

**ALL-INDIA  
RURAL CREDIT SURVEY**

**DISTRICT MONOGRAPH  
OSMANABAD**



**BOMBAY - 1957**

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## FOREWORD

The All-India Rural Credit Survey was conducted in 1951-52 by the Committee of Direction appointed by the Reserve Bank of India. The investigation extended over nearly 1,30,000 families resident in 600 villages and the various types of credit agencies in 75 selected districts spread all over the country. The data collected covered all important aspects of the working of the system of rural credit in the 75 districts. The detailed study of the material in all its aspects has been completed and the Report of the Committee has been published in three volumes, namely, Volume I, the Survey Report, containing discussions on the results of the Survey, Volume II, the General Report, containing the recommendations of the Committee and Volume III, the Technical Report, containing a description of the technique of the Survey and the various statistical statements prepared from the data. In order to obtain integrated pictures of the working of the rural credit machinery under different local types of economies and to provide a basis for preparation of the all-India report, preliminary monographs were prepared on each of the 75 selected districts. A few of these are being selected for revision and publication. The West Khandesh district monograph, which was the first of a series which is being issued during the course of the coming months, has already been published in September 1957. The present monograph is the second in that series.

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 organisation. 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 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

## OSMANABAD

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 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 certain names, viz., districts as such, 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. The work of editing and revising the selected monographs is being done in the Division of Rural Economics, Department of Research and Statistics in co-ordination with the Division of Statistics. The monograph on Osmanabad district was prepared by Shri V. M. Dandekar of the Gokhale Institute of Politics and Economics, Poona, who was also in charge of the field investigation work during 1951-52 in that district. We are grateful to Shri V. M. Dandekar for drafting the monograph on Osmanabad district. The responsibility for the views expressed is entirely that of the author and not of the Reserve Bank of India.

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Reserve Bank of India,  
Central Office,  
BOMBAY, September 16, 1957.

## CONTENTS

| CHAPTER |  | Page |
|---------|--|------|
| 1.      | General Features .. .. .                                   | 1    |
| 2.      | The Selected Villages .. .. .                              | 4    |
| 3.      | Indebtedness, Borrowings and Growth in Outstanding Debt .. | 15   |
| 4.      | Credit Needs of Agriculture .. .. .                        | 25   |
| 5.      | Credit Agencies .. .. .                                    | 39   |
| 6.      | Government Finance .. .. .                                 | 46   |
| 7.      | Co-operative Finance .. .. .                               | 54   |
| 8.      | Private Financing Agencies .. .. .                         | 63   |
| 9.      | Marketing of Agricultural Produce .. .. .                  | 67   |
| 10.     | Concluding Remarks .. .. .                                 | 72   |



LIST OF TABLES

| Table  | Page |
|--|------|
| 4.3 Debt owed by the selected cultivators classified according to principal and interest .. .. .                                       | 27   |
| 4.4 Percentage distribution of debt and borrowing by purpose .. ..   | 28   |
| 4.5 Extent of borrowing for capital expenditure in agriculture and in non-farm business .. .. .  | 29   |
| 4.6 Investment expenditure in relation to value of assets .. ..  | 30   |
| 4.7 Average current farm expenses and receipts of the selected cultivators .. .. .   | 31   |
| 4.8 Seasonal cash balances of the cultivators .. .. .  | 34   |
| 4.9 Distribution of amount borrowed and fully repaid during the year according to the month of borrowing and repayment .. ..           | 35   |
| 4.10 Extent of borrowing for current cash expenses of farming .. ..  | 36   |
| 4.11 Extent of borrowing for family and other expenditure .. ..  | 37   |
| 4.12 Grain loans borrowed during the year .. .. .  | 38   |
| 5.1 Percentage distribution of outstanding debt according to credit agency .. .. .   | 40   |
| 5.2 Percentage distribution of borrowings according to credit agency ..  | 41   |
| 5.3 Percentage distribution of amount outstanding for more than one year according to credit agency and purpose .. .. .                | 42   |
| 5.4 Percentage distribution of amount borrowed during the year according to credit agency and purpose .. .. .                          | 43   |
| 5.5 Percentage distribution of borrowings during the year according to credit agency and security .. .. .                              | 44   |
| 5.6 Percentage distribution of amount borrowed during the year according to credit agency and rate of interest .. .. .                 | 45   |
| 6.1 Government finance for agricultural purposes during 1950-1 ..  | 49   |
| 6.2 Case studies of loans : Loans disbursed for various purposes ..  | 50   |
| 6.3 Case studies of loans : Loans disbursed classified according to size   | 51   |
| 6.4 Case studies of loans : Loans disbursed classified according to purpose and duration .. .. .                                       | 51   |
| 6.5 Case studies of loans : Loans classified according to the time-lag between the date of application and the date of disbursement .. | 52   |
| 7.1 Primary agricultural credit societies in the selected villages : Financial position and loan operations in 1950-1 .. ..            | 55   |



LIST OF TABLES

| Table | Page  |
|-------|---|
| 7.2   | Borrowings and outstanding debt of cultivators classified according to credit agency .. .. . 56                                     |
| 7.3   | Additional primary agricultural credit societies studied in the district : Financial position and loan operations in 1950-1.. .. 58 |
| 7.4   | Primary agricultural credit societies : Case studies of loans : Loans advanced during 1950-1 classified according to size .. .. 59  |
| 7.5   | Central financing agencies : Financial position and loan operations in 1950-1 .. .. . 61  |
| 7.6   | Rural banks : Financial position and loan operations in 1950-1 62   |
| 9.1   | Approximate value of agricultural produce sold at Latur during 1950-1 .. .. . 70  |

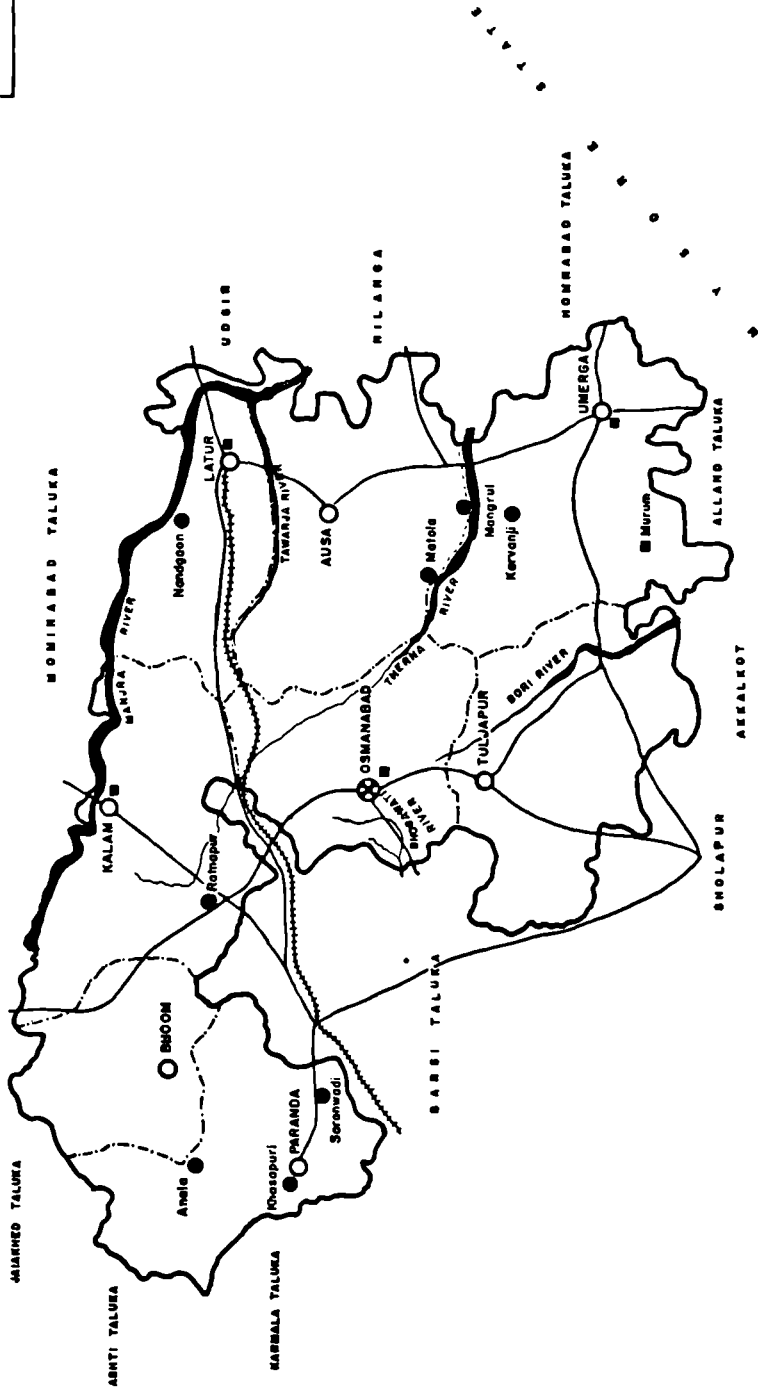
The following symbols have been used in the tables :

- to represent 'nil' or a negligible figure,
- .. to indicate that the figure is not available.

# MAP OF OSMANABAD DISTRICT

## REFERENCES

- ⊕ District Headquarters
- Taluka Headquarters
- Taluka Boundary
- Selected Villages
- Marketing Centres
- Railways
- Roads
- Rivers



## CHAPTER I

### GENERAL FEATURES

1.1 Osmanabad is one of the districts in the Marathawada region of the former Hyderabad State. The area of the district is approximately 3,700 square miles. The population in 1951 was about 8,07,000. Osmanabad is the headquarters of the district and in 1951 had a population of about 15,000. Latur, a taluka town, is one of the biggest marketing centres in Hyderabad State. Its population in 1951 was about 35,000 and it was the largest town in the district. The total urban population of the district was about 1,18,000, which is about 15 per cent of the total population. For administrative purposes, the district is divided into eight talukas. These may be grouped as under: (1) Bhoom, Paranda; (2) Kalam, Latur, Ausa; (3) Umerga, Osmanabad, and (4) Tuljapur.

1.2 Bhoom and Paranda are the north-eastern talukas of the district lying to the west of the Balaghat hill range. The river Therna flows across the rest of the district with Kalam, Latur and Ausa to its north and Umerga, Osmanabad and Tuljapur to its south. Tuljapur is the south-western taluka and also lies mostly to the west of the Balaghat hill range.

1.3 Geologically, the district falls in what is known as the trappean black-cotton soil region. The soil is highly retentive of moisture and is very fertile. There is practically no forest in the district.

1.4 The district receives its rainfall mainly from the South-West monsoon but also receives a substantial amount from the North-East monsoon. To the west of the Balaghat hill range, particularly in Bhoom and Paranda talukas, the rainfall is very uncertain and the tract is liable to droughts and famine. In the remaining district, to the east of the hill range, the rainfall is more secure. Most of the district receives about 25 to 30 inches of rain. As in other parts of the Deccan, there are two agricultural cropping seasons; the *kharif*, that is, the rainy season and the *rabi*, that is, the winter season. *Kharif* extends from June to the middle of October and the *rabi* from the middle of October to the end of February.

1.5 As mentioned earlier, there is practically no forest in the district. Nearly 93 per cent of the total area is, therefore, under cultivation. The principal food crop of the district is *jowar* which is grown during both the seasons; the *kharif* crop accounts for nearly 14 per cent and the *rabi* crop nearly 26 per cent of the total cropped area. There are three important commercial crops, namely, cotton, groundnut and linseed; these, respectively, cover 7, 11 and 5 per cent of the total cropped area. There is also a large area under pulses which forms nearly 20 per cent of the total cropped area.

1.6 Both in the north-east and south-west regions, *jowar* is mostly a *rabi* crop. In the north-west it is mainly a *kharif* crop while in the south it is mainly a *rabi* crop. Cotton is an important crop only in the north-east and to a smaller extent in the north-west region. Groundnut and pulses appear in all the regions.

1.7 The principal river of the district is the Manjara but it flows on the northern boundary of the district. There are a few other rivers but they are indeed small and they do not supply any irrigation. On the river Ludira in Paranda taluka, a dam was under construction and on completion was expected to irrigate about 3,000 acres. About 1,200 acres are under tank irrigation. The principal source of irrigation is, however, the wells. There are nearly 9,000 wells irrigating nearly 54,000 acres in the district; the irrigated area per well, however, appears rather high. The total irrigated area forms nearly 4 per cent of the total cropped area. The principal irrigated crops are sugar-cane, onions, chillies, fruits and vegetables.

1.8 There are about 2,43,000 bullocks, 1,98,000 cows, 22,000 he-buffaloes and 73,000 she-buffaloes in the district. The number of sheep is nearly 74,000 and of goats, the number is 92,000.

1.9 The principal agricultural community in the district is *maratha*. Moneylenders and traders are mostly *marwaris*, *jains* and *lingayats*. A few wealthy *maratha* families are also engaged in trading.

1.10 There are no indications of any seasonal migration within the district or to places outside the district.

1.11 There is no really large scale industrial establishment in the district. At Latur, which is an important marketing centre, there are three gins and four oil mills employing a total of about 700 persons. There are a few handloom centres in Paranda, Bhoom, Ausa and Umerga talukas. The total number of handlooms in the district is about 500. There are a large number of bullock-driven oil-presses spread all over the district. It seems, therefore, that in spite of its large area under cotton, groundnut and pulses, the district has not yet developed the related processing industries.

1.12 A narrow-gauge railway connecting Latur to Barsi in Sholapur district of Bombay State, runs across Osmanabad and Latur talukas of the district. The line runs over only 42 miles in the district. Its importance, however, lies in the fact that it connects Latur, which is an important marketing centre, to Barsi and further to Kurduwadi which is a junction on the Central Railway. However, the Central Railway at Kurduwadi is broad-gauged and the transferring of goods from the narrow-gauge line causes a great deal of inconvenience. The conversion of this line to broad-gauge will, therefore, greatly enhance its utility. The district is well served by motor roads and all the taluka towns are well connected to the district headquarters.

1.13 Due to its important commercial crops, namely, cotton, groundnut and also the large amount of pulses, agricultural marketing in the district is well organized and regulated under the Hyderabad Agricultural Markets Act. The market at Latur is one of the biggest in Hyderabad State. There are fairly good banking facilities both at Latur and Osmanabad ; but at other places there are none. Co-operative movement in the district is far from being well organized or developed ; there are only about 140 primary credit societies. A special feature of the co-operative movement in the district is the large number of grain banks ; there were reported to be nearly 300 grain banks in the district. There are 9 multi-purpose societies but the important field of co-operative agricultural marketing remains so far untried.

1.14 To sum up, in spite of its stable agriculture and commercial crops, Osmanabad district gives an impression of economic backwardness ; neither the processing industry nor the co-operative movement has made much progress in the district. This must be attributed to its long political isolation. In the new political order, it is to be hoped that, on the strength of its agricultural resources, the district will make rapid progress.

## CHAPTER 2

### THE SELECTED VILLAGES

2.1 For the purposes of the field survey directed towards assessing the requirements of rural credit, eight villages were selected in the district. Among the agencies supplying credit, the co-operative credit societies were of special interest. Hence, in order to compare conditions in respect of supply of credit in villages having and not having co-operative societies, four of the villages were selected from among those not served by a co-operative society. The villages were selected by a strict process of random sampling giving each such village a chance of being selected in proportion to its size, that is, its 1951 population. The other four villages were similarly selected from among the villages having primary co-operative credit societies. When the selected villages were visited, it appeared that one of the four villages which was not supposed to have a co-operative credit society had actually one though it was not functioning actively and, in fact, had not made a loan during the last ten years. Nevertheless, in subsequent discussion we shall treat this village as having a co-operative society. We have, therefore, in our sample of villages, five villages with co-operative societies and only three not having a co-operative society.

2.2 The actual geographical distribution of the selected villages has not been very appropriate. We have no village selected from the south-west region which comprises 13 per cent of the population of the district and also has peculiar agricultural features not found in other regions. This omission is further aggravated because we have only one village from the neighbouring, namely, the southern region, which comprises 31 per cent of the total population. In other words, seven out of the eight selected villages fall in the north-west and north-east regions where cotton is an important crop; cotton is not an important crop both in the south and the south-west regions and we have only one village from these regions. We might, therefore, say that, by an accident of sampling our investigation was largely confined to the cotton regions of the district.

2.3 In Table 2.1 are given certain items of general information regarding the selected villages. In Table 2.2 are given the details of land utilization, that is, the major uses of land of these villages. In Table 2.3 are given details of crop acreages. In Table 2.4 are given particulars of livestock and implements. The information given in these tables has been extracted from general descriptive notes made by the investigators. The figures appearing in them may, therefore, be treated as only approximate. For some of the villages, information may also be found missing in respect of a few items. Nevertheless, it is hoped that the available information will furnish a general background to the selected villages.

2.4 The investigational fieldwork in the selected villages was conducted in two phases. In the first phase, certain broad items of information were obtained in respect of all the resident families. In the second phase, the fieldwork was confined to a small sample of cultivating families but was more intensive and included a detailed enquiry into their farm business. A single schedule called the General Schedule was used during the first phase and it covered a total of 1,524 families, namely, all the resident families in the selected villages. In Table 2.5 are given the periods during which the General Schedule was canvassed in these villages and the number of families covered by this Schedule in each village. As a principal classifying item, information was obtained, in this Schedule, regarding the size of the cultivated holdings of the families and also the strength of their plough cattle. In Table 2.5, we give what proportion of the families in each village were cultivating families, the average size of their cultivated holdings, the average strength of their plough cattle and the average cultivated holding per pair of plough cattle. In the bottom line of the table are given the related district averages based on the General Schedule data.

2.5 The manner in which the villages were selected makes a simple average of any item for the 1,524 families interviewed by means of the General Schedule, not particularly appropriate as a district average. It will be remembered that in selecting the villages, they were given chance proportional to their population, which means that the larger villages were given a greater chance of being selected. This gives an over-representation to larger villages. Thus, six of the eight selected villages, were of population more than 800 ; this certainly is not the proportion of such villages in the district. In consequence, population staying in larger villages obtains more than proportionate representation. This bias in the sample is corrected if, instead of taking a simple average of the 1,524 families, we first work out the village averages and then take an average of the village averages. Another bias in the sample is that while in the sample we have five villages with societies and three without societies, in the district, the number of villages with societies would be much smaller than of those without societies. Therefore, in order to obtain an appropriate district average, it was necessary to 'weight' the society-village averages and the non-society village averages in proportion to the population living in such villages. The proportion of the cultivating families and the average size of their cultivated holdings appearing in the last row of Table 2.5 have been so derived. All district averages and percentages based on the General Schedule data to be used in the subsequent discussion have been similarly obtained after appropriate 'weighting'.

2.6 It will be seen that considering the district as a whole, about 55 per cent of the families were found to be cultivating families. The average size of the cultivated holding was 22.5 acres, which, of course, included both the owned and the tenanted lands cultivated by the family. On an average, each cultivating family possessed 2.2 plough cattle. The ratio of cultivated area to plough cattle, works out to be 20.2 acres per pair of plough cattle.

TABLE 2.1—GENERAL INFORMATION

| Village                | Taluka  | Population<br>(1951) | Approach<br>road and dist-<br>ance from the<br>Taluka town<br>(Miles) | Post Office<br>(distance in<br>miles) | Postal service |
|------------------------|---------|----------------------|---|---------------------------------------|----------------|
|                        | 1       | 2                    | 3   | 4                                     | 5              |
| <b>With Society</b>    |         |                      |   |                                       |                |
| Anala.....             | Paranda | 885                  | 16  | Sonari<br>(6)                         | Once a week    |
| Khasapuri.....         | Paranda | 873                  | <i>Kulcha</i><br>3  | Paranda<br>(3)                        | Every day      |
| Nandgaon.....          | Latur   | 1,133                | 5   | Latur<br>(5)                          | Once a week    |
| Ratnapur.....          | Kalam   | 977                  | 16  | Yermala<br>(2)                        | Once a week    |
| <b>Without Society</b> |         |                      |   |                                       |                |
| Saranwadi.....         | Paranda | 263                  | 7   | Paranda<br>(7)                        |                |
| Karvanji.....          | Umerga  | 436                  | 8   | Jawall<br>(3)                         |                |
| Mangrul.....           | Ausa    | 1,222                | <i>Kulcha</i><br>..   | Kilari<br>(4)<br>Sasture<br>(2)       |                |
| Matola.....            | Ausa    | 2,738                | 16  | Has its own Post Office               |                |

| Village                | Labour<br>supply       | Wage<br>rates   | Cattle market<br>(distance<br>in miles)                              | Selling market<br>(distance<br>in miles) |
|------------------------|------------------------|---|--|--|
|                        | 11                     | 12  | 13   | 14                                       |
| <b>With Society</b>    |                        |   |  |  |
| Anala.....             | Local, self-sufficient | Male As 12 to Rs 1-4-0<br>Female As 6 to As 10<br>Child As 6 to As 10 | Walwad<br>..   | Paranda<br>(16)                          |
| Khasapuri.....         | Shortage of labour     | Male Re 1 to Rs 1-8-0<br>Female As 8 to As 12<br>Child As 8 to As 12  | Walwad<br>(12)<br>Bhoom<br>(15)<br>Barsi<br>(15)<br>Bonapur<br>(7)   | Paranda<br>(3)<br>Barsi<br>(15)          |
| Nandgaon.....          | Shortage of labour     | Male Re 1 to Rs 1-4-0<br>Female As 8 to As 10                         |  | Latur<br>(5)                             |
| Ratnapur.....          | Local, self-sufficient | Male As 12 to Re 1<br>Female As 8 to As 10<br>Child As 8 to As 10     | Kalam<br>(16)  | Kalam<br>(16)                            |
| Saranwadi.....         | Self-sufficient        | Male Re 1 to Rs 2<br>Female As 8 to Re 1                              | Barsi<br>(7)<br>Kurduwadi<br>(11)<br>Walwad<br>(12)<br>Bhoom<br>(15) | Barsi<br>(11)                            |
| <b>Without Society</b> |                        |   |  |  |
| Karvanji.....          | Local, self-sufficient | Male Re 1 to Rs 1-4-0<br>Female As 8 to As 10<br>Child As 8 to As 10  | Yenegur<br>(8)   | Latur<br>(30)<br>Sholapur<br>(38)        |
| Mangrul.....           | Shortage of labour     | Male Re 1 to Rs 2<br>Female As 8 to Re 1                              | Yenegur<br>(12)<br>Nilanga<br>(16 )<br>..                            | Latur                                    |
| Matola.....            | Self-sufficient        | Male Re 1 to Rs 1-4-0<br>Female As 8 to As 10<br>Child As 8 to As 10  |  | Ausa<br>(16)                             |



## ABOUT THE SELECTED VILLAGES

| Village                | Source of drinking water | Dispensary (distance in miles)         | Area (acres) | Land revenue (Rs) | Land values in Rs per acre                                  |
|------------------------|--------------------------|--|--------------|-------------------|---|
|                        | 6                        | 7                                      | 8            | 9                 | 10  |
| <b>With Society</b>    |                          |  |              |                   |   |
| Anala.....             | 2 Wells                  | Paranda (16)                           | 4,310        | 2,907             | 150 to 300 for dry land, and 400 for irrigated land         |
| Khasapuri.....         | River                    | Paranda (3)                            | 3,228        | 3,558             | 200 to 500 for dry land, 700 for irrigated land             |
| Nandgaon.....          | 4 Wells                  | Latur (5)                              | 2,476        | 8,238             | 300 to 1,000  |
| Ratnapur.....          | 8 Wells                  | Kalam (16)<br>Osmanabad<br>..<br>Barsi | 1,430        | 2,517             | 300 to 1,000  |
| Saranwadi.....         | River                    | Paranda (7)                            | 660          | 614               | 200 to 500  |
| <b>Without Society</b> |                          |  |              |                   |   |
| Karvanji.....          | Well                     | Umarga (8)                             | 1,144        |                   | 150 to 1,000 for unirrigated land, 1,200 for irrigated land |
| Mangrul.....           | 4 Wells                  | Sasture (2)<br>Kilari (4)              | 1,350        | 1,683             | 400 to 1,000 for unirrigated land, 1,000 for irrigated land |
| Matola.....            | 40 Wells                 | Ausa (16)                              | 5,565        | 5,094             | 400 to 1,000  |

| Village                | Outgoing commodities                                | Weekly market (distance in miles)           | Grocer's shops (number) | Remarks                             |
|------------------------|---|---|-------------------------|-------------------------------------|
|                        | 15  | 16  | 17                      | 18                                  |
| <b>With Society</b>    |   |   |                         |                                     |
| Anala.....             | Jowar, arhar, gram, safflower, cotton               | Local or Paranda (16)                       | 4                       | Primary school                      |
| Khasapuri.....         | Jowar, cotton, tur, safflower, groundnut, etc.      | Local or Paranda (3)                        | 2                       | Government school upto 4th standard |
| Nandgaon.....          | Jowar, gram, tur, groundnut, coriander, Kadba, etc. | Local or Latur (5)                          | 4                       | Primary school upto 3rd standard    |
| Ratnapur.....          | Jowar, gram, groundnut, Kadba, etc.                 | Terkheda (3)<br>Yermala (2)                 | ..                      | Primary school upto 3rd standard    |
| Saranwadi.....         | Jowar, gram, tur, groundnut, cotton, etc.           | Paranda (7)<br>Barsi (11)<br>Kurduwadi (11) | 1                       | No school                           |
| <b>Without Society</b> |   |   |                         |                                     |
| Karvanji.....          | Wheat, pulses, groundnut, gur, etc.                 | Jawall (3)                                  | 2                       | Primary school                      |
| Mangrul.....           | Jowar, wheat, gram, groundnut, cotton, etc.         | Kilari (4)<br>Sasture (2)                   | 3                       | Government Primary school           |
| Matola.....            | Jowar, wheat, gram, arhar, groundnut, cotton, etc.  | Local                                       | 16                      | Two primary schools                 |

