forms. The State Government also gave a guarantee in respect of the principal and interest on the debentures issued by the Central Land Mortgage Bank, and it gave financial assistance to Co-operative Central Banks, Primary Land Mortgage Banks and Primary Societies in Rayalaseema, to enable them to make loans at a lower rate of interest than prevalent in co-operative institutions in the other districts, and to enable the central banks to clear up their bad debts and to meet the enhanced costs of supervision. The State, by permitting local bodies such as *Panchayat* and District Boards, Universities, religious institutions under the control of the Hindu Religious Endowments Board, and other public bodies to invest their funds in fixed or other deposits with the co-operative banks rendered indirect assistance to the movement. These, in fact, constitute an important part of the deposits both of the Central Co-operative Banks and the State Co-operative Bank. There is no relation between co-operative banks and commercial banks, except to the extent that overdraft arrangements were made with the former Imperial Bank for certain special schemes of the Government with regard to procurement of foodgrains, distribution of chemical manures, etc. These do not directly concern the activities of the banks in respect of agricultural finance. The Central Bank obtained overdrafts to the tune of Rs 12·10 lakhs and Rs 9·21 lakhs from Joint Stock Banks during 1949-50 and 1950-51, respectively, as against its total borrowings of Rs 42·21 lakhs and Rs 48·73 lakhs during the two years, respectively. No advances were made by the co-operative banks to traders or other individuals, except as members on the security of their fixed deposits. Co-operative marketing societies did not have any relations with traders, except to the extent to which they purchase member's requirements from the market, and sell the commodities produced by members by an auction or tender system to traders. Care is taken to see that traders do not become members of the societies with a view to ultimately controlling them.

Traders derive a substantial part of the funds required for their business from the commercial banks or from moneylenders. Moneylenders also refinance themselves to a limited extent by borrowing from other moneylenders or from commercial banks. The relationship between the several agencies called 'private' is thus naturally more intimate than the relation between any private agency and Government or co-operative institutions.

CHAPTER 13

CONCLUDING REMARKS

The West Godavari district is one of the most fertile districts of the erstwhile Andhra State. Paddy accounts for over 80 per cent of the total sown area, most of which is irrigated. The other important crops grown in the district are sugar-cane, oilseeds and tobacco. The two natural divisions of the district, namely, the upland tract and the deltaic tract show some variations in the crop-pattern particularly because irrigation facilities are not as extensive in the upland tract as in the deltaic tract. Tobacco is one of the important crops grown in the Kovvur taluk situated in the upland tract. The district has a well-developed transport system. The highlights of the rural economy of the district and the working of rural credit system as revealed by the data collected from 3,896 rural families comprising 2,030 cultivating and 1,866 non-cultivating families in the eight selected villages may be briefly recapitulated.

Rural Families :

The average size of cultivated holdings was 8·9 acres and the average debt at the end of the Survey year was Rs 871 per cultivating family, the incidence of debt being Rs 98 per acre. The size of holdings and the volume of indebtedness declined steeply as one moved down the decile groups but the incidence of debt varied within the relatively narrow range of Rs 90 and Rs 125 per acre in different groups, indicating that the level of debt was closely related to the size of cultivated holdings. The incidence of debt in relation to the value of owned assets, owned land, gross produce etc., according to the data collected in the intensive enquiry, was slightly higher on cultivators of the lower as compared to those of the upper strata. The debt-assets ratio, however, was only 10·7 per cent. The cultivated land in the district, by and large, is very fertile and the land values are high. The level of debt contracted by the cultivators was thus not unduly high in view of the fact that the agricultural economy of the district was fairly well developed. The purpose-duration breakdown of borrowings of cultivators selected for the intensive enquiry revealed that over two-thirds of the total borrowings were for agricultural purposes ; borrowing for short-term agricultural purposes accounted for one-fifth of the total, and a little under half of the total were for medium and long-term agricultural purposes. The proportion borrowed for consumption purposes was slightly less than one-fifth of the total, whereas the rest was accounted for by non-agricultural purposes, repayment of debts and other purposes. The borrowing activity of the cultivators was thus related in a large measure to productive purposes especially those leading to capital investment. The extent of borrowing for consumption purposes was overshadowed by borrowing for productive purposes in both the strata of cultivators

although the proportion borrowed for consumption purposes was higher in the lower strata as compared to that in the upper strata.