**TABLE 2.2—MAJOR USES OF LAND IN THE SELECTED VILLAGES (1950-1)**  
(Area in Acres)

| Village                | Cultivable area | Free grazing land | Area under forest | Area under village site | Area under roads, paths and other public uses | Area under rivers, streams and otherwise uncultivable | Total |
|------------------------|-----------------|-------------------|-------------------|-------------------------|---|---|-------|
|                        | 1               | 2                 | 3                 | 4                       | 5   | 6   |       |
| <b>With Society</b>    |                 |                   |                   |                         |   |   |       |
| Anala.....             | 4,082           | 94                | —                 | 13                      | 26  | 85  | 4,310 |
| Khasapuri.....         | 3,136           | —                 | —                 | 8                       | 7   | 77  | 3,228 |
| Nandgaon.....          | 2,363           | 60                | —                 | 13                      | 12  | 27  | 2,475 |
| Ratnapur.....          | 1,399           | —                 | —                 | 8                       | 1   | 22  | 1,430 |
| Saranwadi.....         | 609             | —                 | —                 | 7                       | 8   | 36  | 660   |
| <b>Without Society</b> |                 |                   |                   |                         |   |   |       |
| Karvanji.....          | 1,077           | 45                | —                 | 22                      | —   | —   | 1,144 |
| Mangrul.....           | 1,276           | 10                | —                 | 12                      | 18  | 34  | 1,350 |
| Matola.....            | 5,363           | 18                | —                 | 29                      | 24  | 131   | 5,565 |

**TABLE 2.3—CROP ACREAGES IN THE SELECTED VILLAGES (1950-1)**  
(Area in Acres)

| Crop                        | WITH SOCIETY |              |              |              |            | WITHOUT SOCIETY |              |              |
|-----------------------------|--------------|--------------|--------------|--------------|------------|-----------------|--------------|--------------|
|                             | Anala        | Khasapuri    | Nandgaon     | Ratnapur     | Saranwadi  | Karvanji        | Mangrul      | Matola       |
|                             | 1            | 2            | 3            | 4            | 5          | 6               | 7            | 8            |
| Rice.....                   | —            | —            | —            | —            | —          | 11              | —            | —            |
| Wheat.....                  | 95           | 197          | 36           | 25           | 15         | —               | —            | —            |
| Jowar, Kharif.....          | 1,352        | 710          | 604          | 269          | 80         | —               | —            | —            |
| Jowar, Rabi.....            | —            | —            | —            | —            | 129        | —               | —            | —            |
| Bajra.....                  | —            | —            | —            | 12           | 41         | —               | —            | —            |
| Other cereals.....          | 111          | 21           | 67           | 11           | 5          | —               | —            | —            |
| Gram.....                   | 113          | 325          | 76           | 29           | 6          | —               | —            | —            |
| Tur (Arhar).....            | 104          | 109          | 62           | 31           | 58         | —               | —            | —            |
| Urid.....                   | Not recorded | —            | —            | —            | —          | —               | Not recorded | Not recorded |
| Mung.....                   | 109          | ..           | —            | 11           | 2          | —               | —            | —            |
| Other pulses.....           | 83           | 94           | —            | 22           | —          | —               | —            | —            |
| Groundnut.....              | 104          | 171          | 74           | 11           | 208        | —               | —            | —            |
| Other oilseeds.....         | 195          | 113          | 117          | 62           | 31         | —               | —            | —            |
| Cotton.....                 | 267          | 10           | 11           | 102          | —          | —               | —            | —            |
| Chillies and spices.....    | 23           | 37           | 27           | —            | 11         | —               | —            | —            |
| Sugarcane.....              | —            | —            | —            | —            | 2          | —               | —            | —            |
| Other crops.....            | 3            | 25           | 5            | 5            | 55         | —               | —            | —            |
| <b>Total cropped area..</b> |              | <b>2,559</b> | <b>1,812</b> | <b>1,079</b> | <b>590</b> | <b>654</b>      |              |              |

2.7 It is obvious that there is a large variation in the average size of the cultivated holding in different villages. However, an arithmetic average is greatly affected by extreme cases so that a large average holding in one village might not

TABLE 2.4—LIVESTOCK AND IMPLEMENTS IN THE SELECTED VILLAGES (1950-1)

| Village                | LIVESTOCK |      |             |               |                |             |        |                 |                | IMPLEMENTS    |                 |                |
|------------------------|-----------|------|-------------|---------------|----------------|-------------|--------|-----------------|----------------|---------------|-----------------|----------------|
|                        | Bull-ocks | Cows | Young-stock | He-buffa-loes | She-buffa-loes | Young-stock | Horses | Goats and sheep | Poul-try birds | Iron plou-ghs | Wooden plou-ghs | Bull-ock carts |
|                        | 1         | 2    | 3           | 4             | 5              | 6           | 7      | 8               | 9              | 10            | 11              | 12             |
| <b>With Society</b>    |           |      |             |               |                |             |        |                 |                |               |                 |                |
| Anala.....             | 500       | 100  | 231         | 15            | 55             | 31          | 6      | 166             | 20             | 27            | 200             | 35             |
| Khasapuri.....         | 200       | 200  | 170         | 5             | 35             | 27          | 6      | 583             | 167            | 22            | 94              | 31             |
| Nandgaon.....          | 167       | 103  | 157         | 10            | 104            | 93          | 13     | 307             | -              | 10            | ..              | -              |
| Ratnapur.....          | 225       | 100  | 189         | 7             | 75             | 50          | 9      | 164             | 37             | 17            | ..              | 33             |
| Saranwadi.....         | 49        | 23   | 76          | 3             | 10             | 15          | -      | 52              | 35             | 4             | 32              | 6              |
| <b>Without Society</b> |           |      |             |               |                |             |        |                 |                |               |                 |                |
| Karvanji.....          | 122       | 49   | 136         | 5             | 54             | 24          | 1      | 187             | 3              | 6             | ..              | 14             |
| Mangrul.....           | 202       | 86   | 39          | 6             | 88             | 34          | 11     | -               | 46             | 7             | ..              | 51             |
| Matola.....            | 522       | 364  | 399         | 24            | 191            | 111         | 22     | 690             | 220            | 55            | ..              | 119            |

TABLE 2.5—COVERAGE OF THE GENERAL SCHEDULE IN THE SELECTED VILLAGES

| Village                | Period during which the General Schedule was filled | Number of families covered by the General Schedule | Proportion of cultivating families | Average size of cultivated holding per cultivating family | Number of plough cattle owned per cultivating family | Cultivated holding per pair of plough cattle |
|------------------------|---|--|------------------------------------|---|--|--|
|                        |   |  | (Per cent)                         | (Acres)   |  | (Acres)                                      |
|                        |   |  | 3                                  | 4   | 5  | 6  |
| <b>With Society</b>    |   |  |                                    |   |  |  |
| Anala.....             | 28 Feb 1952 to 5 Mar 1952                           | 185  | 53.0                               | 27.8  | 2.5  | 22.5   |
| Khasapuri.....         | 25 Dec 1951 to 6 Jan 1952                           | 128  | 46.1                               | 46.7  | 3.9  | 23.6   |
| Nandgaon.....          | 11 Nov 1951 to 17 Nov 1951                          | 205  | 49.3                               | 19.2  | 2.0  | 18.9   |
| Ratnapur.....          | 20 Jan 1952 to 30 Jan 1952                          | 196  | 53.6                               | 14.6  | 2.7  | 10.8   |
| Saranwadi.....         | 21 Feb 1952 to 22 Feb 1952                          | 44   | 61.4                               | 28.5  | 2.5  | 23.0   |
| <b>Without Society</b> |   |  |                                    |   |  |  |
| Karvanji.....          | 24 Dec 1951 to 27 Dec 1951                          | 83   | 59.0                               | 18.8  | 2.3  | 16.9   |
| Mangrul.....           | 30 Nov 1951 to 2 Dec 1951                           | 205  | 60.5                               | 22.8  | 1.8  | 25.2   |
| Matola.....            | 21 Nov 1951 to 4 Dec 1951                           | 478  | 48.3                               | 24.3  | 2.6  | 19.3   |
| <b>District.....</b>   | <b>11 Nov 1951 to 5 Mar 1952</b>                    | <b>1,524</b>                                       | <b>55.5</b>                        | <b>22.5</b>   | <b>2.2</b>   | <b>20.2</b>                                  |

mean more than that there were in the village one or two very big cultivators who pulled up the average of the village, without of course benefiting the other cultivators

in any manner. A fuller statement of the size of cultivated holdings in different villages is, therefore, attempted in Table 2.6. The table reads thus : In the village Anala, the largest holding was of 171 acres ; 10 per cent of the cultivators had holdings larger than 56 acres ; 20 per cent of the cultivators had them larger than 36 acres and so on. Thus presented, it becomes apparent that a large part of the variation in the average cultivated holding in the different villages, is confined to the variation in the size of the holdings in the 10 or 20 per cent bigger cultivators and that, therefore, the range of variation narrows down greatly if the 10 or 20 per cent bigger cultivators are left out.

**TABLE 2.6—RANGE OF VARIATION IN THE SIZE OF CULTIVATED HOLDINGS IN THE SELECTED VILLAGES**

| Village                | Per cent of cultivators             |           |           |           |           |           |           |           |           |           |            |
|------------------------|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
|                        | <i>Nil</i>                          | <i>10</i> | <i>20</i> | <i>30</i> | <i>40</i> | <i>50</i> | <i>60</i> | <i>70</i> | <i>80</i> | <i>90</i> | <i>100</i> |
|                        | With holding (in acres) larger than |           |           |           |           |           |           |           |           |           |            |
| <b>With Society</b>    |                                     |           |           |           |           |           |           |           |           |           |            |
| Anala.....             | 171                                 | 56        | 36        | 30        | 26        | 21        | 18        | 14        | 10        | 6         | 1          |
| Khasapuri.....         | 239                                 | 100       | 60        | 52        | 38        | 31        | 29        | 23        | 15        | 7         | 2          |
| Nandgaon.....          | 247                                 | 32        | 21        | 18        | 12        | 11        | 9         | 6         | 4         | 3         | 1          |
| Ratnapur.....          | 77                                  | 31        | 22        | 14        | 12        | 9         | 7         | 6         | 5         | 4         | 3          |
| Saranwadi.....         | 106                                 | 48        | 34        | 27        | 24        | 22        | 17        | 14        | 12        | 12        | 4          |
| <b>Without Society</b> |                                     |           |           |           |           |           |           |           |           |           |            |
| Karvanji.....          | 80                                  | 39        | 23        | 21        | 18        | 16        | 13        | 9         | 7         | 4         | 2          |
| Mangrul.....           | 150                                 | 43        | 32        | 26        | 22        | 16        | 13        | 10        | 8         | 4         | 1          |
| Matola.....            | 125                                 | 51        | 39        | 28        | 23        | 19        | 16        | 12        | 8         | 5         | 1          |

2.8 The range of variation in the size of cultivated holdings within each village might be indicated as under : As was done for the purpose of Table 2.6, we might arrange the cultivating families in each village by the size of their cultivated holdings in a descending order, and then divide them into ten equal divisions, to be called the deciles, each comprising ten per cent of all cultivating families. We might then examine the average size of the cultivated holdings in these deciles. This is done in Table 2.7. In order to obtain the corresponding district averages, the respective deciles in the different villages are grouped together and appropriately averaged ; the district averages are shown in the bottom line of the table. Thus the average size of cultivated holdings for the 10 per cent cultivators biggest in their own villages turns out to be 68.1 acres. This is more than three times the overall average of 22.5 acres. The ten per cent second biggest cultivators in the different villages grouped together give an average cultivated holding of 38.2 acres, and for the ten per cent third biggest, the average is 28.3 acres. At the other extreme, the ten per cent smallest cultivators in different villages when grouped together give an average of only 3.2 acres of cultivated holdings which is less than one-seventh of the overall average of 22.5 acres. The ten per cent cultivators immediately above this group

**TABLE 2.7—AVERAGE SIZE OF CULTIVATED HOLDING PER FAMILY IN DIFFERENT DECILES OF CULTIVATORS IN THE SELECTED VILLAGES**  
(In acres)

| Village                | First decile | Second decile | Third decile | Fourth decile | Fifth decile | Sixth decile | Seventh decile | Eighth decile | Ninth decile | Tenth decile | All cultivators |
|------------------------|--------------|---------------|--------------|---------------|--------------|--------------|----------------|---------------|--------------|--------------|-----------------|
| <b>With Society</b>    |              |               |              |               |              |              |                |               |              |              |                 |
| Anala.....             | 87.1         | 48.8          | 34.4         | 27.3          | 23.7         | 20.1         | 16.2           | 12.3          | 8.2          | 2.9          | 27.8            |
| Khasapuri.....         | 155.8        | 75.3          | 57.2         | 45.2          | 35.3         | 30.2         | 26.2           | 18.5          | 11.5         | 5.2          | 46.7            |
| Nandgaon.....          | 92.7         | 26.7          | 19.9         | 14.9          | 11.6         | 9.8          | 7.4            | 5.2           | 3.6          | 2.1          | 19.2            |
| Ratnapur.....          | 46.7         | 25.6          | 16.8         | 13.1          | 10.5         | 8.2          | 6.6            | 5.8           | 4.7          | 3.5          | 14.6            |
| Saranwadi.....         | 83.7         | 43.3          | 46.5         | 17.7          | 23.0         | 21.0         | 15.7           | 13.5          | 12.0         | 8.0          | 28.5            |
| <b>Without Society</b> |              |               |              |               |              |              |                |               |              |              |                 |
| Karvanji.....          | 50.8         | 30.8          | 22.0         | 20.0          | 17.0         | 15.4         | 10.8           | 8.8           | 6.0          | 3.0          | 18.8            |
| Mangrul.....           | 73.1         | 38.8          | 28.8         | 24.7          | 18.3         | 15.1         | 11.5           | 9.2           | 5.8          | 2.8          | 22.8            |
| Matola.....            | 69.7         | 44.4          | 32.7         | 26.0          | 20.7         | 16.9         | 13.7           | 10.2          | 6.7          | 3.3          | 24.3            |
| <b>District.....</b>   | <b>68.1</b>  | <b>38.2</b>   | <b>28.3</b>  | <b>23.3</b>   | <b>18.7</b>  | <b>15.9</b>  | <b>12.3</b>    | <b>9.5</b>    | <b>6.4</b>   | <b>3.2</b>   | <b>22.5</b>     |

have an average of 6.4 acres and the next group of ten per cent has an average of 9.5 acres.

2.9 The inequalities in the distribution of the cultivated holdings might be brought out in yet another manner and perhaps more strikingly. For instance, we might enquire what proportion of the total cultivated area was commanded by the 10 per cent biggest cultivators in each village ; what proportion of it was commanded by the 10 per cent next biggest and so on. This is done in Table 2.8. The table shows what proportion of the total cultivated area was cultivated by the cultivators in each decile in each village. The corresponding district averages are given in the bottom line. Thus, considering the district as a whole, it will be seen that the first 10 per cent big cultivators described above hold 30.0 per cent of the total cultivated area. Similarly, the second group of 10 per cent big cultivators hold 17.5 per cent of the total cultivated area. Hence the two groups together constituting 20 per cent biggest cultivators hold 47.5 per cent of the total cultivated area. At the other extreme, the 20 per cent smallest cultivators are seen to hold only less than 5 per cent of the total cultivated area.

2.10 Perhaps, a more simple summing up of the situation would be as follows : If we arrange all the cultivators in a village by the size of their cultivated holdings in a descending order and divide the list into three divisions of 30 per cent, 40 per cent and 30 per cent, respectively, then it works out that on an average, the first division forming the 30 per cent large cultivators command 60.0 per cent of the cultivated area, while the last division, forming the 30 per cent small cultivators command only 8.5 per cent of the cultivated area. It should be noted that this form of analysis does not bring out fully the extent of inequalities that exist. For instance, the first division, as described above, does not represent the 30 per cent cultivators who are biggest in the district ; they are the 30 per cent who are the biggest in their own villages and they command 60 per cent of the total land. It is

**TABLE 2.8—AREA CULTIVATED BY CULTIVATORS IN EACH DECILE AS PERCENTAGE OF THE TOTAL CULTIVATED AREA IN THE SELECTED VILLAGES**

| Village                | First decile | Second decile | Third decile | Fourth decile | Fifth decile | Sixth decile | Seventh decile | Eighth decile | Ninth decile | Tenth decile | All cultivators |
|------------------------|--------------|---------------|--------------|---------------|--------------|--------------|----------------|---------------|--------------|--------------|-----------------|
| <b>With Society</b>    |              |               |              |               |              |              |                |               |              |              |                 |
| Anala.....             | 28.8         | 17.9          | 12.7         | 10.0          | 8.7          | 7.4          | 6.0            | 4.5           | 3.0          | 1.0          | 100.0           |
| Khasapuri.....         | 33.9         | 16.4          | 12.4         | 9.8           | 7.7          | 6.6          | 5.7            | 4.0           | 2.5          | 1.0          | 100.0           |
| Nandgaon.....          | 47.8         | 13.8          | 10.2         | 7.7           | 6.0          | 5.0          | 3.8            | 2.7           | 1.9          | 1.1          | 100.0           |
| Ratnapur.....          | 33.6         | 18.4          | 12.1         | 9.4           | 7.6          | 5.4          | 4.3            | 3.8           | 3.1          | 2.3          | 100.0           |
| Saranwadi.....         | 32.6         | 16.9          | 12.1         | 6.9           | 6.0          | 8.2          | 6.0            | 3.5           | 4.7          | 3.1          | 100.0           |
| <b>Without Society</b> |              |               |              |               |              |              |                |               |              |              |                 |
| Karvanji.....          | 27.6         | 16.7          | 11.9         | 10.9          | 9.2          | 8.4          | 5.9            | 4.8           | 3.3          | 1.3          | 100.0           |
| Mangrul.....           | 31.0         | 17.9          | 12.3         | 11.4          | 7.8          | 6.9          | 4.9            | 4.2           | 2.4          | 1.2          | 100.0           |
| Matola.....            | 28.5         | 18.2          | 13.4         | 10.7          | 8.4          | 6.9          | 5.6            | 4.1           | 2.8          | 1.4          | 100.0           |
| <b>District.....</b>   | <b>30.0</b>  | <b>17.5</b>   | <b>12.5</b>  | <b>10.6</b>   | <b>8.2</b>   | <b>7.3</b>   | <b>5.4</b>     | <b>4.3</b>    | <b>2.8</b>   | <b>1.4</b>   | <b>100.0</b>    |

obvious, therefore, that if we could group together the 30 per cent cultivators who were biggest in the district, they would command considerably more than 60 per cent of the total cultivated area.

2.11 The position regarding the variation in the ownership of plough cattle is naturally similar, though perhaps a little less extreme. The relevant data are given in Tables 2.9 and 2.10. In Table 2.9 is shown what proportion of the cultivators in each decile in each village owned any plough cattle. In Table 2.10 are given the average holdings of plough cattle of those who owned any. It will be seen that the average holding of plough cattle in the first decile is 5.5 and in the second decile it is 3.3. In the remaining deciles the average holdings of plough cattle range from 1.6 to 2.9. It is, therefore, clear that except in the case of the 20 per cent biggest cultivators, the range of variation in the holdings of plough cattle of those cultivators who hold any, is not great. A large part of the inequalities of the holdings of plough cattle is, therefore, to be found in the extreme circumstance that some of the cultivators do not own any plough cattle. Thus, as will appear from Table 2.9, though most of the 30 per cent large cultivators owned some plough

**TABLE 2.9—PROPORTION OF CULTIVATORS OWNING PLOUGH CATTLE IN DIFFERENT DECILES OF CULTIVATORS IN THE SELECTED VILLAGES**

(Per cent)

| Village                | First decile | Second decile | Third decile | Fourth decile | Fifth decile | Sixth decile | Seventh decile | Eighth decile | Ninth decile | Tenth decile | All cultivators |
|------------------------|--------------|---------------|--------------|---------------|--------------|--------------|----------------|---------------|--------------|--------------|-----------------|
| <b>With Society</b>    |              |               |              |               |              |              |                |               |              |              |                 |
| Anala.....             | 100.0        | 100.0         | 90.0         | 90.0          | 90.0         | 90.0         | 100.0          | 70.0          | 80.0         | 66.7         | 87.8            |
| Khasapuri.....         | 100.0        | 100.0         | 100.0        | 100.0         | 100.0        | 83.3         | 100.0          | 33.3          | 66.7         | 80.0         | 91.5            |
| Nandgaon.....          | 100.0        | 100.0         | 100.0        | 80.0          | 70.0         | 70.0         | 30.0           | 30.0          | 80.0         | 9.1          | 70.3            |
| Ratnapur.....          | 100.0        | 100.0         | 90.9         | 100.0         | 90.9         | 60.0         | 80.0           | 100.0         | 60.0         | 40.0         | 82.9            |
| Saranwadi.....         | 100.0        | 100.0         | 100.0        | 100.0         | 100.0        | 100.0        | 100.0          | 100.0         | 100.0        | 33.3         | 92.6            |
| <b>Without Society</b> |              |               |              |               |              |              |                |               |              |              |                 |
| Karvanji.....          | 100.0        | 100.0         | 100.0        | 100.0         | 100.0        | 100.0        | 80.0           | 60.0          | 60.0         | 25.0         | 83.7            |
| Mangrul.....           | 100.0        | 100.0         | 100.0        | 92.3          | 83.3         | 92.3         | 75.0           | 61.5          | 33.3         | 25.0         | 76.6            |
| Matola.....            | 95.7         | 100.0         | 100.0        | 100.0         | 100.0        | 91.3         | 82.6           | 82.6          | 82.6         | 50.0         | 88.3            |
| <b>District.....</b>   | <b>99.6</b>  | <b>100.0</b>  | <b>99.2</b>  | <b>96.7</b>   | <b>93.3</b>  | <b>92.8</b>  | <b>81.1</b>    | <b>68.2</b>   | <b>60.2</b>  | <b>34.0</b>  | <b>82.9</b>     |

**TABLE 2.10—AVERAGE NUMBER OF PLOUGH CATTLE OWNED BY THOSE CULTIVATORS WHO OWNED ANY IN DIFFERENT DECILES OF CULTIVATORS IN THE SELECTED VILLAGES**

| Village                | First decile | Second decile | Third decile | Fourth decile | Fifth decile | Sixth decile | Seventh decile | Eighth decile | Ninth decile | Tenth decile | All cultivators |
|------------------------|--------------|---------------|--------------|---------------|--------------|--------------|----------------|---------------|--------------|--------------|-----------------|
| <b>With Society</b>    |              |               |              |               |              |              |                |               |              |              |                 |
| Anala.....             | 6.7          | 3.3           | 3.1          | 2.3           | 2.4          | 2.3          | 2.0            | 2.4           | 1.4          | 1.5          | 2.8             |
| Khasapuri.....         | 11.7         | 8.3           | 4.3          | 3.7           | 2.7          | 3.2          | 1.7            | 2.2           | 1.8          | 1.5          | 4.3             |
| Nandgaon.....          | 9.0          | 2.3           | 2.0          | 2.0           | 1.9          | 2.0          | 1.6            | 1.3           | 1.5          | 2.0          | 2.9             |
| Ratnapur.....          | 7.0          | 3.8           | 3.3          | 2.7           | 2.3          | 2.8          | 2.4            | 2.2           | 2.0          | 2.3          | 3.3             |
| Saranwadi.....         | 6.0          | 3.3           | 3.0          | 1.3           | 2.0          | 2.0          | 2.0            | 3.0           | 1.7          | 2.0          | 2.7             |
| <b>Without Society</b> |              |               |              |               |              |              |                |               |              |              |                 |
| Karvanji.....          | 4.4          | 3.2           | 3.0          | 2.0           | 2.6          | 2.0          | 2.5            | 1.7           | 2.0          | 2.0          | 2.7             |
| Mangrul.....           | 5.7          | 2.5           | 2.3          | 2.2           | 1.8          | 1.5          | 1.8            | 1.1           | 1.3          | 1.3          | 2.4             |
| Matola.....            | 5.6          | 4.2           | 3.6          | 2.3           | 2.3          | 2.1          | 2.1            | 2.2           | 1.7          | 1.5          | 2.9             |
| <b>District.....</b>   | <b>5.5</b>   | <b>3.3</b>    | <b>2.9</b>   | <b>2.2</b>    | <b>2.3</b>   | <b>1.9</b>   | <b>2.1</b>     | <b>1.8</b>    | <b>1.7</b>   | <b>1.6</b>   | <b>2.7</b>      |

cattle, the proportion of those who owned none was quite considerable in the last 30 or 40 per cent of the small cultivators. In particular, in the last group of the 10 per cent smallest cultivators, only 34.0 per cent owned any plough cattle. The remaining must entirely depend on the hired plough cattle.

2.12 As earlier mentioned, in the second phase of the investigation, the field-work was confined to a small sample of cultivators but was related to a detailed enquiry into their farm business. For this purpose, a sample of 120 cultivators, fifteen from each one of the eight villages, was selected. In selecting the sample of fifteen cultivators from each village, care was taken to make the sample representative of the cultivators in the village. This was done by utilizing the division of the cultivators, arranged in a descending order of the size of their cultivated holdings, into ten equal divisions each comprising 10 per cent of the cultivators. We have earlier referred to these divisions as the ten deciles. From each one of the first five deciles, comprising the relatively bigger cultivators, we selected two cultivators giving a sample of ten relatively big cultivators. From each one of the last five deciles, comprising the relatively smaller cultivators, we selected one cultivator giving a sample of 5 smaller cultivators. Within each decile, the selection of cultivators was made in accordance with an appropriate random procedure. We had thus a sample of ten bigger and five smaller cultivators from each village. The reason for choosing a larger number of bigger cultivators was the possibility that there would be a greater variety in their farm business to study. A great deal of detailed information was obtained regarding various items of farm businesses of these cultivators. This was done by means of two visits to the selected cultivators. Information pertaining to the period from April to September 1951 was obtained during the first visit; that pertaining to the period from October 1951 to March 1952 was obtained during the second visit. In Table 2.11 are given the dates of the two visits to each village. In subsequent chapters, we shall refer to the data relating

to the sample of cultivators collected during the two visits, as the data from the intensive enquiry to be distinguished from the data obtained in the General Schedule.

**TABLE 2.11—DATES OF VISITS TO THE SELECTED VILLAGES FOR THE PURPOSE OF THE INTENSIVE ENQUIRY**

| Village                | First visit          | Second visit       |
|------------------------|----------------------|--------------------|
| <b>With Society</b>    |                      |                    |
| Anala.....             | 28- 2-52 to 11- 3-52 | 9-6-52 to 15-6-52  |
| Khasapuri.....         | 15-12-51 to 18- 1-52 | 26-5-52 to 31-5-52 |
| Nandgaon.....          | 11-11-51 to 14-12-51 | 13-4-52 to 18-4-52 |
| Ratnapur.....          | 20- 1-52 to 5- 2-52  | 9-5-52 to 16-5-52  |
| Saranwadi.....         | 20- 2-52 to 26- 3-52 | 19-5-52 to 25-5-52 |
| <b>Without Society</b> |                      |                    |
| Karvanji.....          | 24-12-51 to 7- 1-52  | 19-4-52 to 21-4-52 |
| Mangrul.....           | 30-11-51 to 21-12-51 | 22-4-52 to 24-4-52 |
| Matola.....            | 22-11-51 to 8-12-51  | 25-4-52 to 30-4-52 |



## CHAPTER 3

### INDEBTEDNESS, BORROWINGS AND GROWTH IN OUTSTANDING DEBT

3.1 We shall begin by outlining the position regarding indebtedness, borrowings and growth in the outstanding debt during the year under study. The discussion in this Chapter is based on the data collected through the General Schedule. Indebtedness is the debt outstanding at any given moment of time and might be viewed in two different aspects, namely, the incidence of debt and the volume of debt. By incidence of debt we mean the proportion of families who at any given moment are in debt. By volume of debt is meant the amount of debt outstanding at the given moment; the amount may be expressed either as per family or per indebted family. In the present context, the given moment is the time when the General Schedule was filled; this may roughly be taken to mean January 1, 1952.

3.2 Borrowings mean the amounts borrowed during a period and should be sharply distinguished from the debt outstanding at a given moment. In what follows, unless otherwise stated, by borrowing we shall mean borrowing during a period of one year. In the context of the General Schedule, this year is taken to be the one immediately preceding the date of filling the General Schedule; it may, therefore, be roughly taken to mean the calendar year 1951.

3.3 During the same period, there would also be a certain amount of repayment of the debt outstanding at the beginning of the year as also of a part of the fresh borrowing done during the period. A balance of borrowing and repayment would, therefore, lead to an increase or decrease in the outstanding debt over what it was at the beginning of the year. In fact, as we shall see, in this district there has been a substantial growth in the outstanding debt during the period under study.

3.4 The intensity or level of these phenomena will be naturally different among cultivating and non-cultivating families and among the cultivating families it will be different among families with different sizes of holdings. Hence in presenting the relevant data we shall distinguish the following classes of families, big, large medium and small cultivators and the non-cultivating families. The big cultivators comprise the first 10 per cent biggest cultivators in each village. The large cultivators are the first 30 per cent biggest cultivators or in other words the first three deciles in each village. It should be noted, therefore, that the large cultivators include in them the big cultivators. The middle four deciles of the cultivators in each village are termed the medium cultivators and the last three deciles are termed the small cultivators. Thus, the large, medium and small cultivators are mutually exclusive classes and together make all the cultivators. When to these are added the non-cultivating families, we have all the families in the selected villages.

3.5 In Table 3.1 we have outlined the relevant data. In the first instance, confining attention to the average position of all families given in the last line of the table, we see that 59.7 per cent of the families were in debt at the time of the enquiry with an average debt of Rs 370 per indebted family. During the year preceding the enquiry, 45.3 per cent of the families incurred fresh debts to the extent of an average of Rs 313 per borrowing family. If we relate these figures of debt and borrowings to all families rather than to the indebted and the borrowing families, we find that the average debt at the time of the enquiry was Rs 221 per family and that the fresh borrowings during the year amounted to Rs 142 per family. On the other hand, the repayments during the year amounted to Rs 55 per family. Thus the repayments were only 39.0 per cent of the fresh borrowings, leading to an increase in the outstanding debt during the course of the year. If to the average debt at the end of the year, we add the amount of repayment during the year and subtract from it the amount borrowed during the year, we obtain an arithmetical estimate of the debt at the beginning of the year. In the present case, this turns out to be Rs 134 per family while at the end of the year the debt was Rs 221 per family. Thus there was an increase of 65 per cent in the outstanding debt during the course of the year.

**TABLE 3.1—INDEBTEDNESS, BORROWINGS, REPAYMENTS AND GROWTH IN THE OUTSTANDING DEBT**

[General Schedule data]

| Group                    | Pro-<br>por-<br>tion<br>of in-<br>debt-<br>ed<br>fam-<br>ilies<br><br>(Per<br>cent) | Ave-<br>rage<br>debt<br>per<br>in-<br>debt-<br>ed<br>fam-<br>ily<br><br>(Rs) | Ave-<br>rage<br>debt<br>per<br>fam-<br>ily<br><br>(Rs) | Pro-<br>por-<br>tion of<br>bor-<br>row-<br>ing<br>fam-<br>ilies<br><br>(Per<br>cent) | Bor-<br>row-<br>ings<br>per<br>bor-<br>row-<br>ing<br>fam-<br>ily<br><br>(Rs) | Bor-<br>row-<br>ings<br>per<br>fam-<br>ily<br><br>(Rs) | Re-<br>pay-<br>ments<br>per<br>fam-<br>ily<br><br>(Rs) | Re-<br>pay-<br>ments<br>as per-<br>cent-<br>age<br>of bor-<br>row-<br>ings<br><br>(Rs) | Re-<br>pay-<br>ments<br>as per-<br>cent-<br>age of<br>debt<br>plus<br>repay-<br>ment<br><br>(Rs) | Per-<br>cent-<br>age<br>net<br>in-<br>crease<br>in<br>debt |
|--------------------------|---|--|--|--|---|--|--|--|--|--|
|                          | 1   | 2  | 3  | 4  | 5   | 6  | 7  | 8  | 9  | 10   |
|                          | Big cultivators.....  | 70.9   | 1,568  | 1,112  | 49.1  | 1,654  | 812  | 317  | 39.0   | 22.2   |
| Large cultivators.....   | 56.3  | 937  | 527  | 43.1   | 864   | 373  | 140  | 37.6   | 21.0   | 79   |
| Medium cultivators.....  | 65.6  | 388  | 254  | 48.2   | 324   | 158  | 70   | 44.9   | 21.6   | 51   |
| Small cultivators.....   | 64.6  | 231  | 149  | 52.4   | 207   | 109  | 30   | 28.0   | 17.0   | 113  |
| All cultivators.....     | 62.5  | 489  | 305  | 47.9   | 432   | 207  | 79   | 38.3   | 20.6   | 72   |
| Non-cultivators.....     | 56.2  | 205  | 115  | 42.0   | 144   | 61   | 25   | 42.1   | 18.1   | 44   |
| <b>All families.....</b> | <b>59.7</b>   | <b>370</b>   | <b>221</b>   | <b>45.3</b>  | <b>313</b>  | <b>142</b>   | <b>55</b>  | <b>39.0</b>  | <b>20.0</b>  | <b>65</b>  |

3.6 It will be seen from the table that the proportion of indebted families is slightly lower among the non-cultivators than among the cultivators. Between the cultivators themselves, the proportion of indebted families does not vary greatly between the large, medium and small cultivators. It is true that the proportion indebted appears larger among the big cultivators. But this is more than compensated by the small proportion of the indebted among the large but not big cultivators so that the proportion of indebted among the large cultivators is actually smaller than that among the medium or the small cultivators. We should, therefore,

ignore both the rather large proportion among the big and the rather small proportion among the large cultivators as statistical irregularities and say that the incidence of indebtedness was more or less uniform in all the classes of cultivators. The same is true of the incidence of borrowing, that is to say, of the proportion of the families who borrowed. It will be seen that except for a slightly smaller proportion of borrowers among the non-cultivators, the incidence of borrowing was more or less uniform in all the classes of families. However, if we examine the volume of indebtedness in different classes, it appears to be substantially different. Thus, the average debt per family among the cultivators was nearly three times that among the non-cultivators; and the average debt per family among the big cultivators was more than seven times that among the small cultivators. The same is true of the borrowing during the year. It seems, therefore, that the circumstances of borrowing or contracting debt were more or less the same among the different classes of cultivators; only they borrowed according to their capacities. We shall return to this point later when we examine the purposes for which debt was incurred.

3.7 If we relate the repayment by each class to their borrowing during the year, there does not appear any systematic variation between the different classes; in the class of small cultivators the repayments were rather small compared to the borrowing but that does not appear to be more than a statistical irregularity. We might also relate the repayment of each class to their total repayable debt, that is to say, the debt outstanding plus the debt repaid. If we do this, it appears, that except for the somewhat irregular figure for the class of small cultivators, the repayments bear more or less the same proportion, 21 or 22 per cent, to the repayable debt. The proportion is slightly lower in the class of non-cultivators. In view of the great range of variation in the outstanding debt and in the amounts repaid by the various classes, the relative steadiness of this proportion appears remarkable.

3.8 Coming to the last column of the table giving the net percentage increase in the outstanding debt, it will be seen that the net increases in the debt of the big and the large cultivators are 80 and 79 per cent, respectively. The corresponding figures for the medium and the small cultivators appear irregular but the discrepancies in the two classes are compensating; hence, if we combine the two classes, the net increase in the debt of the medium and the small cultivators appears to be about 66 per cent. The net increase in the debt of the non-cultivators is 44 per cent. Thus it will appear that it is in those classes of families which we would expect to be better off, that the net increase in their debt has been relatively larger. As we have earlier pointed out, the overall net increase in the debt of all families is 65 per cent. This rise in the debt during the year demands closer examination unless the circumstances of the year seem exceptional.

3.9 The fresh borrowings during the year obviously form a large part of the outstanding debt; they also play an important part in the large net increase in the debt that has been observed. We might, therefore, briefly examine the purpose for which the fresh debts were incurred. The relevant data are given in Table 3.2.

Considering all families together, we see that 17·9 per cent of the fresh borrowing was for capital expenditure in agriculture ; 7·8 per cent for current farm expenditure and 63·4 per cent for family expenditure. Thus a very large part of the fresh borrowing was for family expenditure. Moreover this was so in all the classes of families. If we examine the purposes for borrowing by the different classes of families, we see that in all the classes more or less the same proportion was borrowed for family expenditure ; if anything, a somewhat larger proportion of the fresh borrowing by the big and the large cultivators was for family expenditure. It is surprising that the big and the large cultivators do not borrow proportionately more for either the capital or current farm expenditure than do the small cultivators. Thus except for a statistical irregularity in the class of the medium cultivators, the purposes of borrowing appear alike in all the classes of cultivators. It is in this sense that we earlier remarked that the circumstances of borrowing or contracting debt were more or less the same among all the classes of cultivators leading to the fact that in these classes the incidence of debt and borrowing was more or less uniform.

**TABLE 3.2.—PERCENTAGE DISTRIBUTION OF BORROWINGS ACCORDING TO PURPOSE**

[General Schedule data]

| Group                    | Total amount borrowed per family<br>(Rs) | PROPORTION OF AMOUNT BORROWED ACCORDING TO PURPOSE<br>(Per cent) |                          |                               |                    |                   |                       |
|--------------------------|--|--|--------------------------|-------------------------------|--------------------|-------------------|-----------------------|
|                          |  | Capital expenditure in agriculture                               | Current farm expenditure | Non-farm business expenditure | Family expenditure | Other expenditure | More than one purpose |
|                          |  | 1  | 2                        | 3                             | 4                  | 5                 | 6                     |
| Big cultivators.....     | 812                                      | 18·0   | 3·3                      | 3·3                           | 72·8               | 1·9               | 0·7                   |
| Large cultivators.....   | 373                                      | 20·6   | 5·2                      | 2·4                           | 68·5               | 2·7               | 0·6                   |
| Medium cultivators.....  | 156                                      | 20·7   | 21·1                     | 0·4                           | 50·6               | 5·9               | 1·3                   |
| Small cultivators.....   | 109                                      | 21·6   | 2·4                      | 6·9                           | 63·1               | 5·0               | 1·0                   |
| All cultivators.....     | 207                                      | 20·8   | 9·6                      | 2·5                           | 62·2               | 4·0               | 0·9                   |
| Non-cultivators.....     | 61                                       | 5·8  | 0·1                      | 4·6                           | 68·5               | 20·3              | 0·7                   |
| <b>All families.....</b> | <b>142</b>                               | <b>17·9</b>  | <b>7·8</b>               | <b>2·9</b>                    | <b>63·4</b>        | <b>7·1</b>        | <b>0·9</b>            |

3.10 There is another way in which we might view the purposes for which the fresh borrowings were made during the year. We might list occasions when a family had incurred large lump sum expenditure such as capital expenditure in agriculture or expenditure on death and marriage ceremonies when, presumably, credit was needed. We might then enquire as to what part of the total expenditure incurred on such items was financed by borrowing.

3.11 We might begin with the reported expenditure on purchase of land during the year. In Table 3.3, we give data relating to the expenditure on purchase of land and the extent to which it was financed by borrowing. It will be seen that only 0·6 per cent of the families reported any purchase of land and that their average expenditure for this purpose amounted to Rs 1,890. Of this, 37·8 per cent was

financed by borrowing. The proportions of families in different classes of cultivators reporting expenditure on this item are very small and variation in them is irregular. But naturally the average expenditure reported by the reporting families is larger among the big and the large cultivators. It is noteworthy, nevertheless, that a large part of their expenditure, nearly 60 per cent, is financed by borrowing.

3.12 Along with the reported purchases of land, it will be appropriate to consider the reported sales of land. The related data are given in parallel columns in Table 3.3. It will be seen that in nearly all the classes of cultivators, fewer families have reported sale of land than have reported purchase of land. On the other hand, the average size of the sales for cultivators appears considerably higher than the average size of the reported purchases. If we set off sales against purchases, we find that all the classes of cultivators show a net purchase of land. Even the class of non-cultivators shows a small net purchase.

TABLE 3.3—PURCHASE AND SALE OF LAND

[General Schedule data]

| Group                    | PURCHASE OF LAND  |                                       |  | SALE OF LAND   |  | Net purchase (+) or sale (-) of land per family in the group (Rs) |
|--------------------------|---|---------------------------------------|--|--|--|---|
|                          | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting sale of land (Per cent) | Receipts from sale per reporting family (Rs) |   |
|                          | 1   | 2                                     | 3  | 4  | 5  | 6   |
| Big cultivators.....     | 1.1   | 5,010                                 | 64.0   | 1.1  | 4,500  | + 5   |
| Large cultivators.....   | 0.5   | 3,749                                 | 59.4   | 0.4  | 4,500  | + 4   |
| Medium cultivators.....  | 1.4   | 1,641                                 | 17.9   | -  | 1,500  | + 23  |
| Small cultivators.....   | 0.5   | 1,528                                 | 86.9   | -  | -  | + 8   |
| All cultivators.....     | 0.9   | 1,923                                 | 41.7   | 0.1  | 4,157  | + 13  |
| Non-cultivators.....     | 0.1   | 1,603                                 | -  | 0.2  | 1,243  | -   |
| <b>All families.....</b> | <b>0.6</b>  | <b>1,890</b>                          | <b>37.8</b>  | <b>0.1</b>   | <b>2,700</b>                                 | <b>+ 7</b>  |

3.13 Another important item of capital expenditure in agriculture is the purchase of livestock. The relevant data are given in Table 3.4. It will be seen that a larger number among the big and the large cultivators reported expenditure on this item and that their average expenditure was also larger than that of the medium or the small cultivators. It is noteworthy, however, that they financed a smaller proportion of their expenditure on purchase of livestock by borrowing than did the medium and the small cultivators. This is as it should be; because though we have classed it as an item of capital expenditure, purchase of livestock is often an urgent necessity, and for the medium and the small cultivators often causes an occasion for borrowing.

3.14 As in the case of land, we might here examine the reported sale of livestock along with its reported purchase. The related data are given in parallel columns in Table 3.4. Here again, in all the classes of cultivators, fewer families

reported sale of livestock than their purchase. It is only in the class of non-cultivators that more families reported sales than did purchases. But the average receipts from sale of livestock of those who reported them are much larger than the average reported expenditure. This is particularly true in the class of the big and the large cultivators. As a result, if we set off sales against purchases, the big cultivators show a large net sale. The class of large cultivators also show a small amount of net sale but that is due to the inclusion of the big cultivators in this class, so that, if we remove the big cultivators from the class of the large cultivators, the remaining will be seen to have a net purchase of livestock. The classes of medium and the small cultivators also show net purchases of livestock. The class of non-cultivators shows a small net sale. If we consider all the families together, the purchases and sales very nearly balance. This means that the big cultivators and to a small extent the non-cultivating families supply livestock to the remaining cultivators. If this is true, it seems that the raising of livestock must be a regular business for a few of the big cultivators. In their case therefore, it would be more appropriate to regard the receipts from sale of livestock as current receipts and not as capital receipts as we are treating them here for convenience of presentation.

**TABLE 3.4—PURCHASE AND SALE OF LIVESTOCK**

[General Schedule data]

| Group                    | PURCHASE OF LIVESTOCK                                   |                                       |  | SALE OF LIVESTOCK   |  | Net purchase (+) or sale (-) of livestock per family in the group (Rs) |
|--------------------------|---|---------------------------------------|--|---|--|--|
|                          | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting sale of livestock (Per cent) | Receipts from sale per reporting family (Rs) |  |
|                          | 1   | 2                                     | 3  | 4   | 5  | 6  |
| Big cultivators.....     | 43.1  | 587                                   | 8.1  | 24.0  | 1,605  | - 132  |
| Large cultivators.....   | 31.1  | 441                                   | 12.1   | 20.1  | 740  | - 11   |
| Medium cultivators.....  | 30.0  | 213                                   | 28.3   | 23.2  | 246  | + 7  |
| Small cultivators.....   | 18.8  | 170                                   | 28.5   | 16.6  | 188  | + 1  |
| All cultivators.....     | 27.1  | 283                                   | 19.6   | 20.3  | 379  | -  |
| Non-cultivators.....     | 7.4   | 100                                   | 44.6   | 9.0   | 113  | - 3  |
| <b>All families.....</b> | <b>18.3</b>   | <b>250</b>                            | <b>21.4</b>  | <b>15.3</b>   | <b>310</b>                                   | <b>- 1</b>   |

3.15 Other items of capital expenditure in agriculture are reclamation of land, bunding and other land improvements, digging and repair of wells and development of other irrigation sources, laying of new orchards and plantations, purchase of new implements and machinery and construction of farm houses and cattle-sheds and such other miscellaneous items. In Table 3.5, we give the proportion of families in different classes reporting expenditure on these several items, their average expenditure and the proportion of it financed by borrowing. It will be seen that on all the items a larger proportion among the large cultivators have reported expenditure and that their average expenditure was also much larger than among the small cultivators. However, except in the case of purchase of implements, there

does not appear any clear distinction between the different classes of cultivators regarding the extent to which their expenditure on these items was financed by borrowing. Considering all the families together, it will be seen that 35.4 per cent of the expenditure on reclamation of land, 24.7 per cent of the expenditure on bunding and land improvement, 26.5 per cent on digging and repair of wells, and 15.6 per cent of expenditure on purchase of implements and machinery was financed by borrowing. It was only in the case of the purchase of implements, as in the case of the purchase of livestock, that the expenditure by the medium and the small cultivators, though small, was financed to a greater extent by borrowing.

**TABLE 3.5—CAPITAL EXPENDITURE IN AGRICULTURE AND BORROWING FOR THE PURPOSE**

[General Schedule data]

| Group                    | RECLAMATION OF LAND                                     |                                       |  | BUNDING AND OTHER LAND IMPROVEMENTS                     |                                       |  | DIGGING AND REPAIR OF WELLS                             |                                       |  | DEVELOPMENT OF OTHER IRRIGATION SOURCES                 |                                       |  |
|--------------------------|---|---------------------------------------|--|---|---------------------------------------|--|---|---------------------------------------|--|---|---------------------------------------|--|
|                          | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) |
|                          | 1   | 2                                     | 3  | 4   | 5                                     | 6  | 7   | 8                                     | 9  | 10  | 11                                    | 12   |
| Big cultivators . . . .  | 15.5  | 177                                   | 45.8   | 60.9  | 181                                   | 26.9   | 13.1  | 793                                   | 41.4   | 7.6   | 1,738                                 | —  |
| Large cultivators . . .  | 12.9  | 92                                    | 41.2   | 51.9  | 143                                   | 26.4   | 11.5  | 477                                   | 25.9   | 4.7   | 934                                   | —  |
| Medium cultivators . . . | 3.4   | 42                                    | 42.9   | 27.9  | 71                                    | 18.2   | 3.0   | 198                                   | 45.8   | 0.8   | 15                                    | —  |
| Small cultivators . . .  | 8.4   | 20                                    | 25.0   | 28.4  | 51                                    | 34.5   | 3.2   | 110                                   | —  | 0.1   | 25                                    | —  |
| All cultivators . . . .  | 7.8   | 60                                    | 39.1   | 35.3  | 98                                    | 25.5   | 5.7   | 352                                   | 27.0   | 1.8   | 756                                   | —  |
| Non-cultivators . . . .  | 1.1   | 58                                    | —  | 4.3   | 48                                    | 5.0  | 0.4   | 64                                    | —  | —   | —                                     | —  |
| All families . . . . .   | 4.8   | 60                                    | 35.4   | 21.5  | 93                                    | 24.7   | 3.4   | 330                                   | 26.5   | 1.0   | 756                                   | —  |

| Group                    | LAYING OF NEW ORCHARDS AND PLANTATIONS                  |                                       |  | PURCHASE OF NEW IMPLEMENTS AND MACHINERY                |                                       |  | CONSTRUCTION OF FARM HOUSES, CATTLE-SHEDS, ETC.         |                                       |  | OTHER MISCELLANEOUS EXPENDITURE                         |                                       |  |
|--------------------------|---|---------------------------------------|--|---|---------------------------------------|--|---|---------------------------------------|--|---|---------------------------------------|--|
|                          | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) |
|                          | 13  | 14                                    | 15   | 16  | 17                                    | 18   | 19  | 20                                    | 21   | 22  | 23                                    | 24   |
| Big cultivators . . . .  | 1.3   | 449                                   | —  | 17.1  | 910                                   | 2.8  | 4.7   | 774                                   | —  | 2.9   | 219                                   | —  |
| Large cultivators . . .  | 0.4   | 449                                   | —  | 7.4   | 868                                   | 8.1  | 3.4   | 548                                   | —  | 1.4   | 180                                   | —  |
| Medium cultivators . . . | 0.1   | 40                                    | —  | 3.6   | 192                                   | 50.7   | 0.7   | 22                                    | —  | —   | —                                     | —  |
| Small cultivators . . .  | 0.7   | 151                                   | —  | 3.9   | 95                                    | 54.1   | 0.9   | 9                                     | —  | —   | —                                     | —  |
| All cultivators . . . .  | 0.4   | 240                                   | —  | 4.9   | 474                                   | 15.6   | 1.5   | 366                                   | —  | 0.4   | 180                                   | —  |
| Non-cultivators . . . .  | —   | —                                     | —  | —   | —                                     | —  | —   | —                                     | —  | —   | —                                     | —  |
| All families . . . . .   | 0.2   | 240                                   | —  | 2.7   | 474                                   | 15.6   | 0.8   | 366                                   | —  | 0.2   | 180                                   | —  |

3.16 In Table 3.6, we have listed a few other items of capital expenditure such as, investment in non-farm businesses, financial investment such as, purchase of shares and additions to deposits and also repayment of debt. It will be seen that only a small part of the repayment of debt by the big and the large cultivators was met by borrowing. In respect of the medium and the small cultivators and the non-cultivating families also, the repayment of debt was financed by fresh borrowing only to the extent of less than 10 per cent.