The most important item of capital expenditure in agriculture incurred by cultivators in both the strata was the purchase of land, which accounted for over three-fifths of the total expenditure in this direction ; other capital expenditure in agriculture including land improvements along with purchase of livestock accounted for the rest. The cultivators, when asked about the nature of their credit requirements for development purposes, however, showed an overwhelming preference for other capital expenditure, comprising mainly digging of wells and bunding and other land improvements. The district is a surplus rice-producing area and although a substantial proportion of the cultivated area is irrigated, there is considerable scope for further development in the direction indicated by the replies of the cultivators.

The data collected on current farm operations throw some further light on the cultivating economy of the district. The data related mainly to the cash receipts of the selected families from the various sources and their expenditure, both in cash and in kind, on current farm operations during April 1951 to March 1952. A significant feature of the data is that the value of crops and fodder produced by over two-thirds of the cultivators in the lower strata during the Survey year was less than Rs 400 per family. The total cash receipts of cultivators in the upper strata amounted to Rs 1,593 per family, as compared to Rs 667 per family in the lower strata. The proportion of cash receipts from sale of crops and fodder was about 70 per cent and 22 per cent in the upper and the lower strata, respectively. Cash wages accounted for more than half of the total cash receipts of cultivators in the lower strata. It appears therefore that a good proportion of the cultivators in the lower strata were only part-time farmers depending to a substantial extent on wage employment for their cash requirements.

The calculations of balances of transactions on capital account during the Survey year attempted by us revealed a small net investment on the part of cultivators of the district as a class. The cultivators in different groups, with the exception of small cultivators, also revealed net investment. The data collected in the intensive enquiry, however, revealed that the proportion of families showing a net disinvestment was higher than that showing net investment in the upper as well as in the lower strata. The seasonal conditions during the Survey year were normal over large parts of the district although in two upland villages selected for the Survey crop production was reported to be adversely affected on account of unfavourable rainfall, etc. The Survey year, however, witnessed first a stagnation followed by a steep decline in the prices of agricultural commodities for the first time in a period of over ten years. The cash receipts of the cultivators, therefore, are likely to have been adversely affected during the year. The expenditure incurred by the cultivators during the year would have been a function of their receipts during the previous and earlier years which were characterized by buoyant prices for

agricultural commodities. The negative balances on the capital account revealed by a substantial proportion of the cultivating families thus may have been due, in part, to an adverse change in the terms of trade for agriculture during the latter part of the Survey year.

Credit Agencies :

The proportion of borrowings of cultivators during the Survey year from Government and co-operatives to their total borrowings was 2·1 and 3·1 per cent, respectively. Their shares in the total debt outstanding at the end of the Survey year were 1·5 per cent and 3·1 per cent, respectively. Moneylenders accounted for 82·4 per cent of the total borrowings of cultivators during the Survey year and for 83·9 per cent of their total debt outstanding at the end of the Survey year. It is significant that the most important among the moneylenders was the agriculturist moneylender who accounted for three-fifths of the total borrowings as well as the debt of the cultivating families. Professional moneylenders, traders and commission agents were responsible for supplying the bulk of the remaining credit obtained by the cultivators. Relatives, landlords, commercial banks and others together accounted for less than 5 per cent of the total credit supplied.

A study of the working of Government finance, co-operatives and other agencies of credit reveals some of the distinguishing features of their modes of operation. The main feature of Government finance was that it is available either in an emergency creating distress over a large part of the district or for reinforcing certain policies of the Government such as the Grow More Food campaign. The attractive features of the system are that loans are available at a relatively low rate of interest as compared to other agencies supplying credit, the amounts of loan available are not as strictly determined as in co-operative institutions and the loans are available for medium or long-term periods. The main drawbacks of the system are that in actual working its benefits tend to gravitate towards those who have a clearly established interest in land as owners and are able to offer that interest as a security. Further, owing to the arbitrary manner of determining the beneficiaries of Government loans it fails to create confidence in the cultivator about its usefulness. The strictness in the recovery of loans often without reference to the actual condition of the borrower and lack of arrangements for flexibility, also deter many cultivators from resorting to Government finance.

The working of co-operative finance in the district has shown that although it was not able to incorporate all the attractive features of Government finance on the one hand and of private finance on the other, it has considerable potentialities. There is a very well-organized administrative machinery of the Co-operative Department specially designed for working the system. The channels of finance are also well-established under a superstructure which provides finance at a relatively low rate of interest. The outstanding defect in the societies studied during the Survey was that of indifferent or improper management, leading to the stagnation of the societies. In several cases the societies are dominated by a powerful group of