**TABLE 3.6—OTHER CAPITAL EXPENDITURE AND BORROWING FOR THE PURPOSE**

[General Schedule data]

| Group                  | CAPITAL EXPENDITURE IN NON-FARM BUSINESS                     |  |  | PURCHASE OF SHARES IN CO-OPERATIVE SOCIETIES, BANKS, ETC.    |  |  | ADDITIONS TO DEPOSITS IN CO-OPERATIVE SOCIETIES, POSTAL SAVINGS AND OTHER BANKS, ETC. |  |  | REPAYMENTS   |  |  |
|------------------------|--|--|--|--|--|--|---|--|--|--|--|--|
|                        | Pro-portion of fam-ilies report-ing ex-pen-diture (Per cent) | Expen-diture per report-ing fam-ily (Rs) | Pro-portion of ex-pen-diture financed by bor-rowing (Per cent) | Pro-portion of fam-ilies report-ing ex-pen-diture (Per cent) | Expen-diture per report-ing fam-ily (Rs) | Pro-portion of ex-pen-diture financed by bor-rowing (Per cent) | Pro-portion of fam-ilies report-ing ex-pen-diture (Per cent)                          | Expen-diture per report-ing fam-ily (Rs) | Pro-portion of ex-pen-diture financed by bor-rowing (Per cent) | Pro-portion of fam-ilies report-ing ex-pen-diture (Per cent) | Expen-diture per report-ing fam-ily (Rs) | Pro-portion of ex-pen-diture financed by bor-rowing (Per cent) |
|                        | 1  | 2  | 3  | 4  | 5  | 6  | 7   | 8  | 9  | 10   | 11                                       | 12   |
| Big cultivators . . .  | 7.6  | 6,893                                    | 5.1  | 1.5  | 3  | —  | 1.5   | 24                                       | —  | 21.8   | 1,453                                    | —  |
| Large cultivators . .  | 2.9  | 6,054                                    | 5.1  | 1.3  | 4  | —  | 1.7   | 52                                       | —  | 21.4   | 655                                      | 1.8  |
| Medium cultivators .   | 0.5  | 331                                      | 38.9   | 1.1  | 2  | —  | —   | 3  | —  | 23.7   | 296                                      | 7.2  |
| Small cultivators . .  | 0.3  | 62                                       | —  | 1.2  | 3  | —  | 0.4   | 2  | —  | 16.8   | 181                                      | 7.2  |
| All cultivators . . .  | 1.2  | 4,537                                    | 5.5  | 1.2  | 3  | —  | 0.6   | 41                                       | —  | 21.0   | 378                                      | 4.3  |
| Non-cultivators . . .  | 2.7  | 126                                      | 41.2   | —  | —  | —  | 0.1   | 96                                       | —  | 17.0   | 150                                      | 9.4  |
| All families . . . . . | 1.9  | 1,676                                    | 7.4  | 0.6  | 3  | —  | 0.4   | 45                                       | —  | 19.2   | 289                                      | 5.3  |

3.17 Besides the items of capital expenditure mentioned above, there are certain items of family expenditure which occasion borrowing. The relevant data in these respects are given in Table 3.7. Certain characteristic features may be seen as between the different classes of families. A larger proportion of the expenditure on death ceremonies and medical expenses by the medium and the small cultivators was financed by borrowing than was similar expenditure by the big or the large cultivators. The smaller cultivators also seem to be financing through borrowing a larger proportion of their expenditure on construction and repair to residential houses and also purchase of household utensils. On the other hand, the bigger cultivators seem to resort to borrowing to a greater extent to finance the education of their children. In most other respects, all the classes of families seem to resort to borrowing to more or less the same extent. Particularly noteworthy are the items of expenditure on marriage and other ceremonies and also on litigation. It is surprising that the small cultivators, though their expenditure on these items is



naturally smaller, finance it by borrowing to no less extent than do the big or the large cultivators.

**TABLE 3.7—FAMILY EXPENDITURE AND BORROWING FOR THE PURPOSE**  
(General Schedule data)

| Group                  | CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS |                                       |  | PURCHASE OF HOUSEHOLD UTENSILS, FURNITURE, ETC.         |                                       |  | PURCHASE OF CLOTHING, SHOES, BEDDING, ETC.              |                                       |  | DEATH CEREMONIES  |                                       |  |
|------------------------|--|---------------------------------------|--|---|---------------------------------------|--|---|---------------------------------------|--|---|---------------------------------------|--|
|                        | Proportion of families reporting expenditure (Per cent)            | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) |
|                        | 1  | 2                                     | 3  | 4   | 5                                     | 6  | 7   | 8                                     | 9  | 10  | 11                                    | 12   |
| Big cultivators . . .  | 30.4   | 1,220                                 | 8.5  | 5.5   | 46                                    | 4.0  | 100.0   | 565                                   | 11.0   | 10.0  | 165                                   | —  |
| Large cultivators . .  | 26.1   | 816                                   | 10.0   | 7.4   | 69                                    | —  | 99.9  | 411                                   | 7.5  | 5.8   | 149                                   | —  |
| Medium cultivators     | 13.4   | 462                                   | 16.7   | 6.6   | 28                                    | —  | 98.3  | 249                                   | 10.0   | 2.0   | 62                                    | 25.0   |
| Small cultivators . .  | 20.2   | 248                                   | 25.5   | 2.5   | 56                                    | 57.1   | 98.7  | 167                                   | 11.6   | 1.8   | 40                                    | 28.6   |
| All cultivators . . .  | 19.2   | 540                                   | 13.8   | 5.6   | 48                                    | 11.1   | 99.0  | 274                                   | 9.1  | 3.0   | 108                                   | 6.1  |
| Non-cultivators . . .  | 8.4  | 160                                   | 18.5   | 3.0   | 24                                    | 42.9   | 98.2  | 135                                   | 6.1  | 2.4   | 981                                   | 0.4  |
| All families . . . . . | 14.4   | 441                                   | 14.3   | 4.5   | 41                                    | 16.2   | 98.6  | 212                                   | 8.3  | 2.8   | 445                                   | 1.1  |

| Group                  | MARRIAGE AND OTHER CEREMONIES                           |                                       |  | MEDICAL EXPENSES  |                                       |  | EDUCATIONAL EXPENSES                                    |                                       |  | LITIGATION CHARGES                                      |                                       |  |
|------------------------|---|---------------------------------------|--|---|---------------------------------------|--|---|---------------------------------------|--|---|---------------------------------------|--|
|                        | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) | Proportion of families reporting expenditure (Per cent) | Expenditure per reporting family (Rs) | Proportion of expenditure financed by borrowing (Per cent) |
|                        | 13  | 14                                    | 15   | 16  | 17                                    | 18   | 19  | 20                                    | 21   | 22  | 23                                    | 24   |
| Big cultivators . . .  | 45.3  | 1,569                                 | 45.2   | 31.8  | 180                                   | 8.6  | 25.6  | 210                                   | 21.3   | 10.7  | 285                                   | 51.6   |
| Large cultivators . .  | 29.9  | 1,009                                 | 40.2   | 26.3  | 132                                   | 16.4   | 30.0  | 140                                   | 9.0  | 9.6   | 272                                   | 21.5   |
| Medium cultivators     | 19.1  | 223                                   | 28.2   | 13.9  | 109                                   | 55.9   | 22.7  | 67                                    | 9.9  | 2.4   | 263                                   | 65.1   |
| Small cultivators . .  | 15.2  | 169                                   | 59.0   | 6.0   | 72                                    | 14.0   | 10.4  | 72                                    | 8.0  | 3.5   | 218                                   | 52.6   |
| All cultivators . . .  | 21.2  | 543                                   | 39.6   | 15.3  | 116                                   | 30.3   | 21.3  | 99                                    | 9.0  | 4.9   | 259                                   | 35.7   |
| Non-cultivators . . .  | 13.8  | 151                                   | 45.2   | 7.7   | 78                                    | 23.8   | 10.1  | 65                                    | 3.1  | 3.5   | 345                                   | 84.9   |
| All families . . . . . | 17.9  | 410                                   | 40.3   | 11.9  | 105                                   | 29.6   | 16.3  | 89                                    | 8.0  | 4.3   | 267                                   | 56.6   |

3.18 These several data might be usefully summed up by setting up what might be described as a balance of investment and disinvestment for the families in different classes. This is done in Table 3.8. The items of investment are the net purchases of land and livestock, other capital expenditure in agriculture, capital expenditure in non-farm businesses, financial investment and repayment of debt.

**TABLE 3.8—BALANCE OF INVESTMENT AND DISINVESTMENT**

[General Schedule data. Amount in rupees per family]

| Group               | INVESTMENT           |                           |  |  |                                  |             |                  | DISINVESTMENT |  |                     | Net investment (+) or disinvestment (-) | Construction and repairs of residential houses and other buildings |
|---------------------|----------------------|---------------------------|--|--|----------------------------------|-------------|------------------|---------------|--|---------------------|---|--|
|                     | Net purchase of land | Net purchase of livestock | Other capital expenditure in agriculture | Capital expenditure in non-farm business | Financial investment expenditure | Re-payments | Total investment | Borrowings    | Sale of assets other than land and livestock | Total disinvestment |   |  |
|                     | 1                    | 2                         | 3  | 4  | 5                                | 6           | 7                | 8             | 9  | 10                  |   |  |
| Big cultivators.... | + 5                  | - 132                     | 578                                      | 526                                      | -                                | 317         | 1,294            | 812           | 14   | 826                 | + 469                                   | 371  |
| Large cultivators.. | + 4                  | - 11                      | 272                                      | 174                                      | 1                                | 140         | 579              | 373           | 8  | 381                 | + 198                                   | 213  |
| Medium cultivators  | + 23                 | + 7                       | 35                                       | 2  | -                                | 70          | 136              | 156           | 25   | 181                 | - 45                                    | 62   |
| Small cultivators.. | + 8                  | + 1                       | 25                                       | -  | -                                | 30          | 64               | 109           | 4  | 113                 | - 48                                    | 50   |
| All cultivators.... | + 18                 | -                         | 103                                      | 58                                       | -                                | 79          | 248              | 207           | 14   | 221                 | + 27                                    | 104  |
| Non-cultivators...  | -                    | - 3                       | 3  | 3  | -                                | 25          | 29               | 61            | 5  | 66                  | - 36                                    | 14   |
| All families.....   | + 7                  | - 1                       | 58                                       | 31                                       | -                                | 55          | 151              | 142           | 10   | 152                 | - 1                                     | 64   |

The principal item of disinvestment is the fresh borrowing. To this must be added the sale of any assets other than the sale of land and livestock which are already taken account of. It will be seen that on balance, the classes of the big and large cultivators show a substantial net investment. The large net investment shown by the big cultivators is indeed remarkable. As was noted earlier, this class of cultivators had made a large net sale of livestock. This net sale has been shown as a negative investment, that is to say, a disinvestment in the balance of investment and disinvestment as drawn in Table 3.8. In point of fact, the receipts from sale of livestock could be, particularly, in the case of the big cultivators, in the nature of current receipts of their farm business and not a capital receipt as they are treated in the above balance. In that case, this class of cultivators will be seen to make a net investment amounting to nearly Rs 600 per cultivator. Even in the case of large cultivators, who form 30 per cent of the cultivators, the net investment is substantial, namely, nearly Rs 200 per cultivator. On the other hand, both the medium and the small cultivators as also the class of the non-cultivating families show a net disinvestment. In drawing up this balance, we have deliberately left out the expenditure on construction and repairs to residential houses and other buildings because possibly a large part of it was on routine repairs and hence could not be classed as investment. Nevertheless, we have shown it side by side with the net investment or disinvestment. It will be seen that besides the large net investment they show, the big and the large cultivators show substantial expenditure on this item. In the case of the medium and the small cultivators it is just adequate to balance the net disinvestment which otherwise appears. In the case of the non-cultivating families, this expenditure is small and the class would show a small amount of disinvestment, even if the items were treated as an item of investment.

## CHAPTER 4

### CREDIT NEEDS OF AGRICULTURE

4.1 In the previous chapter we have described the position regarding the outstanding debt, borrowings and the growth in debt that occurred during the course of the year under report. We also indicated the major occasions when families incurred large expenditure requiring credit and the extent to which the expenditure on such occasions was financed by borrowing. In this chapter we shall pursue the same aspect but shall examine more closely the occasions and the extent of credit needs of agriculture, that is to say, of the cultivators. We have earlier mentioned that in addition to the enquiry in respect of all the resident families in the selected villages based on the General Schedule, the Survey included an intensive enquiry in respect of a sample of 120 cultivating families selected fifteen from each of the surveyed villages. The data presented in this chapter are based on this part of the enquiry.

4.2 As these results are based on a sample of 120 cultivating families only, it will not be possible to present the results with the same classification of the cultivating families as was adopted in the previous chapter. Instead, in this chapter, we shall divide the cultivating families into two groups only. The first group consists of cultivators selected from the upper half, that is to say, the first five deciles of the cultivating families from each village when they are arranged in a descending order of the size of their cultivated holdings. It will be remembered that ten such cultivators were chosen from each village; hence the first group of cultivators comprise in all 80 cultivators. We shall refer to this group of cultivators as cultivators belonging to the upper strata or simply as larger cultivators. In the second group are included the cultivators selected from the last five deciles. There are five such from each village making a total of 40. We shall refer to them as cultivators belonging to the lower strata or simply as smaller cultivators.

4.3 In Table 4.1, we give a few details regarding the indebtedness of the selected cultivators and shall compare them with comparable results from the General Schedule. For this purpose, the cultivators covered by the General Schedule have also been grouped only into two groups, namely, the first five and the last five deciles. It is from these two groups, respectively, that the selected cultivators belonging to the upper and the lower strata were selected. It will be seen that while only 62.5 per cent of the cultivators were found to be indebted on the basis of the General Schedule, 67.7 per cent were found to be indebted on the basis of the intensive enquiry. This is true of both the upper and the lower strata of the cultivators. In both the groups the intensive enquiry shows a somewhat higher proportion of the indebted families than did the General Schedule. The outstanding debts

per indebted cultivator or per cultivator, as shown by the two enquiries, also do not agree very well. The differences between the two may be due to what is called the 'sampling error'; or they may be real because the two enquiries were done at two different times during the year by methods which were not exactly identical. However, the differences need not detain us. The agreement between the results of the two enquiries is sufficiently close to demonstrate that the sample of 120 cultivators was satisfactory both in respect of its representative character and in its size so that further results based on it may be found reasonably trustworthy.

**TABLE 4.1—INDEBTEDNESS OF CULTIVATORS**

| Group                        | GENERAL SCHEDULE DATA           |                          |                         |   | INTENSIVE ENQUIRY DATA          |                          |                         |   |
|------------------------------|---------------------------------|--------------------------|-------------------------|---|---------------------------------|--------------------------|-------------------------|---|
|                              | Proportion of indebted families | Debt per indebted family | Average debt per family | Average debt per acre of cultivated holding | Proportion of indebted families | Debt per indebted family | Average debt per family | Average debt per acre of cultivated holding |
|                              | (per cent)                      | (Rs)                     | (Rs)                    | (Rs)  | (per cent)                      | (Rs)                     | (Rs)                    | (Rs)  |
|                              | 1                               | 2                        | 3                       | 4   | 5                               | 6                        | 7                       | 8   |
| Upper strata cultivators.    | 59.1                            | 720                      | 426                     | 12.1  | 65.5                            | 774.8                    | 507.3                   | 15.1  |
| Lower strata cultivators.    | 65.9                            | 279                      | 184                     | 19.2  | 69.9                            | 252.0                    | 176.1                   | 17.4  |
| <b>All cultivators</b> ..... | <b>62.5</b>                     | <b>489</b>               | <b>305</b>              | <b>13.6</b>                                 | <b>67.7</b>                     | <b>504.9</b>             | <b>341.7</b>            | <b>15.6</b>                                 |

4.4 As will be seen from Table 4.1 the total outstanding debt as shown by the intensive enquiry was Rs 341.7 per cultivator. In Table 4.2, we give a distribution of this amount by the duration in years, over which it was outstanding. It will be seen that considering all the cultivators, nearly 90 per cent of the total amount was outstanding for less than one year; in other words, nearly 90 per cent of the outstanding amount was borrowed during the year. The remaining 10 per cent remained outstanding for more than one year. In the case of the cultivators belonging to the lower strata, an even larger proportion, nearly 96 per cent, of their outstanding debt had remained outstanding for less than one year.

**TABLE 4.2—OUTSTANDING DEBT OF THE SELECTED CULTIVATORS CLASSIFIED ACCORDING TO THE DURATION FOR WHICH THE AMOUNT WAS OUTSTANDING**

[Intensive enquiry data. Amount in rupees per family]

| Duration                | UPPER STRATA |              | LOWER STRATA |              | ALL CULTIVATORS |              |
|-------------------------|--------------|--------------|--------------|--------------|-----------------|--------------|
|                         | Amount       | Percentage   | Amount       | Percentage   | Amount          | Percentage   |
|                         | 1            | 2            | 3            | 4            | 5               | 6            |
| Upto 1 year.....        | 440.6        | 86.9         | 168.7        | 95.8         | 304.7           | 89.2         |
| One to two years.....   | 22.9         | 4.5          | 7.4          | 4.2          | 15.1            | 4.4          |
| Two years and more..... | 43.8         | 8.6          | —            | —            | 21.9            | 6.4          |
| <b>Total</b> .....      | <b>507.3</b> | <b>100.0</b> | <b>176.1</b> | <b>100.0</b> | <b>341.7</b>    | <b>100.0</b> |

4.5 Returning to the outstanding debt of all the cultivators, we might note that out of the total outstanding debt of Rs 341.7, Rs 304.7 was outstanding for not more than one year while the remaining Rs 37.0 had remained outstanding for more than one year. It should be clearly understood that the above mentioned amounts are the amounts outstanding; in particular, they are not the amounts originally borrowed. In Table 4.3, we give particulars regarding the original principals of these outstanding amounts. We also show what part of the outstanding amount was out of the original principal and what part was the accumulated interest due. These particulars are of no great consequence and they are given merely to clarify the sources of various figures being presented. Incidentally we might note that in the amount outstanding for one year or less, the interest due forms about 6.9 per cent of the principal outstanding; the same in the amount outstanding for more than one year forms about 7.9 per cent. Hence, apparently, there was no excessive accumulation of interest dues on amounts outstanding over longer periods.

4.6 The point of immediate interest is that an overwhelming part of the outstanding debt was on account of the borrowings made during the course of the previous year. Actually, the cultivators borrowed on an average Rs 301.7; most of this remained outstanding together with certain interest dues. Besides, the cultivators had borrowed certain sums during the year which they had fully repaid during the course of the year. Such sums amounted to Rs 54.4 per cultivator. Thus, the total amount borrowed during the year amounted to Rs 356.1.

**TABLE 4.3—DEBT OWED BY THE SELECTED CULTIVATORS CLASSIFIED ACCORDING TO PRINCIPAL AND INTEREST**  
[Intensive enquiry data. Amount in rupees per family]

| Group                     | AMOUNT OUTSTANDING FOR ONE YEAR OR LESS |                    |           |          |                                     | AMOUNT OUTSTANDING FOR MORE THAN ONE YEAR |                    |           |          |                                     |
|---------------------------|---|--------------------|-----------|----------|-------------------------------------|---|--------------------|-----------|----------|-------------------------------------|
|                           | Amount originally borrowed              | AMOUNT OUTSTANDING |           |          | Interest as percentage of principal | Amount originally borrowed                | AMOUNT OUTSTANDING |           |          | Interest as percentage of principal |
|                           |   | Total              | Principal | Interest |                                     |   | Total              | Principal | Interest |                                     |
|                           | 1                                       | 2                  | 3         | 4        | 5                                   | 6   | 7                  | 8         | 9        | 10                                  |
| Upper strata cultivators  | 452.0                                   | 440.6              | 425.3     | 15.3     | 3.6                                 | 65.3                                      | 66.7               | 62.4      | 4.3      | 6.9                                 |
| Lower strata cultivators  | 151.3                                   | 168.7              | 144.5     | 24.2     | 16.7                                | 6.5                                       | 7.4                | 6.2       | 1.2      | 19.4                                |
| All cultivators . . . . . | 301.7                                   | 304.7              | 284.9     | 19.8     | 6.9                                 | 35.9                                      | 37.0               | 34.3      | 2.7      | 7.9                                 |

4.7 In Table 4.4 we give a distribution of the amount outstanding for more than one year and the amount borrowed during the year according to the purpose for which they were borrowed. We propose to keep these two distinct, because they are likely to exhibit somewhat different characteristics. It will be seen that a large proportion, nearly 43.5 per cent, of the amount outstanding for more than one year was borrowed for long-term non-agricultural purposes; and another 21.4 per cent of it was borrowed for long-term consumption purposes. Only 8.3 per cent of the amount was borrowed for long-term agricultural purposes, that is, for

capital expenditure in agriculture. However, a larger proportion, nearly 23·7 per cent, of the amount borrowed during the year was for long-term agricultural purposes. But a very large proportion, more than half, of the amount borrowed during the year was for short-term consumption purposes. In addition, a certain amount was borrowed for long-term consumption purposes, that is to say, for family needs of a long-term character, such as construction and repairs of residential houses. If we put together the short-term and the long-term consumption purposes, they account for nearly two-thirds of the borrowing during the year.

**TABLE 4.4.—PERCENTAGE DISTRIBUTION OF DEBT AND BORROWING BY PURPOSE**

[Intensive enquiry data]

| Purpose—duration                  | UPPER STRATA                              |                                 | LOWER STRATA                              |                                 | ALL CULTIVATORS                           |                                 |
|-----------------------------------|---|---------------------------------|---|---------------------------------|---|---------------------------------|
|                                   | Amount outstanding for more than one year | Amount borrowed during the year | Amount outstanding for more than one year | Amount borrowed during the year | Amount outstanding for more than one year | Amount borrowed during the year |
|                                   | 1   | 2                               | 3   | 4                               | 5   | 6                               |
| Short-term agricultural.....      | 21·6                                      | 10·4                            | 7·0                                       | 5·5                             | 20·1                                      | 9·1                             |
| Long-term agricultural.....       | —   | 22·5                            | 83·8                                      | 26·9                            | 8·3                                       | 23·7                            |
| Short-term non-agricultural...    | —   | —                               | —   | —                               | —   | —                               |
| Long-term non-agricultural...     | 48·3                                      | —                               | —   | —                               | 43·5                                      | —                               |
| Short-term consumption.....       | 6·4                                       | 49·0                            | 9·2                                       | 56·5                            | 6·7                                       | 51·0                            |
| Long-term consumption.....        | 23·7                                      | 12·1                            | —   | 11·1                            | 21·4                                      | 11·8                            |
| Repayment of old debts.....       | —   | 2·6                             | —   | —                               | —   | 1·9                             |
| Other purposes.....               | —   | 3·4                             | —   | —                               | —   | 2·5                             |
| <b>Total per family (Rs).....</b> | <b>66·7</b>                               | <b>523·4</b>                    | <b>7·4</b>                                | <b>188·6</b>                    | <b>37·0</b>                               | <b>356·1</b>                    |

4.8 As we did in the case of the General Schedule data, we might examine the purposes of borrowing by considering the occasions of borrowing and the extent to which the expenditure on such occasions was financed by borrowing. We might begin with the long-term needs, that is to say, the capital investment needs of agriculture. In Table 4.5, we give for the two groups of cultivators their average capital expenditure in various forms of investment in agriculture and also in non-farm businesses and the extent to which such expenditure was financed by borrowing. It will be seen that considering all the cultivators together, 34·4 per cent of their total capital expenditure in agriculture was financed by borrowing. Purchase of livestock and purchase of land were the two important items of capital expenditure and 36·0 per cent and 46·7 per cent, respectively, of the expenditure on them was met by borrowing. The capital expenditure by the smaller cultivators on all the items was naturally below that by the bigger cultivators but for almost all the items they had borrowed to a greater extent in order to meet the expenditure. There is a small amount of expenditure reported on capital investment in non-farm businesses and practically the whole of it was financed by borrowing.

This item must have appeared by an exceptional reporting by a single family and need not be regarded as necessarily representing average conditions.

**TABLE 4.5—EXTENT OF BORROWING FOR CAPITAL EXPENDITURE IN AGRICULTURE AND IN NON-FARM BUSINESS**

[Intensive enquiry data]

| Item of expenditure  | UPPER STRATA           |   | LOWER STRATA           |   | ALL CULTIVATORS        |   |
|--|------------------------|---|------------------------|---|------------------------|---|
|  | Expenditure per family | Proportion of expenditure financed by borrowing | Expenditure per family | Proportion of expenditure financed by borrowing | Expenditure per family | Proportion of expenditure financed by borrowing |
|  | (Rs)                   | (Per cent)                                      | (Rs)                   | (Per cent)                                      | (Rs)                   | (Per cent)                                      |
|  | 1                      | 2   | 3                      | 4   | 5                      | 6   |
| <b>Total capital expenditure in agriculture.....</b>           | <b>388.5</b>           | <b>32.9</b>                                     | <b>112.5</b>           | <b>39.5</b>                                     | <b>250.5</b>           | <b>34.4</b>                                     |
| Purchase of land.....  | 115.1                  | 42.5  | 11.0                   | 90.9  | 63.0                   | 46.7  |
| Purchase of livestock.....                                     | 218.1                  | 34.1  | 67.6                   | 41.8  | 142.9                  | 36.0  |
| Reclamation of land.....                                       | 2.6                    | —   | 0.7                    | —   | 1.6                    | —   |
| Bunding and other land improvements.....                       | 32.1                   | 11.2  | 13.1                   | 30.8  | 22.6                   | 16.9  |
| Digging and repair of wells....                                | 4.5                    | —   | 2.2                    | 97.8  | 3.4                    | 32.4  |
| Development of other irrigation resources.....                 | —                      | —   | —                      | —   | —                      | —   |
| Laying of new orchards and plantations.....                    | —                      | —   | 11.5                   | —   | 5.8                    | —   |
| Purchase of implements, machinery and transport equipment..... | 8.1                    | 11.3  | 6.4                    | —   | 7.3                    | 6.3   |
| Construction of farm houses, cattle sheds, etc.....            | 8.1                    | —   | —                      | —   | 4.1                    | —   |
| Other capital investment in agriculture.....                   | —                      | —   | —                      | —   | —                      | —   |
| Capital expenditure in non-farm business.....                  | 6.0                    | 91.9  | —                      | —   | 3.0                    | 91.9  |

4.9 It is obvious from these data as also from the data presented in the previous chapter that the cultivators in this district do not make sufficient use of credit to undertake capital expenditure in agriculture. It will be of interest, therefore, to examine the level of such capital expenditure that they undertake. We might do this by examining the volume of investment expenditure in relation to the assets of the cultivators. In Table 4.6, we give for the two classes of cultivators, their total assets in owned land, buildings including the residential houses, livestock and implements. In a parallel column is shown their investment expenditure in improving or adding to these assets. However, in the case of land, we have not included, for obvious reasons, the expenditure on purchase of land in this category; instead, we have included only the expenditure on reclamation, bunding, digging and repairs of wells, development of other irrigation sources and such other measures of land improvement. In the case of buildings, we have included expenditure on the construction and repairs of farm houses, cattle sheds as also of the residential houses. In the case of livestock and implements we have included the expenditure on their purchases during the year under report. It will be seen that the owned land and

to a smaller extent the owned buildings form the major part of the assets of the cultivators and that the value of livestock and implements is indeed relatively very small. The relation of the annual investment expenditure to the value of the assets is of some interest. Thus considering the two groups of cultivators together, we see that the annual expenditure on land improvements forms only 0.4 per cent of the value of land and the expenditure on construction and repairs of buildings forms only 2.7 per cent of the value of the buildings. The scale of investment expenditure by the smaller cultivators is about the same in the case of land but in the case of buildings, it is much lower. In both the cases the expenditure is gross of depreciation and if due allowance is made for depreciation of land and buildings, it is obvious that there will emerge little net investment in both the respects. The annual purchases of livestock form 17.3 per cent of the value of livestock and presumably covers no more than replacement. The relative expenditure on this item by the small cultivators is somewhat smaller than that by the bigger cultivators but not very much so. On the other hand, the smaller cultivators seem to spend relatively more on purchase of implements. This may be because a larger part of their assets in implements might be in smaller implements requiring more frequent replacement.

**TABLE 4.6—INVESTMENT EXPENDITURE IN RELATION TO VALUE OF ASSETS**

[Intensive enquiry data. Amount in rupees per family]

| Asset                       | UPPER STRATA    |                        |   | LOWER STRATA    |                        |   | ALL CULTIVATORS |                        |   |
|-----------------------------|-----------------|------------------------|---|-----------------|------------------------|---|-----------------|------------------------|---|
|                             | Value of assets | Investment expenditure | Investment as percentage of total value | Value of assets | Investment expenditure | Investment as percentage of total value | Value of assets | Investment expenditure | Investment as percentage of total value |
|                             | 1               | 2                      | 3                                       | 4               | 5                      | 6                                       | 7               | 8                      | 9                                       |
| Land.....                   | 8,946.0         | 39.2                   | 0.4                                     | 4,312.0         | 16.0                   | 0.4                                     | 6,629.0         | 27.6                   | 0.4                                     |
| Buildings.....              | 2,932.0         | 95.3                   | 3.4                                     | 1,354.0         | 18.4                   | 1.4                                     | 2,093.0         | 56.9                   | 2.7                                     |
| Livestock.....              | 1,198.0         | 218.1                  | 18.2                                    | 458.0           | 67.6                   | 14.8                                    | 828.0           | 142.9                  | 17.3                                    |
| Implements and machinery... | 306.0           | 8.1                    | 2.6                                     | 82.0            | 6.4                    | 7.8                                     | 194.0           | 7.3                    | 3.8                                     |

4.10 We might next examine the short-term credit needs of agriculture ; they are the credit needs of the current farm operations. That in fact was the main purpose of the intensive enquiry into the farm business of the sample of cultivators. As a preliminary to the discussion of the credit needs for this purpose, we might briefly describe the broad features of the farm business of the selected cultivators. It will be useful to do this separately for the two groups of cultivators, namely, the bigger and the smaller cultivators. The average size of the cultivated holdings in the two groups of cultivators was 33.6 and 10.1 acres, respectively ; the average



size of the sown area was 33.5 and 10.7 acres, respectively. Thus, broadly speaking, the average size of the farm business of the bigger cultivators was three times as large as that of the smaller cultivators. In Table 4.7, we present a few accounting details of their respective farm businesses.

**TABLE 4.7—AVERAGE CURRENT FARM EXPENSES AND RECEIPTS OF THE SELECTED CULTIVATORS**

[Intensive enquiry data. Amount in rupees per family]

|   | Upper strata<br>cultivators | Lower strata<br>cultivators | All<br>cultivators |
|---|-----------------------------|-----------------------------|--------------------|
|   | 1                           | 2                           | 3                  |
| <b>1. Total Current Farm Expenses.....</b>  | <b>1,592.7</b>              | <b>437.7</b>                | <b>1,015.2</b>     |
| (a) Cash wages paid to hired labour (including remuneration to annual farm servants)..... | 243.6                       | 63.3                        | 153.5              |
| (b) Other cash expenditure.....   | 535.8                       | 172.8                       | 354.3              |
| <b>(f) Total cash expenditure.....</b>  | <b>779.4</b>                | <b>236.1</b>                | <b>507.8</b>       |
| (a) Wages paid in kind.....   | 183.3                       | 41.4                        | 112.3              |
| (b) Other expenditure in kind.....  | 630.0                       | 160.2                       | 395.1              |
| <b>(ff) Total expenditure in kind.....</b>  | <b>813.3</b>                | <b>201.6</b>                | <b>507.4</b>       |
| <b>2. Total Current Farm Receipts.....</b>  | <b>2,365.4</b>              | <b>958.7</b>                | <b>1,662.1</b>     |
| (a) Cash proceeds of sale of farm produce.....  | 713.0                       | 302.4                       | 507.7              |
| (b) Cash wages earned.....  | 66.4                        | 99.7                        | 83.1               |
| (c) Other cash receipts.....  | 87.8                        | 110.6                       | 99.2               |
| <b>(f) Total cash receipts.....</b>   | <b>867.2</b>                | <b>512.7</b>                | <b>690.0</b>       |
| <b>(ff) Value of unsold produce.....</b>  | <b>1,498.2</b>              | <b>446.0</b>                | <b>972.1</b>       |
| <b>3. Total Balance of Receipts and Expenditure</b>                                       | <b>772.7</b>                | <b>521.0</b>                | <b>646.9</b>       |
| (i) Cash balance.....   | 87.8                        | 276.6                       | 182.2              |
| (ii) Balance in kind.....   | 684.9                       | 244.4                       | 464.7              |

4.11 From the statements given in this table, it will appear that taking into account the current farm receipts and expenditure and certain other cash receipts of the farmers, the total balance left with the bigger cultivators was about one and a half times that left with the smaller cultivators; this balance was Rs 772.7 per cultivator in the group of the bigger cultivators and Rs 521.0 per cultivator in the group of the smaller cultivators. Thus, if we take into account the fact that the bigger cultivators had on an average three times as large holdings as had the smaller cultivators, it would appear that the balance left with the smaller cultivators per acre of their holdings was twice as large as that left with the bigger cultivators.

4.12 This has come about because the smaller cultivators as compared with the bigger cultivators are seen to have slightly higher gross produce at a somewhat lower expenditure per acre of their sown area. Thus, if we add together the cash proceeds of sale of farm produce and the value of the unsold produce we obtain the value of the gross produce. This was Rs 2,211.2 per cultivator for the bigger cultivators and Rs 748.4 per cultivator for the smaller cultivators. If we compare these

on the basis of the sown area, they are nearly Rs 66 per acre for the bigger cultivators and Rs 70 per acre for the smaller cultivators. On the other hand, the total current farm expenditure per acre of sown area was Rs 48 for the bigger cultivators and Rs 41 for the smaller cultivators. Thus the balance, on the cultivation of crops, left with the bigger cultivators was Rs 18 per sown acre while the same for the smaller cultivators was Rs 29 which is more than one and a half times. Besides, the smaller cultivators had much larger other cash receipts, from wages earned outside and other sources. These were Rs 154·1 for the bigger cultivators and Rs 210·3 for the smaller cultivators. Hence, in spite of their much smaller cultivated holdings, the smaller cultivators are able to achieve a much favourable total balance.

4.13 The point of immediate interest to our enquiry is the composition, and not the size, of the total balance. Its division into cash and kind is characteristically different for the bigger and the smaller cultivators. For the bigger cultivators, only about 11 per cent of their total balance is in cash ; while more than half the balance of the smaller cultivators is in cash. As a result, the cash balance of the smaller cultivators appears to be nearly three times as large as that of the bigger cultivators. In their cash resources, the position of the smaller cultivators thus appears to be obviously much easier.

4.14 The reason for the comparatively difficult cash position of the bigger cultivators is that they have to incur disproportionately large expenditure on wages. They are also seen to retain with themselves a large balance of unsold produce. Thus, the balance was worth Rs 1,498·2 per cultivator for the bigger cultivators and worth Rs 446·0 per cultivator for the smaller cultivators. The bigger cultivators must of course retain larger stocks of unsold produce ; they have larger expenditure in kind to incur and presumably have larger families to feed. However, even if we make allowance for the expenditure in kind, all of which was not in either grain or fodder, the balance in kind resting with the bigger cultivators appears to be very much larger than that with the smaller cultivators. The balance in kind was Rs 684·9 per cultivator for the bigger cultivators and Rs 244·4 per cultivator for the smaller cultivators. Thus, the balance in kind with the bigger cultivators was more than two and a half times that with the smaller cultivators. That appears too large to be explained as required by possibly larger families of the bigger cultivators.

4.15 If, as is possible, the balance in kind resting with the bigger cultivators was what was required by their family needs, it would seem that balance in kind of the smaller cultivators was inadequate for their purpose and that they would have to buy grains for family needs sometime during the year. Or it might be that the bigger cultivators had retained a part of their saleable surplus ; they might do this in expectation of better prices or merely as a precaution until the next harvest was in sight. The crops during the year were reportedly below the average ; it was possible, therefore, that the existence of relatively large stocks of unsold produce with the bigger cultivators was an exceptional feature of an unsatisfactory year.

4.16 These are undoubtedly important details of the farm business. They are not, however, directly relevant to a general discussion of the short-term credit needs of agriculture. The short-term credit needs of agriculture do not so much depend upon an annual balance in cash and kind appearing in the farm business, but on the seasonality in the outlay of the farm expenditure and the timing of the farm receipts. This seasonal element in the receipts and expenditure of farm business arises out of the fact that cultivation of crops takes time. Depending upon the nature of the crop, it may take anything from six to twelve months after incurring the major part of the expenditure on current farm operations before the crop is harvested and proceeds of its sale are realised. From the standpoint of the cash balance of the cultivator, the year may be broadly divided into two halves from April to September and from October to March. In the first half of the year, the cultivator has to incur a large amount of cash expenditure on current farming operations and though during this period he might realise part of the sale proceeds of the crops of the previous year, on the whole the cash expenditure normally out-balances his cash receipts during this period. During the second half of the year, though he certainly has to incur a certain amount of expenditure on operations relating to the winter crops, he receives a large part of the sale proceeds of his crops to leave him with a positive cash balance during this period. The credit needs of the current operations of farming arise out of this uneven distribution of expenses and receipts over the year.

4.17 In Table 4.8, we give a few details for the two groups of cultivators regarding their current cash farm expenditure and cash receipts during the two halves of the year. We shall focus attention on the uneven distribution of the cash receipts and cash expenditure over the year. As will be seen this feature is common to the cash accounts of both the groups of cultivators; both the groups have cash deficits during the first half of the year and cash surpluses during the second half. The cash deficits of the two groups during the first half are Rs 288.5 and Rs 25.1, respectively. Their cash surpluses during the second half are Rs 376.3 and Rs 301.7, respectively. The need for credit for conducting the current operations of farming is, therefore, obvious.

4.18 The seasonal nature of the credit needs for current farm operations also becomes evident if we examine the very short-term borrowing reported by the cultivators. We have earlier noted that during the year under report, the cultivators had borrowed a certain sum which they had fully repaid during the course of the year and that this sum amounted to Rs 54.4 per cultivator. A distribution of this amount according to the month in which it was borrowed and the month in which it was repaid is instructive. This is shown in Table 4.9. It will be seen that a large part of the amount was borrowed between April and October and that almost, the whole of it was repaid between January and March.

4.19 We might now examine for the two groups of cultivators and for the two periods their average cash expenditure on different items of cultivation and the

**TABLE 4.8—SEASONAL CASH BALANCES OF THE CULTIVATORS**

[Intensive enquiry data. Amount in rupees per family]

| Group                          | Current cash farm expenses | CASH FARM RECEIPTS       |  |             |             |                     |              | Balance of receipts and expenditure |
|--------------------------------|----------------------------|--------------------------|--|-------------|-------------|---------------------|--------------|-------------------------------------|
|                                |                            | Sale of crops and fodder | Sale of seed, plants, manure and live-stock products | Cash wages  | Carting     | Other cash receipts | Total        |                                     |
|                                | 1                          | 2                        | 3  | 4           | 5           | 6                   | 7            | 8                                   |
| <b>April-September 1951</b>    |                            |                          |  |             |             |                     |              |                                     |
| Upper strata cultivators       | 564.8                      | 243.1                    | 3.6  | 18.3        | 9.9         | 1.4                 | 276.3        | - 298.5                             |
| Lower strata cultivators       | 161.9                      | 62.5                     | 5.5  | 37.6        | 11.1        | 20.1                | 136.8        | - 25.1                              |
| <b>All cultivators.....</b>    | <b>363.4</b>               | <b>152.8</b>             | <b>4.6</b>   | <b>27.9</b> | <b>10.5</b> | <b>10.8</b>         | <b>206.6</b> | <b>- 156.8</b>                      |
| <b>October 1951-March 1952</b> |                            |                          |  |             |             |                     |              |                                     |
| Upper strata cultivators       | 214.6                      | 469.9                    | 3.8  | 48.1        | 41.9        | 27.2                | 590.9        | + 376.3                             |
| Lower strata cultivators       | 74.2                       | 239.9                    | 15.7   | 62.1        | 39.4        | 18.8                | 375.9        | + 301.7                             |
| <b>All cultivators.....</b>    | <b>144.4</b>               | <b>354.9</b>             | <b>9.8</b>   | <b>55.1</b> | <b>40.6</b> | <b>23.0</b>         | <b>483.4</b> | <b>+ 339.0</b>                      |
| <b>Total for the year</b>      |                            |                          |  |             |             |                     |              |                                     |
| Upper strata cultivators       | 779.4                      | 713.0                    | 7.4  | 66.4        | 51.8        | 28.6                | 867.2        | + 87.8                              |
| Lower strata cultivators       | 236.1                      | 302.4                    | 21.2   | 99.7        | 50.5        | 39.9                | 512.7        | + 276.6                             |
| <b>All cultivators.....</b>    | <b>507.8</b>               | <b>507.7</b>             | <b>14.3</b>  | <b>83.1</b> | <b>51.1</b> | <b>33.8</b>         | <b>690.0</b> | <b>+ 182.2</b>                      |

extent to which such expenditure was financed through borrowing. This is done in Table 4.10. It will be seen that considering all the cultivators together and the whole year, 12.4 per cent of all cash expenditure of farming was financed by borrowing. Between the two periods, we would expect that the borrowing was resorted to to a greater extent during the first period than during the second period. This is so but the difference is not large. Of the expenditure incurred during the first period 12.9 per cent was met by borrowing. Of the expenditure in the second period 11.0 per cent was met by borrowing. One reason why the difference in the extent of borrowing during the two periods is so small, appears to be that even in the second period, the cash position of the cultivator does not become really easy until the end of December. As we have seen in the previous paragraph, the repayment of short-term loans starts only after the end of December. A large part of the expenses of cultivation of the winter crops must have been incurred by this time. It follows, therefore, that the extent of borrowing for meeting current farm expenditure would not be much smaller in the second period. As between the two groups of cultivators, as we have observed, the level of total expenditure by the smaller cultivators is much below that of the expenditure by the bigger cultivators.

Nevertheless, the smaller cultivators resort to borrowing for meeting the current farm expenditure to a much greater extent than do the bigger cultivators; 21·7 per cent of the current farm expenditure by the smaller cultivators was met by borrowing while only 9·6 per cent of the similar expenditure by the bigger cultivators was met by borrowing. The smaller cultivators also show a peculiar feature; the extent to which they borrow is actually much larger in the first period than in the second period. Among the different items of expenditure, the smaller cultivators need credit most for the purchase of manure, purchase of seed and purchase of fodder in that order. Most of the purchases of seed and fodder occur only during the first period and hence the smaller cultivators are seen to borrow to a greater extent during this period. As for the bigger cultivators, they are seen to borrow to a greater extent for purchase of seed and also for the payment of cash wages. In fact, in the second period, most of their borrowing was for payment of cash wages. A large amount of expenditure has been shown unclassified under 'other cash expenditure'. It is Rs 389·5 for the bigger cultivators and Rs 82·4 for the smaller cultivators. Two major items included in this are salaries of annual farm servants and cash rents paid to landlords. In the case of the bigger cultivators, they amount to Rs 142·3 and Rs 153·4, respectively. In the case of the smaller cultivators they amount to Rs 23·9 and Rs 16·1, respectively. Presumably, both these items of expenditure are incurred when the cash position is comparatively easy and hence they do not cause borrowing to any great extent. Considering the entire item of 'other cash expenditure' only about 4 per cent of it was financed by borrowing by both the bigger and smaller cultivators.

**TABLE 4.9—DISTRIBUTION OF AMOUNT BORROWED AND FULLY REPAID DURING THE YEAR ACCORDING TO THE MONTH OF BORROWING AND REPAYMENT**

[Intensive enquiry data. Amount in rupees per family]

| Month              | UPPER STRATA |             | LOWER STRATA |             | ALL CULTIVATORS |             |
|--------------------|--------------|-------------|--------------|-------------|-----------------|-------------|
|                    | Borrowings   | Repayments  | Borrowings   | Repayments  | Borrowings      | Repayments  |
|                    | 1            | 2           | 3            | 4           | 5               | 6           |
| April, 1951.....   | 20·6         | —           | 11·7         | —           | 16·2            | —           |
| May.....           | —            | —           | 6·3          | —           | 3·2             | —           |
| June.....          | —            | —           | —            | —           | —               | —           |
| July.....          | —            | —           | —            | —           | —               | —           |
| August.....        | 16·1         | —           | 6·9          | —           | 11·5            | —           |
| September.....     | —            | —           | 1·4          | —           | 0·7             | —           |
| October.....       | 18·2         | 0·9         | 10·1         | —           | 14·1            | 0·4         |
| November.....      | —            | —           | —            | —           | —               | —           |
| December.....      | 1·4          | —           | —            | —           | 0·7             | —           |
| January, 1952..... | 15·1         | 13·3        | —            | —           | 7·6             | 6·7         |
| February.....      | —            | 24·1        | 0·9          | 21·8        | 0·4             | 23·0        |
| March.....         | —            | 33·1        | —            | 15·5        | —               | 24·3        |
| Not specified..... | —            | —           | —            | —           | —               | —           |
| <b>Total.....</b>  | <b>71·4</b>  | <b>71·4</b> | <b>37·3</b>  | <b>37·3</b> | <b>54·4</b>     | <b>54·4</b> |

TABLE 4.10—EXTENT OF BORROWING FOR CURRENT CASH EXPENSES OF FARMING

[Intensive enquiry data. Amount in rupees per family]

| Item of expenditure             | APRIL TO SEPTEMBER<br>1951 |                      |   | OCTOBER 1951 TO<br>MARCH 1952 |                      |   | TOTAL FOR THE<br>YEAR     |                      |   |
|---------------------------------|----------------------------|----------------------|---|-------------------------------|----------------------|---|---------------------------|----------------------|---|
|                                 | Total<br>expen-<br>diture  | Bor-<br>row-<br>ings | Propor-<br>tion of<br>ex-<br>pendi-<br>ture<br>finan-<br>ced by<br>bor-<br>row-<br>ing<br><br>(Per<br>cent) | Total<br>expen-<br>diture     | Bor-<br>row-<br>ings | Propor-<br>tion of<br>ex-<br>pendi-<br>ture<br>finan-<br>ced by<br>bor-<br>row-<br>ing<br><br>(Per<br>cent) | Total<br>expen-<br>diture | Bor-<br>row-<br>ings | Propor-<br>tion of<br>ex-<br>pendi-<br>ture<br>finan-<br>ced by<br>bor-<br>row-<br>ing<br><br>(Per<br>cent) |
|                                 | 1                          | 2                    | 3   | 4                             | 5                    | 6   | 7                         | 8                    | 9   |
| <b>Upper strata cultivators</b> |                            |                      |   |                               |                      |   |                           |                      |   |
| Purchase of seed.....           | 69.6                       | 19.2                 | 27.6  | 0.7                           | —                    | —   | 70.2                      | 19.2                 | 27.4  |
| Purchase of manure.....         | 51.7                       | 2.4                  | 4.6   | 11.5                          | —                    | —   | 63.2                      | 2.4                  | 3.8   |
| Purchase of fodder.....         | 133.3                      | 14.8                 | 11.1  | 21.9                          | 0.1                  | 0.5   | 155.3                     | 14.9                 | 9.6   |
| Cash wages.....                 | 63.6                       | 4.2                  | 6.6   | 37.7                          | 18.0                 | 47.7  | 101.2                     | 22.2                 | 21.9  |
| Other cash expenditure...       | 246.6                      | 12.2                 | 4.9   | 142.8                         | 3.7                  | 2.6   | 389.5                     | 16.0                 | 4.1   |
| <b>Total.....</b>               | <b>564.8</b>               | <b>52.8</b>          | <b>9.3</b>  | <b>214.6</b>                  | <b>21.7</b>          | <b>10.1</b>   | <b>779.4</b>              | <b>74.5</b>          | <b>9.6</b>  |
| <b>Lower strata cultivators</b> |                            |                      |   |                               |                      |   |                           |                      |   |
| Purchase of seed.....           | 27.0                       | 12.0                 | 44.4  | —                             | —                    | —   | 27.0                      | 12.0                 | 44.4  |
| Purchase of manure.....         | 22.2                       | 10.1                 | 45.5  | 10.1                          | 10.1                 | 100.0   | 32.3                      | 20.1                 | 62.2  |
| Purchase of fodder.....         | 51.6                       | 14.4                 | 27.9  | 3.4                           | —                    | —   | 55.0                      | 14.4                 | 26.2  |
| Cash wages.....                 | 26.2                       | 1.3                  | 5.0   | 13.2                          | —                    | —   | 39.4                      | 1.3                  | 3.3   |
| Other cash expenditure...       | 34.9                       | 3.4                  | 9.7   | 47.5                          | —                    | —   | 82.4                      | 3.4                  | 4.1   |
| <b>Total.....</b>               | <b>161.9</b>               | <b>41.1</b>          | <b>25.4</b>   | <b>74.2</b>                   | <b>10.1</b>          | <b>13.6</b>   | <b>236.1</b>              | <b>51.2</b>          | <b>21.7</b>   |
| <b>All cultivators</b>          |                            |                      |   |                               |                      |   |                           |                      |   |
| Purchase of seed.....           | 48.3                       | 15.6                 | 32.3  | 0.3                           | —                    | —   | 48.6                      | 15.6                 | 32.1  |
| Purchase of manure.....         | 37.0                       | 6.3                  | 17.0  | 10.8                          | 5.0                  | 46.3  | 47.8                      | 11.3                 | 23.6  |
| Purchase of fodder.....         | 92.4                       | 14.6                 | 15.8  | 12.6                          | —                    | —   | 105.1                     | 14.6                 | 13.9  |
| Cash wages.....                 | 44.9                       | 2.7                  | 6.0   | 25.4                          | 9.0                  | 35.4  | 70.3                      | 11.7                 | 16.6  |
| Other cash expenditure...       | 140.7                      | 7.8                  | 5.5   | 95.2                          | 1.9                  | 2.0   | 236.0                     | 9.7                  | 4.1   |
| <b>Total.....</b>               | <b>363.4</b>               | <b>47.0</b>          | <b>12.9</b>   | <b>144.4</b>                  | <b>15.9</b>          | <b>11.0</b>   | <b>507.8</b>              | <b>62.9</b>          | <b>12.4</b>   |

4.20 Finally, we might examine the expenditure on a few items of family expenditure and the extent to which it was met by borrowing. This is done on the same lines as in the previous chapter. In Table 4.11, we give for the two groups of cultivators the data regarding their average expenditure on a number of items of family expenditure and the extent to which such expenditure was financed by borrowing. If these are compared with similar data from the General Schedule presented in the previous chapter, there appears a substantial difference between the two; on the basis of the data from the intensive enquiry, the cultivators seem to borrow to a much greater extent for their family expenditure than it appears on the basis of the General Schedule data. The extent of borrowing for the construction and repairs of residential houses, for purchase of household utensils, for

death ceremonies and for medical and educational expenses as appearing in the intensive enquiry data is much larger than it does on the basis of the General Schedule data. If the difference between the two sets of results is real, and is not due to the smallness of the sample of cultivators chosen for the intensive enquiry, it must be ascribed to the difference between the periods to which the two enquiries related ; in particular, it might be a concomitant of a general rise in the level of indebtedness as was observed to have occurred during the period under report.