members who occupy important executive posts such as those of the president, secretary and members of the managing committee. It was also found that membership of the societies was limited to a small proportion of families in the village because of the lack of enthusiasm on the part of the office-bearers in enlisting members. The working of land mortgage banks in the district which gave long-term loans revealed that almost all the loans were for repayments of old debts. A large number of pending loan applications indicated that these banks were unable to meet all the demands made on them, for lack of finance. The procedure for obtaining loans from land mortgage banks was very complicated involving a considerable time-lag between dates of application and sanction of loans. The co-operative marketing societies in the district were organized mainly for supplying certain commodities at controlled prices during the war. They continued to perform this function in addition to the sale of members' produce on a commission basis. There was no link between the primary credit and marketing societies. The main attraction of co-operative credit to cultivators is its low cost. The interest rates charged by co-operative societies generally varied between $6\frac{1}{4}$ per cent to $7\frac{13}{16}$ per cent, which were lower than those charged by the private credit agencies. The availability of this cheaper credit facility to the cultivators, to as large an extent as possible with emphasis on its use for productive purposes, it thus appears, should be the main objective of future development. The availability of credit to the small cultivators demands special attention so as to bring a larger section of the cultivating population within the co-operative fold.

The private credit agencies did not function within the limitations of any framework prescribed by themselves or by the law except that the maximum rate of interest that could be charged to agriculturists is fixed at $5\frac{1}{2}$ per cent under the Madras Agriculturists' Debt Relief Act. The maximum rate of interest fixed is obviously unrealistic as even the co-operatives which receive credit at a subsidized rate of interest, charged a higher rate. The data collected in the Survey revealed that 80 per cent of the loan amount outstanding at the end of the Survey year was borrowed at rates varying from 7 per cent to $12\frac{1}{2}$ per cent. The rates of interest charged cannot be considered to be exorbitant. The relationship between the creditor, particularly the agriculturist moneylender and the debtor is informal. There was also generally no tendency towards foreclosure and the climate of the area was not of an extraordinarily exploitative type. The efficiency of the private credit structure appears to be responsible in part for the relatively low proportion of institutional credit in the district. Institutional credit, under these circumstances, would have to be very efficient to make any headway in the district, that is, it will have to be promptly available to all sections of the population on an adequate scale.

Resume :

The West Godavari district has a well-developed agricultural economy with a substantial proportion of the cultivated area under irrigation. The cultivating families incurred a substantial expenditure on capital investment in agriculture and their borrowing activity during the Survey year was largely geared to meeting

such expenditure. The desire of cultivators for developmental credit, particularly in connexion with digging of wells and bunding and land improvements, indicated considerable scope for further development of the district agricultural economy. The borrowings and debt of cultivators, though high in monetary terms, constituted a small proportion of the value of land and other assets owned by them. The district thus presented a picture of an agricultural economy in the process of progressive development.

The bulk of the credit provided to the cultivators came from private agencies. The Government and co-operatives had not made much headway although the potentialities for the development of co-operative credit were considerable. The rates of interest charged by private agencies were not exorbitant and they offered several other advantages such as informality in procedures, promptness in giving loans, flexibility in the volume of credit provided, etc. Co-operative credit, therefore, would have to be very efficient to compete with private credit agencies in this district. The relatively low rate of interest at which co-operative credit is available, however, should enable it to meet an increasingly larger proportion of the credit needs of the cultivators. The problem of admission of small cultivators to the membership of societies and the availability of loans to them needs special attention in this context.

RESERVE BANK OF INDIA PUBLICATIONS

Publications relating to All-India Rural Credit Survey (1951-52)

	Price
	Rs nP
Report on the All-India Rural Credit Survey Volume I (Part 1) ..	9.00
Report on the All-India Rural Credit Survey Volume I (Part 2)	7.00
Report on the All-India Rural Credit Survey Volume I (Summary)	2.00
Report on the All-India Rural Credit Survey Volume II	5.00
Report on the All-India Rural Credit Survey Volume II (Summary) ..	0.50
Report on the All-India Rural Credit Survey Volume II (Abridged Edition)	2.00
Report on the All-India Rural Credit Survey Volume III	10.00
District Monograph—West Khandesh	4.50
District Monograph—Osmanabad	4.50
District Monograph—Sorath	6.50
District Monograph—Deoria	6.50
District Monograph—Quilon	6.50
District Monograph—Barmer	6.00
District Monograph—Burdwan	6.50
District Monograph—Jullundur	6.50
District Monograph—Monghyr	6.50
District Monograph—Akola	8.00
District Monograph—Hassan	6.75
District Monograph—Bhatinda	5.50

Available from the Administrative Officer, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay 1.

Cheques to be drawn on Bombay in favour of "Reserve Bank of India".

Prices quoted are exclusive of Registration or V.P.P. charges.

Payments to be made in advance or required publications may be ordered by V.P.P.