TABLE 4.11—EXTENT OF BORROWING FOR FAMILY AND OTHER EXPENDITURE

[Intensive enquiry data]

| Item of expenditure   | UPPER STRATA CULTIVATORS |   | LOWER STRATA CULTIVATORS |   | ALL CULTIVATORS        |   |
|---|--------------------------|---|--------------------------|---|------------------------|---|
|   | Expenditure per family   | Proportion of expenditure financed by borrowing | Expenditure per family   | Proportion of expenditure financed by borrowing | Expenditure per family | Proportion of expenditure financed by borrowing |
|   | (Rs)                     | (Per cent)                                      | (Rs)                     | (Per cent)                                      | (Rs)                   | (Per cent)                                      |
|   | 1                        | 2   | 3                        | 4   | 5                      | 6   |
| <b>Total family expenditure...</b>                                      | <b>634.2</b>             | <b>20.4</b>                                     | <b>277.7</b>             | <b>13.6</b>                                     | <b>455.9</b>           | <b>18.4</b>                                     |
| Construction and repairs of residential houses and other buildings..... | 87.2                     | 24.4  | 18.4                     | —   | 52.8                   | 20.1  |
| Purchase of household utensils, furniture, etc.....                     | 5.0                      | —   | 1.2                      | 92.7  | 3.1                    | 18.4  |
| Death ceremonies.....   | 8.3                      | 13.5  | 0.1                      | —   | 4.2                    | 13.2  |
| Marriage and other ceremonies..   | 110.8                    | 39.4  | 23.6                     | 43.4  | 67.2                   | 41.0  |
| Medical expenses.....   | 38.5                     | 52.4  | 5.5                      | 57.1  | 22.0                   | 53.0  |
| Educational expenses.....   | 30.3                     | 19.9  | 18.5                     | 23.3  | 24.4                   | 21.2  |
| Clothing, shoes, bedding, etc...  | 315.8                    | 9.6   | 210.4                    | 8.5   | 263.1                  | 9.1   |
| Litigation charges.....   | 38.3                     | 18.8  | —                        | —   | 19.1                   | 18.8  |
| <b>Other expenditure</b>  |                          |   |                          |   |                        |   |
| Repayment of old debts.....   | 177.8                    | —   | 105.2                    | 13.4  | 141.5                  | 4.9   |
| Purchase of shares in co-operative societies, banks, etc....            | —                        | —   | —                        | —   | —                      | —   |

4.21 The borrowing described so far was all of cash loans. In addition to these, the cultivators also reported having borrowed grain. Particulars regarding these grain loans are given in Table 4.12. It will be seen that 7.4 per cent of the cultivators had borrowed grain during the year. This proportion was naturally very small among the bigger cultivators ; only 3.2 per cent of them borrowed grain during the year. Among the smaller cultivators 11.5 per cent had borrowed grain. The quantity borrowed per borrowing family was also much larger among the smaller cultivators than among the bigger cultivators. Practically the whole of the quantity borrowed during the year was repaid and there was very little quantity remaining outstanding at the end of the year. The grain loans thus do not exhibit any abnormal features.

**TABLE 4.12—GRAIN LOANS BORROWED DURING THE YEAR**

[Intensive enquiry data. Quantity in seers]

| Group                              | Proportion of borrowing families | Quantity per borrowing family | QUANTITY BORROWED PER FAMILY |       |         |               | Quantity borrowed and fully repaid during the year per family | Quantity borrowed but not fully repaid per family | Quantity outstanding on loans borrowed during the year per family | Quantity outstanding as per cent of quantity borrowed | Quantity outstanding for more than one year per family | Total quantity outstanding per family |
|------------------------------------|----------------------------------|-------------------------------|------------------------------|-------|---------|---------------|---|---|---|---|--|---------------------------------------|
|                                    |                                  |                               | Total                        | Wheat | Millets | Other cereals |   |   |   |   |  |                                       |
|                                    | (Per cent)                       | 1                             | 2                            | 3     | 4       | 5             | 6   | 7   | 8   | 9   | 10   | 11                                    |
| Upper strata cultivators . . . . . | 3.2                              | 8.8                           | 0.3                          | —     | 0.1     | 0.2           | 0.2   | 0.1   | 0.2   | 181.8   | —  | 0.2                                   |
| Lower strata cultivators . . . . . | 11.5                             | 60.0                          | 6.9                          | 1.2   | 4.0     | 1.7           | 6.9   | —   | —   | —   | —  | —                                     |
| All cultivators . . . . .          | 7.4                              | 48.6                          | 3.6                          | 0.6   | 2.1     | 0.9           | 3.5   | 0.1   | 0.1   | 181.8   | —  | 0.1                                   |

4.22 The crops during the year were reported to be not very good. However, there are no indications that they were particularly bad. The growth in the indebtedness of cultivators observed in the previous chapter, namely, about 65 per cent over its level at the beginning of the year, might, therefore, be regarded as belonging to the normal fluctuations accompanying normal variations in the agricultural season.



## CHAPTER 5

### CREDIT AGENCIES

5.1 We have so far described briefly the incidence and the volume of indebtedness existing in different strata of the rural families in the district. We have also indicated the volume of credit that these families raise during a year, the purposes for which they raise it, the occasions when credit is most needed and the extent to which the expenditure on such occasions is met by borrowing. We may now turn to the vital aspect, namely, the agencies which supply the necessary credit to the rural families. They are of three types : Government, co-operative societies and the private agencies ranging from commercial banks to the relatives of the debtor. In this chapter, we shall examine the relative shares of these agencies in the total supply of rural credit and examine their distinguishing features.

5.2 We shall begin by presenting relevant data from the General Schedule. In Table 5.1, we give a distribution of the outstanding debt of the cultivating and the non-cultivating families according to the credit agency. It will be seen that considering all the families together, 54·2 per cent of their total debt was due to the agriculturist moneylenders ; 24·4 per cent to relatives ; 10·4 per cent to professional moneylenders and 7·9 per cent to traders and commission agents. The shares of Government and co-operative societies in the total debt are indeed very small ; only 1·3 per cent of the total debt was due to Government and a mere 0·6 per cent was due to co-operative societies together with commercial banks. It might be noted that the share of the landlords, that is, as landlords to tenants, was also very small. Incidentally, we might note the distinction between the agriculturist moneylender and the landlord as it is made for the purpose of this chapter. An agriculturist moneylender is mainly an agriculturist doing only incidental moneylending. He is to be distinguished from the professional moneylender. The landlord may either be a professional moneylender or an agriculturist moneylender. He is recorded as a landlord only when he lends as a landlord to his tenants.

5.3 The shares of these different agencies in the outstanding debt of the different classes of families are not very different. Nevertheless, there are a few noteworthy features. In the outstanding debt of the non-cultivating families, the Government, co-operative societies and landlords have a small share ; in their debt, the share of the traders and commission agents is also naturally small. A larger proportion of their debt is, therefore, owed to the agriculturist moneylenders and the relatives. Among the cultivators, the big and the large cultivators seem to owe a larger proportion of their outstanding debt to the professional moneylenders, traders or commission agents than do the medium or the small cultivators ; the latter owe a larger proportion of their debt to the agriculturist moneylenders. As

**TABLE 5.1—PERCENTAGE DISTRIBUTION OF OUTSTANDING DEBT ACCORDING TO CREDIT AGENCY**

[General Schedule data]

| Group                    | Total debt per family<br>(Rs) | PROPORTION OF OUTSTANDING DEBT ACCORDING TO CREDIT AGENCY<br>(PER CENT) |                                     |             |            |                                |                              |                                  |            |
|--------------------------|-------------------------------|---|-------------------------------------|-------------|------------|--------------------------------|------------------------------|----------------------------------|------------|
|                          |                               | Gov-ernment   | Co-operatives and commercial banks* | Rela-tives  | Land-lords | Agri-culturalist money-lenders | Pro-fes-sional money-lenders | Tra-ders and com-mis-sion agents | Others     |
|                          |                               | 2   | 3                                   | 4           | 5          | 6                              | 7                            | 8                                | 9          |
| Big cultivators.....     | 1,112                         | 1.2   | 1.0                                 | 27.0        | 0.3        | 46.1                           | 10.4                         | 12.8                             | 1.2        |
| Large cultivators.....   | 527                           | 1.7   | 0.9                                 | 24.6        | 0.2        | 50.1                           | 10.2                         | 11.4                             | 0.9        |
| Medium cultivators.....  | 254                           | 2.0   | 0.8                                 | 23.1        | 0.8        | 56.1                           | 7.4                          | 9.0                              | 0.8        |
| Small cultivators.....   | 149                           | 0.7   | 0.7                                 | 26.7        | 0.7        | 60.6                           | 4.7                          | 5.3                              | 0.7        |
| All cultivators.....     | 305                           | 1.6   | 0.8                                 | 24.5        | 0.5        | 53.7                           | 8.4                          | 9.6                              | 0.9        |
| Non-cultivators.....     | 115                           | 0.2   | 0.1                                 | 24.3        | 0.3        | 56.1                           | 16.7                         | 2.2                              | 0.1        |
| <b>All families.....</b> | <b>221</b>                    | <b>1.3</b>  | <b>0.6</b>                          | <b>24.4</b> | <b>0.5</b> | <b>54.2</b>                    | <b>10.4</b>                  | <b>7.9</b>                       | <b>0.7</b> |

\* Separate data on debt owed to co-operatives and commercial banks are not available.

earlier remarked, the shares of Government and co-operatives in the total debt are indeed small and any variation in them may not be noteworthy. We might, nevertheless, mention that though there does not appear any systematic variation in the shares of Government in the debt of the different classes of cultivators, the co-operatives together with commercial banks seem to have a slightly larger share in the debt of the big and the large cultivators than they have in the debt of the medium and the small cultivators.

5.4 This is the position regarding the outstanding debt. We might similarly examine the composition of the borrowings during the year. The relevant data are given in Table 5.2. The main difference, relevant to the present discussion, between the composition of the borrowings in a year and the composition of the debt outstanding at a moment, is that while the borrowings during a year represent in appropriate proportions loans borrowed for various periods or loans which may remain outstanding over varying periods, the debt outstanding at a moment includes a larger proportion of the debt which has remained outstanding for longer periods. It is noteworthy, therefore, that the composition by credit agency of the outstanding debt and borrowings during the year appear to be more or less similar. The only notable feature is that the share of the professional moneylenders is somewhat smaller in the borrowings than in the outstanding debt and the share of the traders and commission agents is slightly larger in the borrowings than in the debt. This means that the loans from the professional moneylenders had remained outstanding over comparatively longer periods and those from the traders and commission agents over comparatively shorter periods. In other words, the professional moneylenders seem to have a larger share in the long-term credit and the traders in the short-term

credit. The share of Government, already small in the outstanding debt, is not any smaller in the borrowings. The loans from Government, thus, do not seem to possess any special features from this standpoint. The same is more or less true of the share of the co-operatives. Their share is slightly larger in the borrowings than in the outstanding debt. This would indicate that the co-operative credit was predominantly short-term. But their shares both in the borrowings and in the outstanding debt are so small that a comparison between the two for this purpose would not be trustworthy.

**TABLE 5.2—PERCENTAGE DISTRIBUTION OF BORROWING ACCORDING TO CREDIT AGENCY**  
[General Schedule data]

| Group                   | Total bor-<br>row-<br>ings per<br>family<br>(Rs) | PROPORTION OF BORROWINGS ACCORDING TO CREDIT AGENCY<br>(PER CENT) |                        |                |   |  |  |   |                          |        |
|-------------------------|--|---|------------------------|----------------|---|--|--|---|--------------------------|--------|
|                         |  | Government  | Co-<br>opera-<br>tives | Rela-<br>tives | Land-<br>lords<br>(To<br>tenants)<br>only | Agricul-<br>tural<br>money-<br>lenders | Profes-<br>sional<br>money-<br>lenders | Traders<br>and<br>com-<br>mission<br>agents | Com-<br>mercial<br>banks | Others |
|                         |  | 1   | 2                      | 3              | 4   | 5                                      | 6                                      | 7   | 8                        | 9      |
| Big cultivators.. . . . | 812  | 1.6   | 1.1                    | 22.6           | 0.5                                       | 48.0                                   | 8.5                                    | 16.3  | —                        | 1.4    |
| Large cultivators.....  | 373  | 2.2   | 1.0                    | 22.8           | 0.3                                       | 51.6                                   | 7.8                                    | 13.0  | —                        | 1.3    |
| Medium cultivators....  | 154  | 2.6   | 0.3                    | 23.7           | 0.6                                       | 57.3                                   | 6.7                                    | 6.5   | —                        | 2.3    |
| Small cultivators.. . . | 109  | 0.7   | —                      | 35.1           | —   | 56.1                                   | 4.1                                    | 3.1   | —                        | 0.9    |
| All cultivators.....    | 207  | 2.1   | 0.6                    | 24.9           | 0.4                                       | 54.0                                   | 6.9                                    | 9.5   | —                        | 1.6    |
| Non-cultivators... . .  | 61   | 0.1   | —                      | 32.9           | 0.4                                       | 53.1                                   | 8.8                                    | 4.4   | —                        | 0.3    |
| All families.....       | 142  | 1.7   | 0.5                    | 26.5           | 0.4                                       | 53.8                                   | 7.3                                    | 8.5   | —                        | 1.3    |

5.5 We shall now present the corresponding data from the intensive enquiry on the sample of cultivators. We shall use these mainly to study the compositions of the loans made by the different credit agencies according to the purpose of these loans, the nature of the security demanded and the rates of interest charged. For this purpose, it will be necessary to cross-classify the loans made by the different credit agencies according to the purpose, or by the security or by the rate of interest. On account of the small size of the data from the intensive enquiry, it will not be possible to obtain these cross-classifications for the cultivators of the upper strata and for the cultivators of the lower strata separately. In subsequent discussion we shall not, therefore, maintain the distinction between the two classes of cultivators as we did in the previous chapter while presenting the data from the intensive enquiry; instead we shall present the data for all the cultivators put together. We shall, nevertheless, maintain the distinction, as we did in the previous chapter, between the amount outstanding for more than one year and the loans borrowed during the year. We shall keep distinct these two categories of loans and examine their composition by the credit agency and by other characteristics.

5.6 We shall begin by examining the amounts remaining outstanding for more than one year. In Table 5.3, we give their distribution according to the credit agency and according to the purpose. The table is divided into two halves. In the first half, we show the percentage distribution according to the purpose of

the amounts due to each credit agency. Thus, an amount of Rs 17.1 per cultivator had remained outstanding owing to the professional moneylenders and 94.2 per cent of it was borrowed for long-term non-agricultural purposes. In the same way it may be seen that 86.8 per cent of the debt owed to relatives and 63.0 per cent of the debt owed to agriculturist moneylenders was contracted for long-term consumption purposes. The rest of the debt owed to both these agencies was for long-term agricultural purposes.

**TABLE 5.3.—PERCENTAGE DISTRIBUTION OF AMOUNT OUTSTANDING FOR MORE THAN ONE YEAR ACCORDING TO CREDIT AGENCY AND PURPOSE**

[Intensive enquiry data]

| Creditor                                | PROPORTION OF OUTSTANDING DEBT ACCORDING TO PURPOSE (PER CENT) |                        |                             |                            |                        |                       |                            | PROPORTION OF OUTSTANDING DEBT ACCORDING TO CREDIT AGENCY (PER CENT) |                        |                             |                            |                        |                       |             | Total |
|---|--|------------------------|-----------------------------|----------------------------|------------------------|-----------------------|----------------------------|--|------------------------|-----------------------------|----------------------------|------------------------|-----------------------|-------------|-------|
|   | Short-term agricultural  | Long-term agricultural | Short-term non-agricultural | Long-term non-agricultural | Short-term consumption | Long-term consumption | Total debt per family (Rs) | Short-term agricultural  | Long-term agricultural | Short-term non-agricultural | Long-term non-agricultural | Short-term consumption | Long-term consumption |             |       |
|   | 1  | 2                      | 3                           | 4                          | 5                      | 6                     | 7                          | 8  | 9                      | 10                          | 11                         | 12                     | 13                    | 14          |       |
| Government . . . . .                    | 100.0  | -                      | -                           | -                          | -                      | -                     | 0.3                        | 3.5  | -                      | -                           | -                          | -                      | -                     | -           | 0.7   |
| Co-operatives . . . . .                 | -  | -                      | -                           | -                          | -                      | -                     | -                          | -  | -                      | -                           | -                          | -                      | -                     | -           | -     |
| Relatives . . . . .                     | -  | 13.2                   | -                           | -                          | -                      | 86.8                  | 4.1                        | -  | 17.8                   | -                           | -                          | -                      | 45.5                  | 11.2        |       |
| Landlords . . . . .                     | -  | -                      | -                           | -                          | -                      | -                     | -                          | -  | -                      | -                           | -                          | -                      | -                     | -           |       |
| Agriculturist moneylenders . . . . .    | -  | 37.0                   | -                           | -                          | -                      | 63.0                  | 6.8                        | -  | 82.2                   | -                           | -                          | -                      | 54.5                  | 18.5        |       |
| Professional moneylenders . . . . .     | -  | -                      | -                           | 94.2                       | 5.8                    | -                     | 17.1                       | -  | -                      | -                           | 100.0                      | 40.1                   | -                     | 46.2        |       |
| Traders and commission agents . . . . . | -  | -                      | -                           | -                          | -                      | -                     | -                          | -  | -                      | -                           | -                          | -                      | -                     | -           |       |
| Commercial banks . . . . .              | -  | -                      | -                           | -                          | 100.0                  | -                     | 1.5                        | -  | -                      | -                           | -                          | 59.9                   | -                     | 4.0         |       |
| Others . . . . .                        | 100.0  | -                      | -                           | -                          | -                      | -                     | 7.2                        | 96.5   | -                      | -                           | -                          | -                      | -                     | 19.4        |       |
| <b>Total . . . . .</b>                  | <b>20.1</b>  | <b>6.3</b>             | <b>-</b>                    | <b>43.5</b>                | <b>6.7</b>             | <b>21.4</b>           | <b>37.0</b>                | <b>7.4</b>   | <b>3.1</b>             | <b>-</b>                    | <b>16.1</b>                | <b>2.5</b>             | <b>7.9</b>            | <b>37.0</b> |       |

5.7 There is another way in which these data might be viewed. 20.1 per cent of the amount outstanding was for short-term agricultural purposes. In absolute terms this amounted to Rs 7.4 per cultivator. We might then ask as to who were the creditors for this amount. This is done in the second half of the table. It gives a distribution according to the credit agency of the outstanding amount under each purpose. Thus only 3.5 per cent of the amount for short-term agricultural purposes was due to Government and the rest 96.5 per cent was due to agencies other than those enumerated; in the present case they might mean some of the private agencies but not clearly specified. Similarly, of the amount borrowed for long-term agricultural purposes, 82.2 per cent was due to agriculturist moneylenders and the rest due to relatives. The entire amount for long-term non-agricultural purposes was due to professional moneylenders. Of the amount borrowed for short-term consumption purposes about 40 per cent was due to professional moneylenders and the rest 60 per cent due to commercial banks. This large proportion due to the commercial banks appears to be on account of an exceptional case.

The whole of the amount borrowed for long-term consumption purposes was partly due to relatives and partly to agriculturist moneylenders.

5.8 In Table 5.4 is given a similar analysis of the loans borrowed during the year. It will be seen that 97.6 per cent of the amount borrowed from Government was for short-term agricultural purposes. Only 11.5 per cent of the amount borrowed from the agriculturist moneylenders and 19.2 per cent of that borrowed from the professional moneylenders was for long-term agricultural purposes. Most of the remaining amount borrowed from the private financing agencies, namely, the agriculturist moneylenders, the professional moneylenders and traders was for consumption purposes, a large part of which was for short-term consumption needs. More than half of the amount borrowed from the relatives was for agricultural purposes, mainly for long-term agricultural purposes, and the remaining for consumption and other purposes.

**TABLE 5.4.—PERCENTAGE DISTRIBUTION OF AMOUNT BORROWED DURING THE YEAR ACCORDING TO CREDIT AGENCY AND PURPOSE**

[Intensive enquiry data]

| Creditors                               | PROPORTION OF TOTAL AMOUNT BORROWED ACCORDING TO PURPOSE (PER CENT) |                        |                        |                       |                         |                | Total amount borrowed per family (Rs) | PROPORTION OF TOTAL AMOUNT BORROWED ACCORDING TO CREDIT AGENCY (PER CENT) |                        |                        |                       |                         |                | Total        |
|---|---|------------------------|------------------------|-----------------------|-------------------------|----------------|---------------------------------------|---|------------------------|------------------------|-----------------------|-------------------------|----------------|--------------|
|   | Short-term agricultural   | Long-term agricultural | Short-term consumption | Long-term consumption | Re-payment of old debts | Other purposes |                                       | Short-term agricultural   | Long-term agricultural | Short-term consumption | Long-term consumption | Re-payment of old debts | Other purposes |              |
|   | 1   | 2                      | 3                      | 4                     | 5                       | 6              |                                       | 7   | 8                      | 9                      | 10                    | 11                      | 12             |              |
| Government . . . . .                    | 97.6  | 2.4                    | -                      | -                     | -                       | -              | 11.1                                  | 33.5  | 0.3                    | -                      | -                     | -                       | -              | 3.1          |
| Co-operatives . . . . .                 | -   | 100.0                  | -                      | -                     | -                       | -              | 0.1                                   | -   | 0.1                    | -                      | -                     | -                       | -              | -            |
| Relatives . . . . .                     | 14.2  | 42.1                   | 21.0                   | 10.7                  | 5.2                     | 6.8            | 131.4                                 | 57.5  | 65.6                   | 15.3                   | 33.3                  | 100.0                   | 100.0          | 36.9         |
| Landlords . . . . .                     | -   | -                      | -                      | -                     | -                       | -              | -                                     | -   | -                      | -                      | -                     | -                       | -              | -            |
| Agriculturist moneylenders . . . . .    | 2.1   | 11.5                   | 73.9                   | 12.5                  | -                       | -              | 137.0                                 | 9.0   | 18.7                   | 55.8                   | 40.5                  | -                       | -              | 38.5         |
| Professional moneylenders . . . . .     | -   | 19.2                   | 67.4                   | 13.4                  | -                       | -              | 66.5                                  | -   | 15.2                   | 24.7                   | 21.1                  | -                       | -              | 18.7         |
| Traders and commission agents . . . . . | -   | 0.7                    | 77.5                   | 21.8                  | -                       | -              | 9.9                                   | -   | 0.1                    | 4.2                    | 5.1                   | -                       | -              | 2.8          |
| Commercial banks . . . . .              | -   | -                      | -                      | -                     | -                       | -              | -                                     | -   | -                      | -                      | -                     | -                       | -              | -            |
| Others . . . . .                        | -   | -                      | -                      | -                     | -                       | -              | -                                     | -   | -                      | -                      | -                     | -                       | -              | -            |
| <b>Total . . . . .</b>                  | <b>9.1</b>  | <b>23.7</b>            | <b>51.0</b>            | <b>11.8</b>           | <b>1.9</b>              | <b>2.5</b>     | <b>356.0</b>                          | <b>32.4</b>   | <b>84.2</b>            | <b>181.5</b>           | <b>42.2</b>           | <b>6.8</b>              | <b>8.9</b>     | <b>356.0</b> |

[ Total amount borrowed per family (Rs) ]

5.9 From the second half of the table, it will be seen that 57.5 per cent of the amount borrowed for short-term agricultural purposes and 65.6 per cent of the amount borrowed for long-term agricultural purposes, were borrowed from the relatives. Government met about one-third of the amount for short-term agricultural purposes. For long-term agricultural purposes, while the relatives met about two-thirds of the amount borrowed, the remaining one-third was from the agriculturist and the professional moneylenders. Borrowing for consumer needs, both short and long term purposes were entirely from the private agencies including the relatives; about half of such borrowings was from the agriculturist moneylenders and one-fourth from the professional moneylenders.

5.10 We may next examine the composition of the loans made by the different credit agencies according to the nature of the security demanded and the rate of interest charged. This information is available only for the loans borrowed during the year. In Table 5.5 we give their details regarding the nature of the security demanded by the different credit agencies. It will be seen that all the loans from Government and the co-operatives were secured by immovable property, namely, land. Practically all the loans from the other agencies were advanced on personal security.

**TABLE 5.5.—PERCENTAGE DISTRIBUTION OF BORROWING DURING THE YEAR ACCORDING TO CREDIT AGENCY AND SECURITY**

[Intensive enquiry data]

| Creditors                          | Average borrowing per family (Rs) | PROPORTION OF AMOUNT BORROWED ACCORDING TO SECURITY (PER CENT) |                    |                  |
|------------------------------------|-----------------------------------|--|--------------------|------------------|
|                                    |                                   | Personal security  | Immovable property | Movable property |
|                                    | 1                                 | 2  | 3                  | 4                |
| Government.....                    | 11.1                              | —  | 100.0              | —                |
| Co-operatives.....                 | 0.1                               | —  | 100.0              | —                |
| Relatives.....                     | 131.4                             | 100.0  | —                  | —                |
| Landlords.....                     | —                                 | —  | —                  | —                |
| Agriculturist moneylenders.....    | 137.0                             | 99.9   | —                  | 0.1              |
| Professional moneylenders.....     | 66.5                              | 100.0  | —                  | —                |
| Traders and commission agents..... | 9.9                               | 100.0  | —                  | —                |
| Commercial banks.....              | —                                 | —  | —                  | —                |
| Others.....                        | —                                 | —  | —                  | —                |
| <b>Total.....</b>                  | <b>356.0</b>                      | <b>96.8</b>  | <b>3.2</b>         | <b>—</b>         |

5.11 In Table 5.6 we give a classification of the loans borrowed during the year according to the rate of interest charged. It will be seen that nearly half the loans from Government are shown to be interest-free; in the nearly remaining half the interest was not specified and it is difficult to judge their character. As has been noted the amount borrowed from Government was indeed small and such percentages as above may not be taken to represent any normal conditions. We shall examine the nature of the Government loans in greater detail in the next chapter.

5.12 It is noteworthy that 22.1 per cent of the amount borrowed from the agriculturist moneylenders and 43.5 per cent of the amount borrowed from the traders and commission agents was interest-free. The most prevalent rate of interest for the private financing agencies, when interest was charged, was between 25 and 35 per cent, a large proportion being at 25 per cent. Thus 61.3 per cent of amount borrowed from the agriculturist moneylenders, 77.4 per cent of the amount borrowed from the professional moneylenders and 56.5 per cent of the amount borrowed from the traders and commission agents was charged interest at rates between 25 and 35 per cent per annum. A substantial proportion, 13.0 per cent, of the amount borrowed from the professional moneylenders was charged even higher rates of interest, between 35 and 50 per cent per annum.

**TABLE 5.6—PERCENTAGE DISTRIBUTION OF AMOUNT BORROWED DURING THE YEAR ACCORDING TO CREDIT AGENCY AND RATE OF INTEREST**

[Intensive enquiry data]

| Creditor                           | Average borrowing per family (Rs) | PROPORTION OF AMOUNT BORROWED ACCORDING TO RATE OF INTEREST (PER CENT) |                 |               |                 |                 |                |                |                |                       |              |
|------------------------------------|-----------------------------------|--|-----------------|---------------|-----------------|-----------------|----------------|----------------|----------------|-----------------------|--------------|
|                                    |                                   | Nil  | upto 7 per cent | 7—10 per cent | 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 |
|                                    |                                   | 1  | 2               | 3             | 4               | 5               | 6              | 7              | 8              | 9                     | 10           |
| Government.....                    | 11.1                              | 49.1   | -               | 5.2           | -               | -               | -              | -              | -              | -                     | 45.7         |
| Co-operatives.....                 | 0.1                               | -  | -               | 100.0         | -               | -               | -              | -              | -              | -                     | -            |
| Relatives.....                     | 131.4                             | 100.0  | -               | -             | -               | -               | -              | -              | -              | -                     | -            |
| Landlords.....                     | -                                 | -  | -               | -             | -               | -               | -              | -              | -              | -                     | -            |
| Agriculturist moneylenders         | 137.0                             | 22.1   | -               | -             | 15.9            | -               | -              | 61.3           | 0.1            | -                     | 0.6          |
| Professional moneylenders.         | 66.5                              | 1.1  | -               | -             | 2.1             | 1.0             | 5.4            | 77.4           | 13.0           | -                     | -            |
| Traders and commission agents..... | 9.9                               | 43.5   | -               | -             | -               | -               | -              | 56.5           | -              | -                     | -            |
| Commercial banks.....              | -                                 | -  | -               | -             | -               | -               | -              | -              | -              | -                     | -            |
| Others.....                        | -                                 | -  | -               | -             | -               | -               | -              | -              | -              | -                     | -            |
| <b>Total.....</b>                  | <b>356.0</b>                      | <b>48.4</b>  | <b>-</b>        | <b>0.2</b>    | <b>6.5</b>      | <b>0.2</b>      | <b>1.0</b>     | <b>39.6</b>    | <b>2.4</b>     | <b>-</b>              | <b>1.7</b>   |

5.13 These are the broad characteristics of the credit available from the different credit agencies. In the following chapters, we shall examine more closely the role of each one of these credit agencies in supplying the rural credit in the district.

## CHAPTER 6

### GOVERNMENT FINANCE

6.1 In the previous chapter, while describing the agencies supplying rural credit, it was noted that the State Government has by no means an important share in the business ; only 1.7 per cent of the total amount borrowed during the year was supplied by Government. Nevertheless, it is to be expected that Government finance will play an increasingly important role in the near future. In this chapter, we propose to examine in some detail the present position as regards the Government objectives in this field as indicated by the various legislative provisions and the consequent measures and their operation in practice.

6.2 The principal legislation calculated to affect the general agricultural organisation is the Hyderabad Tenancy and Agricultural Lands Act of 1950. This is a substantial revision of the earlier enactments such as 'Asami Sikmi', that is the Prevention of Agricultural Land Alienation Act and similar other measures. Its main objectives are to protect a tenant from eviction, to put a ceiling on the cultivated holding of cultivator and to restrict the alienation rights of a landholder in his lands. From the standpoint of the supply of credit to agriculturists, the restrictions which the Act places on the alienation rights in land are probably the most important. The Act invalidates all sales, gifts, mortgages, leases or exchanges of an agricultural land in favour of a person who is not an agriculturist. A protected tenant is entitled to purchase the land under his tenancy from his landlord provided the total land owned by such a tenant does not exceed the area defined as economic holding. Lands purchased by a tenant under the provisions of the Act cannot be sold, mortgaged, gifted, exchanged or leased without the prior sanction of the Government. In fact, a transfer of land can be made only with the sanction of the Talukdar, that is the district Collector, who is to ensure that such a transfer does not result in reducing a holding below an economic holding or raise it above the ceiling area. As we have earlier seen, the assets of an agriculturist consist mainly of land. Therefore, any restrictions on the alienation rights in land naturally reduce the value of his assets as a backing to his capacity to borrow, particularly from the private moneylender. There is an old view that it is because of his unrestricted alienation right in land that the agriculturist has been so far rather improvident in his borrowing. In so far as this is true, the restrictions on the alienation rights, though they may prove inconvenient in the beginning, should prove beneficial in the long run. Their immediate effect would be to deprive the private moneylender of the main instrument of his operation.

6.3 There are two legislations more directly concerned with agricultural credit, one calculated to give relief to the agricultural debtors and the other to regulate



the business of the private moneylenders. Relief to agriculturist debtors by adjusting or scaling down their outstanding debts was provided for by an Act of 1938. The provisions of this Act were, however, made applicable to only two districts; of these, Osmanabad was one. The Act requires all creditors to submit to the court details of all their debt dues before a prescribed date; debts in respect of which no statement is submitted to the court by the creditor are deemed extinguished. The Act then lays down rules by which the courts should scale down and adjust debt of a debtor making an application for the purpose. The debtor is to pay off the adjusted debt in equated annual instalments not more than twelve in number. If the debtor fails to pay any instalment dues, the same may be recovered through the Collector as arrears of land revenue. In such cases, the court might also order sale of property of the debtor and if the court thinks that the debtor is incapable of paying annual instalments, it may declare him to be insolvent. However, the number of applications for conciliation and adjustment received were too numerous and their disposal was too slow. Little progress could, therefore, be made and the net result of the Act was to give the creditors and moneylenders sufficient notice to effect recoveries of old dues. The process was aided by the rising prices of agricultural produce and it was believed that the magnitude of the problem was greatly reduced during the war and immediate post-war years.

6.4 The Moneylenders Act of 1349 *Fasli* is designed to regulate and control the business of the moneylenders. We shall examine its provisions and their operation in a later chapter dealing with private financing agencies. This Act, as also the Agricultural Debtors' Relief Act of 1938, is in a sense the negative aspect of the Government policy. In its positive aspect, Government operates principally under the provisions of two Acts namely, the Hyderabad Land Improvement Loans Act of 1950 and the Hyderabad Agriculturists' Loans Act of 1950. The first Act provides for Government loans for agricultural investment specifically related to land improvement. The second Act provides for loans for agricultural purposes not covered by the first Act, in particular, for current farm expenditure such as purchase of seed, fodder and manure and such items of capital expenditure as purchase of agricultural livestock and implements.

6.5 Loans under both the Acts are made through the Revenue Department. Applications are usually made to the Mamlatdar who is the Taluka Officer. He is authorized to sanction loans upto Rs 200; the Deputy Collector is authorized to sanction loans upto Rs 500 and the Collector upto Rs 1,000.

6.6 Loans of small amounts such as are made under the Agriculturists' Loans Act, are paid in a single instalment. Loans of larger amounts are paid in two or more instalments and at appropriate times so that the borrowers may not be tempted to use them for other purposes. Recoveries are usually made by means of equated payments over a number of years according to the purpose of the loan. Loans under the Agriculturists' Loans Act are usually of shorter duration; loans for seed and manure are usually only for one year; for purchase of draught animals and fodder, they are allowed for three years; for purchase of implements and durable equipment

they are for five years. Loans under the Land Improvement Loans Act are of longer durations especially when they are advanced for construction of wells and smaller canals and tanks. All loans except under some special schemes, usually carry interest at  $6\frac{1}{4}$  per cent per annum.

6.7 Relevant records are maintained in the taluka revenue offices. Individual cases with all relevant papers including those relating to each case are preserved until the case comes to an end either through complete recovery or otherwise. Rejected applications are destroyed at the end of each year.

6.8 In recent years, Government has initiated a number of schemes under which loans and subsidies are given for agricultural purposes. Most of these schemes come under the Grow More Food campaign and are under the administrative control of the Department of Agriculture. One such scheme is the scheme for construction of new wells and improvements of the existing ones. Loans are granted upto Rs 2,500 for construction of new wells. They are sanctioned only by the Collector. Of the amount sanctioned, one-fifth is regarded as subsidy. One-fourth of the total amount is given as the first instalment. A second instalment which is one-half of the remaining amount is given after supervision of the actual work done. The remaining amount is paid as the third instalment after completion of the work. The repayment is to be made in ten equal annual instalments. The rate of interest charged is 6 per cent per annum.

6.9 In Table 6.1, we give a consolidated statement of Government loans made in this district during 1950-1. It was not possible to obtain the data on the advances under various Acts and schemes uniformly for all the talukas; and hence, the coverage of the information is not uniform. It will be seen that the loans advanced under the Land Improvement Loans Act in four talukas amounted to Rs 19,600 and that those advanced under the Agriculturists' Loans Act in three talukas amounted to Rs 70,600. A majority of the loans under the Land Improvement Loans Act were mainly for bunding. There were some loans for the purchase of draught animals and also for wells. A large majority of the loans under the Agriculturists' Loans Act were for the purchase of seed; a few were for the purchase of manure and for the purchase of draught animals. Loans advanced under the Grow More Food schemes in four talukas amounted to Rs 2,71,600. About two-thirds of this amount was for digging of wells and the rest for the purchase of implements. Thus taking into account the total Government finance, it will be seen that 52.1 per cent of the total amount was for wells; 23.2 per cent was for purchase of implements and 17.2 per cent was for purchase of seed.

6.10 For a more detailed study of the operation of the Government loans, a few applications for loans made during the year 1950-1 were investigated. The applications were selected at four taluka offices, namely, Osmanabad, Kalam, Umerga and Latur by a process which would approximate to random procedure as far as practicable. However, one could not be certain whether all the applications for Government loans under various schemes were to be found in the taluka offices;

**TABLE 6.1—GOVERNMENT FINANCE FOR AGRICULTURAL PURPOSES DURING 1950-1**

(Amount in hundreds of rupees)

|   | Land Improvement Loans Act | Agriculturists' Loans Act | Loans under Grow More Food Campaign | Total        | Percentage   |
|---|----------------------------|---------------------------|-------------------------------------|--------------|--------------|
|   | 1                          | 2                         | 3                                   | 4            | 5            |
| 1. Coverage of the data . . . . .   | 4 talukas                  | 3 talukas                 | 4 talukas                           |              |              |
| 2. Number of applications received . . . . .  | 224                        | ..                        | 390                                 | <b>614</b>   |              |
| 3. Number of applications sanctioned . . . . .  | 77                         | ..                        | 146                                 | <b>223</b>   |              |
| 4. <i>Percentage of the number of applications sanctioned to the number of applications applied for</i> . . . . . | 34.4                       | ..                        | 37.4                                | <b>36.3</b>  |              |
| 5. <b>Total amount applied for</b>  | <b>1,097</b>               | ..                        | <b>8,289</b>                        | ..           |              |
| 6. Amount sanctioned . . . . .  | 196                        | 706                       | 2,716                               | <b>3,618</b> |              |
| 7. <i>Percentage of the amount sanctioned to the amount applied for</i> . . . . .                                 | 17.9                       | ..                        | 32.8                                | ..           |              |
| <b>Distribution of loans according to purpose</b>   |                            |                           |                                     |              |              |
| 1. Purchase of seed . . . . .   | —                          | 623                       | —                                   | <b>623</b>   | 17.2         |
| 2. Purchase of manure . . . . .   | —                          | 36                        | —                                   | <b>36</b>    | 1.0          |
| 3. Purchase of implements . . . . .   | —                          | —                         | 838                                 | <b>838</b>   | 23.2         |
| 4. Purchase of draught animals  | 49                         | 47                        | —                                   | <b>96</b>    | 2.7          |
| 5. Well digging and other irrigation . . . . .  | 7                          | —                         | 1,878                               | <b>1,885</b> | 52.1         |
| 6. Land improvement . . . . .   | 132                        | —                         | —                                   | <b>132</b>   | 3.6          |
| 7. Other purposes . . . . .   | 8                          | —                         | —                                   | <b>8</b>     | 0.2          |
| 8. Purpose not specified . . . . .  | —                          | —                         | —                                   | —            | —            |
| 9. <b>Total amount sanctioned</b>   | <b>196</b>                 | <b>706</b>                | <b>2,716</b>                        | <b>3,618</b> | <b>100.0</b> |

and the volume of the records and the manner in which they were stacked often made it difficult to adhere to all procedural details designed to ensure a properly random sample. It is conceivable, therefore, that the sample of applications was not strictly representative of all the applications for Government loans. In the following we shall submit the results based on this sample.

6.11 In all, a sample of 95 sanctioned applications and 20 rejected applications was selected for study. Of the rejected applications, three were rejected for lack of adequate security and one because the purpose for which the application was made, was not approved; in the remaining sixteen cases, the applications were rejected because the funds earmarked for loans were exhausted. Of the 95 sanctioned applications, the sanctioned amounts of six applications were not yet disbursed. We have, therefore, only 89 cases where the applications were sanctioned and the loans were actually disbursed. They involved a sanctioned amount of Rs 1,09,315. Of this, Rs 1,02,082 were actually disbursed. In Table 6.2, we give the purposes for which these loans and the corresponding amounts were disbursed. The distribution of the amount according to purpose as appearing in this table differs markedly

in some respects from the similar distribution of the total Government finance in the district given in Table 6.1. In the sample cases the loans for wells have a very large share, 79.1 per cent of the total amount, while in the Government finance they accounted for a little more than half. In the sample cases it appears that the loans for purchase of implements are underrepresented and the loans for purchase of seed do not appear at all.

**TABLE 6.2—CASE STUDIES OF LOANS : LOANS DISBURSED FOR VARIOUS PURPOSES**

| Purpose  | Total number of loans disbursed | Total amount disbursed | Proportion of the amount disbursed for specific purpose to total amount disbursed (per cent) | Average size of loan |
|--|---------------------------------|------------------------|--|----------------------|
|  | 1                               | (Rs)<br>2              | 3  | (Rs)<br>4            |
| 1. Purchase of seed.....   | —                               | —                      | —  | —                    |
| 2. Purchase of manure.....   | —                               | —                      | —  | —                    |
| 3. Purchase of implements, machinery, etc.....                             | 3                               | 13,915                 | 13.6   | 4,638.3              |
| 4. Purchase of livestock.....  | 10                              | 2,050                  | 2.0  | 205.0                |
| 5. Digging and repair of wells.....  | 57                              | 80,717                 | 79.1   | 1,416.1              |
| 6. Reclamation of land.....  | —                               | —                      | —  | —                    |
| 7. Bunding and other land improvement.....                                 | 8                               | 1,800                  | 1.8  | 225.0                |
| 8. Others (including more than one purpose and purpose not specified)..... | 11                              | 3,600                  | 3.5  | 327.3                |
| <b>Total.....</b>  | <b>89</b>                       | <b>1,02,082</b>        | <b>100.0</b>   | <b>1,147.0</b>       |

6.12 In Table 6.3, we give the distribution of the sanctioned loans by their amounts actually disbursed. It will be seen that about 50 per cent of the loans were of amounts of Rs 1,000 or more ; but that they accounted for nearly 85 per cent of the total amount disbursed. All the loans were, of course, against the security of land. We have already mentioned that the usual rate of interest for Government loans was 6½ per cent. Practically all the loans studied by us were charged at this rate ; only in one case a higher rate of interest was reported.

6.13 In Table 6.4 is given the distribution of the loans sanctioned for various purposes by the duration for which they were sanctioned, which in the case of Government loans would mean the period over which the repayment was to take place by means of equated annual instalments. It will be seen that all the loans for purchase of livestock were for a period of one to three years and that all the loans for the purchase of implements were for a period of three to five years ; practically all the loans for wells were for periods longer than five years ; loans for bunding and other purposes were more or less equally divided between one to three years and three to five years. It is clear, therefore, that nearly all the Government loans were for reasonably long durations.

**TABLE 6.3—CASE STUDIES OF LOANS : LOANS DISBURSED CLASSIFIED ACCORDING TO SIZE**

| Range of amount disbursed  | Total number of loans | Total amount disbursed | Proportion of the amount disbursed through loans of specific size to total amount disbursed (per cent) |
|----------------------------|-----------------------|------------------------|--|
|                            | 1                     | 2<br>(Rs)              | 3  |
| Rs 100 to Rs 299 .....     | 23                    | 4,150                  | 4.0  |
| Rs 300 to Rs 499 .....     | 8                     | 2,850                  | 2.8  |
| Rs 500 to Rs 999 .....     | 13                    | 8,442                  | 8.3  |
| Rs 1,000 to Rs 4,999 ..... | 45                    | 86,640                 | 84.9   |
| <b>Total</b> .....         | <b>89</b>             | <b>1,02,082</b>        | <b>100.0</b>   |

**TABLE 6.4—CASE STUDIES OF LOANS : LOANS DISBURSED CLASSIFIED ACCORDING TO PURPOSE AND DURATION**

| Purpose                                    | Number of loans disbursed | Total amount disbursed<br>(Rs) | AMOUNT DISBURSED FOR THE SPECIFIED DURATION AS PERCENTAGE OF THE TOTAL AMOUNT DISBURSED |                 |                  |                  |                        |   |
|--|---------------------------|--------------------------------|---|-----------------|------------------|------------------|------------------------|---|
|  |                           |                                | Upto one year   | One-three years | Three-five years | Above five years | Duration not specified |   |
|  |                           |                                | 1   | 2               | 3                | 4                | 5                      | 6 |
| Purchase of seed ..                        | —                         | —                              | —   | —               | —                | —                | —                      | — |
| Purchase of manure                         | —                         | —                              | —   | —               | —                | —                | —                      | — |
| Purchase of live-stock .....               | 10                        | 2,050                          | —   | 100.0           | —                | —                | —                      | — |
| Digging and repair of wells .....          | 57                        | 80,717                         | —   | —               | 0.2              | 99.8             | —                      | — |
| Reclamation of land .....                  | —                         | —                              | —   | —               | —                | —                | —                      | — |
| Purchase of implements and machinery ..... | 3                         | 13,915                         | —   | —               | 100.0            | —                | —                      | — |
| Bunding and other land improvements .....  | 8                         | 1,800                          | —   | 61.1            | 38.9             | —                | —                      | — |
| Other purposes .....                       | 11                        | 3,600                          | —   | 55.6            | 44.4             | —                | —                      | — |
| <b>Total</b> .....                         | <b>89</b>                 | <b>1,02,082</b>                | —   | <b>5.0</b>      | <b>16.1</b>      | <b>78.9</b>      | —                      | — |

6.14 A frequent grievance made against Government finance is that it takes too long between an application and its sanction and the subsequent disbursement of the amount. In Table 6.5, we give the distribution of the disbursed loans by the time lag between the application and the disbursement of the amount. It will be seen that nearly one-fifth of the amount was disbursed within three months of the application. On the other hand, in the case of nearly one-fourth of the amount, it took more than five months from the application to the disbursement. In terms

of the number of applications, rather than the amount involved, in 27 out of the 89 cases studied, it took more than eight months from the application to the disbursement of the amounts sanctioned.

6.15 We tried to obtain from the sample of selected cultivators their experience with the operation of Government finance. However, not much information was available. Only five of the 120 selected cultivators had obtained loans from Government during the year. Four of them reported that they received the whole of the amount for which they had applied; the remaining one received only one-fourth of the amount applied for. Three of the persons received the amount within three months of the date of application but one received it after more than eight months.

**TABLE 6.5—CASE STUDIES OF LOANS : LOANS CLASSIFIED ACCORDING TO THE TIME-LAG BETWEEN THE DATE OF APPLICATION AND THE DATE OF DISBURSEMENT**

|   | Total    | TIME-LAG       |                     |                      |                      |                    |                        |
|---|----------|----------------|---------------------|----------------------|----------------------|--------------------|------------------------|
|   |          | Upto one month | One to three months | Three to five months | Five to eight months | Above eight months | Time-lag not specified |
|   |          | 1              | 2                   | 3                    | 4                    | 5                  | 6                      |
| Number of loans sanctioned                | 89       | 3              | 14                  | 29                   | 6                    | 27                 | 10                     |
| Amount disbursed (Rs)....                 | 1,02,082 | 2,200          | 15,750              | 37,225               | 7,925                | 14,967             | 24,015                 |
| Percentage of total amount disbursed..... | 100.0    | 2.1            | 15.4                | 36.5                 | 7.8                  | 14.7               | 23.5                   |

6.16 Considering the multitude of the jobs that the Revenue Department has to handle, one wonders whether the consideration of the applications and the disbursement of the sanctioned amounts could indeed be speeded up, though from the standpoint of the utility of the loans it would be very much desirable to do so.

6.17 Another major grievance relates to the cost which the applicant has to incur in travelling for submitting the application and for receiving the amount. For instance in 80 out of the 89 cases studied, the amounts were disbursed in a place, usually the taluka town, other than the place of residence of the applicant. It is difficult to say whether any other arrangements were possible. But if the amounts could be disbursed in the place of residence of the applicant, apart from saving him the cost of travel, this would partly meet yet another grievance. It was generally reported that there were considerable costs of satisfying the local leaders and petty officials. If such costs were indeed considerable, as they were reported to be, the official rate of interest would be meaningless. Disbursement of the amounts in the villages rather than at the taluka headquarters might offer certain checks on these practices. Therefore, it would be worthwhile enquiring whether this would be administratively very difficult.

6.18 To sum up, it is obvious that the Government finance in this district is yet very inadequate and at present meets only a negligible fraction of the credit needs. Also a large part of the finance provided was under the Grow More Food schemes, which were necessarily of a temporary character. If Government finance is to be regarded a normal activity and not an emergency measure, more attention must be paid to the possibilities of making loans under the normal provisions of the two legislations, namely, the Land Improvement Loans Act and the Agriculturists' Loans Act.

## CHAPTER 7

### CO-OPERATIVE FINANCE

7.1 In the preceding chapter, while describing the objectives and measures of Government finance, we divided them into two broad categories of what we called the negative and the positive aspects of Government policy. Under the first came measures primarily directed towards reformation of the profession of the private moneylenders and the amelioration of the conditions created by their unrestricted practices over long years. Under the second aspect of the policy, came the Government efforts to supply credit to the agriculturists directly. In this chapter, we shall examine a third aspect of the Government policy, which falls in between the two, but which, in a sense, is one of enduring and permanent value, namely, the Government efforts to sponsor and foster co-operative effort generally and co-operative credit in particular. Unfortunately, it seems that the co-operative movement has not yet found its roots in this district ; as we have seen, the share of the co-operative societies in the total supply of credit is very small, a bare 0.5 per cent of the total. In 1952, there were only 139 primary credit societies in this district. There were nine multi-purpose societies, five Taluka Agricultural Co-operative Associations, one Urban Bank and two Co-operative Central Banks, one at Latur and the other at Osmanabad. There was no land mortgage bank in the district. There were also no marketing societies and none of the multi-purpose societies did undertake marketing of agricultural produce.

7.2 The Co-operative Societies are registered under and governed by the Hyderabad Co-operative Credit Societies Act of 1923 *Fasli*. Recently this Act has been replaced by the Hyderabad Co-operative Societies Act of 1952, which is enacted on the lines of the Bombay Co-operative Societies Act. A brief description of the provisions of the latter Act has appeared in our district monograph on West Khandesh district in Bombay State.

7.3 In order to study the working of the co-operative societies and their place in the village economy, four of the eight selected villages were chosen from villages having co-operative societies. However, at the time of investigation, it was found that a village chosen as not having a co-operative society, actually had one. The society was, however, a dormant society in the sense that it had not issued any loans during 1949-50 and 1950-1 nor did it report any activity at the time of the investigation. The four selected villages having co-operative societies were Khasapuri, Nandgaon, Ratnapur and Saranwadi. In Table 7.1, we give a statement of the financial position and loan operations of these societies during 1950-1. It will be seen that paid-up share capital and the borrowings from the central co-operative



banks were the main sources of the working capital of these societies. They had no reserve funds nor any deposits from members or other persons.

**TABLE 7.1—PRIMARY AGRICULTURAL CREDIT SOCIETIES IN SELECTED VILLAGES: FINANCIAL POSITION AND LOAN OPERATIONS IN 1950-1**

(Amount in rupees)

| Item  | Khasapuri<br>Agricultural<br>Co-operative<br>Society | Nandgaon<br>Primary<br>Co-operative<br>Society | Ratnapur<br>Primary<br>Co-operative<br>Society | Saranwadi<br>Agricultural<br>Co-operative<br>Society |
|---|--|--|--|--|
|   | 1  | 2  | 3  | 4  |
| Number of members.....                                      | 16   | 17   | 24   | 16   |
| <b>Total owned funds.....</b>                               | <b>632</b>   | <b>684</b>                                     | <b>693</b>                                     | <b>717</b>   |
| Paid-up share capital.....                                  | 398  | 510  | 486  | 462  |
| Other funds.....  | 234  | 174  | 207  | 255  |
| <b>Borrowing from central co-operative banks.....</b>       | <b>150</b>   | <b>2,731</b>                                   | <b>601</b>                                     | <b>378</b>   |
| <b>Total working capital.....</b>                           | <b>782</b>   | <b>3,415</b>                                   | <b>1,294</b>                                   | <b>1,095</b>   |
| Loans advanced during the year to individuals.....          | -  | 3,360  | -  | 945  |
| Repayments by individuals during the year.....              | -  | 891  | 275  | 1,012  |
| <b>Total outstanding including interest receivable.....</b> | <b>480</b>   | <b>2,925</b>                                   | <b>865</b>                                     | <b>945</b>   |
| Of which overdue.....                                       | -  | 175  | 865  | -  |
| Investments.....  | 200  | 310  | 300  | 75   |
| Maximum borrowing power of society.....                     | 6,228  | 11,628   | 16,000   | 5,964  |
| Maximum borrowing power of members.....                     | †  | †  | *  | †  |

† 12 times the amount of Land Revenue.

\* 12 times the amount of Land Revenue on the land pledged to the society.

7.4 Only in the case of one society, namely, that at Nandgaon, the funds borrowed from the central co-operative banks formed a substantial proportion of its total working capital. The society also used these funds for making substantial loans to its members during the year. Only one more society, namely that at Saranwadi, made some loans during the year, largely from its own funds. The loans made by these two societies during the year were almost all outstanding at the end of the year; but the overdues were small. On the whole, therefore, the working of these two societies might be regarded as satisfactory or at least in order. The other two societies, namely, at Khasapuri and Ratnapur did not make any loans during the year; and they had substantial amounts outstanding, which in the case of the society at Ratnapur were all overdues.

7.5 It will be of interest to compare the loans made during 1950-1 and the loans outstanding at the end of 1950-1 as appearing in the above mentioned financial statements of the four selected societies, with the borrowings from the societies and the outstanding debt reported to them in the General Schedule by the cultivators in the corresponding villages. As was earlier pointed out, the General Schedule data regarding borrowings approximately related to the calendar year 1951 while

the General Schedule data relating to outstanding debt related approximately to the end of 1951. The financial statements appearing in Table 7.1 above, correspond to the Co-operative year 1950-1 ending with June 1951. Hence the General Schedule data are not exactly comparable with the data appearing in the above statements but instead belongs to a slightly different period. A comparison would, nevertheless, be worthwhile. In Table 7.2, are given the borrowings and outstanding debts as reported in the General Schedule by the cultivators in the four villages with co-operative societies. It will be seen that the cultivators in Nandgaon have reported borrowings from the co-operative society to the extent of Rs 1,840; in the statement given in Table 7.1, the society is shown to have advanced loans worth Rs 3,360. It seems, therefore, that there has been a certain under-reporting of borrowings from this co-operative society or else the village society had considerable membership outside the village. Seeing that the total membership of the society was only seventeen, this seems unlikely. The borrowings from co-operative society reported by the cultivators in Saranwadi are similarly below what the society is shown to have advanced during the year; however, here the two are in dimensional agreement. On the other hand, in Khasapuri, the cultivators have reported a small amount as borrowed from the co-operative society, though the statement of the society shows no advances made during the year. On balance, however, the borrowings from co-operative societies according to the General Schedule seem somewhat understatement of what the societies are reported to have advanced during the year. Nevertheless, the share of the societies in the total borrowing during the year would of course not be more than, say, 1 per cent.

**TABLE 7.2—BORROWINGS AND OUTSTANDING DEBT OF CULTIVATORS CLASSIFIED ACCORDING TO CREDIT AGENCY**

[General Schedule data. In tens of rupees]

| Creditor                       | BORROWINGS |              |              |            |              | OUTSTANDING DEBT |              |              |            |              |
|--------------------------------|------------|--------------|--------------|------------|--------------|------------------|--------------|--------------|------------|--------------|
|                                | Khasa-puri | Nand-gaon    | Ratna-pur    | Saran-wadi | Total        | Khasa-puri       | Nand-gaon    | Ratna-pur    | Saran-wadi | Total        |
|                                | 1          | 2            | 3            | 4          | 5            | 6                | 7            | 8            | 9          | 10           |
| Government.....                | 356        | —            | 123          | 4          | 483          | 425              | 10           | 159          | 4          | 598          |
| Co-operatives*....             | 7          | 184          | —            | 69         | 260          | 57               | 237          | 42           | 102        | 438          |
| Relatives.....                 | 63         | 530          | 85           | 181        | 859          | 78               | 637          | 223          | 198        | 1,136        |
| Landlords.....                 | —          | 10           | —            | —          | 10           | —                | 10           | —            | —          | 10           |
| Agriculturist moneylenders..   | 177        | —            | 508          | 499        | 1,184        | 750              | —            | 899          | 569        | 2,218        |
| Professional moneylenders..    | —          | 797          | 379          | —          | 1,176        | —                | 1,963        | 788          | —          | 2,751        |
| Traders and commission agents. | 95         | 173          | 149          | —          | 417          | 118              | 484          | 149          | —          | 751          |
| Commercial banks               | —          | —            | —            | —          | —            | —                | —            | —            | —          | —            |
| Other agencies...              | —          | —            | —            | —          | —            | —                | —            | —            | —          | —            |
| <b>Total.....</b>              | <b>698</b> | <b>1,694</b> | <b>1,244</b> | <b>753</b> | <b>4,369</b> | <b>1,428</b>     | <b>3,341</b> | <b>2,260</b> | <b>873</b> | <b>7,902</b> |

\* Includes 'commercial banks' in the case of outstanding debt.

7.6 We might similarly compare the outstanding debt owing to the co-operative societies as reported in the General Schedule by the cultivators in these villages with the outstanding loans as appearing in the financial statements of these societies. It will be seen that the two are in reasonable agreement in the case of two of the four societies and in the other two, the reporting in the General Schedule is considerably below that appearing in the financial statements. In so far as practically all the loans made by the societies during the year remained outstanding during the year, the discrepancy in the outstanding debt would naturally be similar to that in the borrowings.

7.7 We might then summarise the position by considering the four societies together. The four villages put together had a total of 573 resident families of which 292 were cultivators. The four societies put together had a total membership of 73 in 1950-1. Thus only about 25 per cent of the cultivators in these villages were members of the village societies ; this does not seem very satisfactory. The total paid-up share capital of these societies was Rs 1,856 which works out to be Rs 25 per member. As already stated the societies had no reserve funds nor deposits. Their other funds amounted to Rs 870. As is evident from Table 7.2, the total borrowings by cultivators in the four villages amounted to Rs 43,890. Of this only Rs 2,600 was borrowed from the co-operative societies. This is possibly an understatement. Hence, if we work on the basis of the financial statements of the societies as shown in Table 7.1, it will be seen, that the borrowings from the societies during the year could be in the neighbourhood of Rs 4,305. This would mean that the societies met only about 10 per cent of the total supply of credit in these villages. Among the remaining, the borrowings from Government amounted to about 11 per cent and borrowings from the relatives accounted for about 20 per cent. The relatives as a source of credit, though not amenable to control, cannot be said to be undesirable. If, therefore, we leave out the borrowings from Government and from the relatives, it will be seen, that the co-operative societies in these villages met less than 15 per cent of the remaining credit raised by the cultivators. This cannot be regarded as satisfactory. The same is more or less true if we judge the share of the co-operative societies on the basis of the outstanding debt rather than on the basis of the borrowings.

7.8 In addition to the four societies from the selected villages, four more credit societies in the district were selected for study. In these cases, the investigation was confined to the working of the selected societies and no general information relating to the villages in which they were situated was obtained. We have, therefore, no information regarding the total borrowing and the outstanding debt of the families in these villages. Hence it is not possible to judge the place of these societies in relation to the total supply of credit in their villages. The following discussion is, therefore, based on only the financial statements of these societies.

7.9 All the four selected societies were primary credit societies. They were the societies at Awrad in Umerga taluka, Vadji in Kalam taluka, Kava in Latur

taluka and Jewli in Umerga taluka. Of these the last mentioned was dormant. In Table 7.3, we give a statement showing the financial position and loan operation of the three remaining societies. It will be seen that two of the three societies, namely, those at Awrad and Kava depended almost entirely on the finances from the central co-operative banks; their owned funds were relatively meagre. Nevertheless, they seem to have utilised the finances from the central co-operative banks for making substantial loans to their members. The recovery of the loans also appears satisfactory with only a small amount of overdues. The working of these two societies may, therefore, be regarded as sound and formally satisfactory. The third society, namely, at Vadji, has relatively larger owned funds and it apparently depended to a lesser extent on the finance from the central co-operative banks. However, it could make only small advances during the year and all its previous loans were overdue. Almost the whole of its working capital was thus locked in these overdues; possibly that explains its small borrowing from the central co-operative bank. The working of this society was thus obviously unsatisfactory.

**TABLE 7.3—ADDITIONAL PRIMARY AGRICULTURAL CREDIT SOCIETIES STUDIED IN THE DISTRICT: FINANCIAL POSITION AND LOAN OPERATIONS IN 1950-1**  
(Amount in rupees)

| Item  | Awrad<br>Agricultural<br>Co-operative<br>Society | Vadji<br>Agricultural<br>Co-operative<br>Society | Kava<br>Primary<br>Co-operative<br>Society |
|---|--|--|--|
|   | 1  | 2  | 3  |
| Number of members.....  | 14   | 26   | 14   |
| <b>Total owned funds.....</b>                                   | <b>259</b>                                       | <b>733</b>                                       | <b>365</b>                                 |
| Paid-up share capital.....                                      | 105  | 460  | 354  |
| Other funds.....  | 154  | 273  | 31   |
| <b>Borrowings from central co-operative banks</b>               | <b>2,812</b>                                     | <b>652</b>                                       | <b>800</b>                                 |
| <b>Total working capital.....</b>                               | <b>3,071</b>                                     | <b>1,385</b>                                     | <b>1,185</b>                               |
| Loans advanced during the year to individuals.....              | 2,575  | 385  | 800  |
| Repayments by individuals during the year.....                  | 715  | 41   | 1,015                                      |
| <b>Total outstanding including interest<br/>receivable.....</b> | <b>2,816</b>                                     | <b>1,223</b>                                     | <b>800</b>                                 |
| Of which overdue.....   | 241  | 1,223  | -  |
| Investments.....  | 200  | 100  | 293  |
| Maximum borrowing power of society.....                         | 5,112  | 3,465  | 4,440                                      |
| Maximum borrowing power of members.....                         | *  | *  | *  |

\* 12 times the amount of Land Revenue on the land pledged to the society.

7.10 To sum up, out of the seven credit societies described above, it will be seen that except for the two societies at Khasapuri and Saranwadi, the primary societies seem largely dependent on the central co-operative banks. They have failed to promote thrift among their members or to attract deposits from non-members. They are, therefore, primarily societies of borrowers. Consequently their loan operations are more or less governed by the central co-operative banks. However, except for two societies, their recovery of loans and general administration appears satisfactory. The two unsatisfactory cases, however, provide a warning that but for the very detailed control of the central co-operative banks, the situation could not possibly be as satisfactory.

7.11 The seven co-operative credit societies covered by our study had in 1950-1, a total membership of 127 and during the year they made fresh loans amounting to Rs 8,065. In order to study the characteristics of individual loans, we extracted relevant information available in the loan registers of these societies. However, the information does not relate to the year 1950-1 uniformly, as in the case of two societies, those at Khasapuri and Ratnapur, no loans in the year 1950-1 were advanced. In these cases the data collected through supply schedule 3 relate to the year 1949-50. A sample of 54 loans amounting to Rs 9,515 was thus studied. In Table 7.4, we give a distribution of these loans and the amounts disbursed according to the size of the loans. Thus, there were no loans above Rs 1,000 and the average amount of the loans was less than Rs 200. On the whole, a majority of loans were of small amounts. Thus 37.0 per cent of the loans were of amounts of less than Rs 100 each; they accounted for 10.1 per cent of the total amount disbursed. On the other hand, 22.3 per cent of the loans were of amounts larger than Rs 300 each; but they accounted for nearly half of the total amount disbursed.

**TABLE 7.4—PRIMARY AGRICULTURAL CREDIT SOCIETIES: CASE STUDIES OF LOANS: LOANS ADVANCED DURING 1950-1\* CLASSIFIED ACCORDING TO SIZE**

| Size of Loans           | Number of loans<br>(Percentage to total) | Amount disbursed<br>(Percentage to total) |
|-------------------------|--|---|
|                         | 1  | 2   |
| Less than Rs 100.....   | 37.0                                     | 10.1                                      |
| Rs 100 to Rs 200.....   | 20.4                                     | 14.7                                      |
| Rs 200 to Rs 300.....   | 20.4                                     | 26.3                                      |
| Rs 300 to Rs 400.....   | 9.3                                      | 17.4                                      |
| Rs 400 to Rs 500.....   | 9.3                                      | 21.0                                      |
| Rs 500 to Rs 1,000..... | 3.7                                      | 10.5                                      |
| Rs 1,000 and above..... | -  | -   |
| <b>Total.....</b>       | <b>54</b>                                | <b>9,515</b>                              |

\* Or the latest year for which information was available.

7.12 All the loans were sanctioned for a duration of one year or less. However, in view of the extensive practice of fictitious annual repayment and fresh borrowing shown in the books of the societies, a number of loans would in fact remain outstanding over a much longer period. A majority of the loans were for current farm expenditure but there were also a few for bunding, digging of wells or for purchase of livestock. All the loans were secured by mortgage of land and all of them earned  $9\frac{3}{4}$  per cent per annum, which is  $1\frac{1}{2}$  anna per rupee per annum.

7.13 All the loans were disbursed in the village of the applicant's residence. In seventeen cases, we could not secure the information regarding time lag between application and disbursement; but in all the remaining 37 cases, the amount was disbursed within three months from the date of application and in 11 of these, it was done actually within a month. It would thus appear that from the standpoint of

speedy sanction and disbursement and of the convenience of the applicant in the matter, the loans from the co-operative societies were to be much preferred to the loans from Government.

7.14 We had also enquired from the sample of selected cultivators about their experience with the co-operative finance, particularly regarding the time lag between the application and the sanction of loans from primary co-operative credit societies. Only four out of 120 selected cultivators had reported borrowing from the co-operative societies and all of them said that they could obtain the loans within three months of the application. Considering that every loan had to be scrutinised and approved by the central co-operative bank, this seems satisfactory though speedier sanction of the loans would undoubtedly make them more useful. The loaning procedure in Osmanabad seemed to be slightly too long winded. The loan application was forwarded to the Inspector of co-operative societies, who after scrutiny of the normal credit statement as well as the register of mortgages, forwarded it with his recommendation to the Assistant Registrar of co-operative societies in the district. The Assistant Registrar then recommended the application to the central co-operative bank for sanction. The central co-operative bank disbursed the loan after obtaining the sanction of the Managing Committee or the loan Sub-Committee. It seems, therefore, that there is scope for expediting the consideration of the loan applications and making their sanction more speedy.

7.15 It was earlier mentioned that most of the societies studied by us depended heavily on the central co-operative banks. There were two central co-operative banks in this district, one at Latur and the other at Osmanabad. The central co-operative bank at Latur provides finance to societies in Latur and Ausa talukas ; the central co-operative bank at Osmanabad provides finance to societies in all the six remaining talukas. The size of their operations in the district might be judged from the statements of their financial position and loan operations during 1950-1 given in Table 7.5. It will be seen that during the year the two central co-operative banks together advanced Rs 1,71,800. The two together had 161 societies as their members.

7.16 Before concluding this chapter on the co-operative credit movement in the district, we should mention two other institutions which in a sense are special features of this district and possibly of other districts in Hyderabad State ; they are the rural banks and the grain banks. The object of the rural banks, as of the primary credit societies, is to encourage thrift among their members and to provide them finance for legitimate needs. However, they served larger areas than a primary society ; each rural bank was expected to serve a group of about fifteen villages. In order to encourage deposits in these banks, the State Government has guaranteed interest at 4 per cent on all deposits with these banks. They were also expected to provide the finance necessary for the marketing of agricultural produce. It was expected that the marketing societies, after their establishment, would affiliate to

these banks so that it would be easier for the banks to recover loans advanced to members. The co-operative marketing movement, however, did not get started in this district. The banks also were not able to gain the expected popular support. In 1951, there were eleven rural banks in the district. We had selected two of these for a study of their financial operation. In Table 7.6, we give statements of financial position and loan operations during 1950-1 of the two rural banks, one at Kalam and the other at Umerga. It will be seen that, as in the case of the primary credit societies, the working capital in one of these banks was largely composed of the borrowing from the central banks. The deposits, for which special efforts were made, were not promising and formed only a small part of their total working capital. Only one of the banks had advanced loans worth Rs 11,736 during the year and only a small amount was reported as overdue.

**TABLE 7.5—CENTRAL FINANCING AGENCIES: FINANCIAL POSITION AND LOAN OPERATIONS IN 1950-1**

(Amount in hundreds of rupees)

| Item  | Latur<br>Co-operative<br>Central<br>Bank | Osmanabad<br>Central<br>Co-operative<br>Bank |
|---|--|--|
|   | 1  | 2  |
| Number of members—individuals.....                          | 44                                       | 68   |
| Number of members—societies.....                            | 46                                       | 115  |
| <b>Total owned funds.....</b>                               | <b>216</b>                               | <b>478</b>                                   |
| Paid-up share capital.....                                  | 205                                      | 321  |
| Reserve fund.....   | 4  | 61   |
| Other funds.....  | 8  | 96   |
| <b>Deposits.....</b>  | <b>105</b>                               | <b>811</b>                                   |
| <b>Borrowings from co-operative banks.....</b>              | <b>264</b>                               | <b>557</b>                                   |
| <b>Total working capital.....</b>                           | <b>585</b>                               | <b>1,847</b>                                 |
| Establishment costs.....                                    | 13                                       | 33   |
| Amount advanced during the year to banks and societies..... | 561                                      | 1,157  |
| Loans due at the end of the year.....                       | 549                                      | 1,530  |
| Of which amount overdue.....                                | 51                                       | 983  |
| Interest receivable.....                                    | 11                                       | ..   |
| Of which overdue.....                                       | 2  | ..   |

Note :—Data for the Latur Co-operative Central Bank was reported in O.S. currency. They are converted into Indian Currency at a ratio of O.S. Rs 7 = Indian Rs 6.

7.17 The other important co-operative institutions in the district are the grain banks. They were first established in 1353 *Fasli*. In the beginning, the movement gained large support and in 1948-9, there were established in this district 520 such banks. However, their working was not found to be satisfactory and the authorities discouraged their further growth. Consequently, in 1952, their number had dropped to 317.

7.18 The object of the grain banks is to encourage thrift among the small farmers and to provide them grain loans for seed and for consumption. Only *jowar* and wheat are accepted by way of share capital and deposits. Grain deposits by the members cannot be withdrawn for five years during which period profits are

**TABLE 7.6—RURAL BANKS: FINANCIAL POSITION AND LOAN OPERATIONS  
IN 1950-1**

(Amount in rupees)

| Item   | Rural Bank,<br>Kulam | Rural Bank,<br>Umerga |
|--|----------------------|-----------------------|
|  | 1                    | 2                     |
| Number of members .....                                      | 176                  | 148                   |
| <b>Total owned funds</b> .....                               | <b>4,378</b>         | <b>4,417</b>          |
| Paid-up Share Capital .....                                  | 3,630                | 4,417                 |
| Reserve fund .....   | 148                  | -                     |
| Other funds .....  | 600                  | -                     |
| <b>Deposits</b> .....  | <b>1,199</b>         | <b>1,000</b>          |
| <b>Borrowings from central banks</b> .....                   | <b>12,516</b>        | -                     |
| <b>Total working capital</b> .....                           | <b>18,093</b>        | <b>5,417</b>          |
| Loans advanced during the year .....                         | 11,736               | -                     |
| Repayments during the year .....                             | -                    | 907                   |
| <b>Total outstanding including interest receivable</b> ..... | <b>13,770</b>        | <b>5,228</b>          |
| Of which overdue .....                                       | 1,920                | ..                    |
| Of which bad and doubtful .....                              | -                    | 251                   |
| Investments .....  | 250                  | -                     |
| Other assets .....   | -                    | -                     |

accumulated. 25 per cent of the profits earned during this period are transferred to the reserve fund and the rest are converted into irredeemable bonus shares. Grain loans made to members are charged interest at 25 per cent per annum. The grain banks are not affiliated to the central banks. However, they can become members of the taluka agricultural co-operative associations which finance them as and when necessary. The extent of grain loans as indicated by our enquiry has already been commented upon in an earlier chapter.

7.19 In conclusion we might say that the co-operative movement has not indeed found firm roots in this district yet and that greater official and non-official efforts will be necessary to establish it on a sound and effective footing.



## CHAPTER 8

### PRIVATE FINANCING AGENCIES

8.1 Due to its important commercial crops, traders in agricultural commodities form one of the principal private agencies supplying credit to cultivators. Among other private agencies supplying credit are the commercial banks on the one hand and indigenous bankers and private moneylenders on the other. The banking facilities in the district are not adequate. The Hyderabad State Bank has branch offices at Latur and Osmanabad. The Central Bank of India and the Mercantile Bank of Hyderabad have each a branch office at Latur. There are two central co-operative banks at Latur and Osmanabad ; but they finance only the primary credit societies. There are no other banks in the district.

8.2 As part of our investigation, we had mailed a questionnaire to the local offices of the commercial banks requesting information regarding their advances and loans to agriculturists. As the purpose for which the advance was made might not have been noted in the books of the banks, we enquired specifically about the advances against agricultural produce.

8.3 The branch office of the Hyderabad State Bank at Osmanabad had not any loans against agricultural produce outstanding on 30 September 1951. No information in respect of the advances made by the branch office of the Hyderabad State Bank at Latur was available. The branch offices of the Central Bank of India and the Mercantile Bank of Hyderabad returned our questionnaire duly filled in. From these returns, it appears, that on 30 September 1951, these banks had outstanding advances amounting to only nearly Rs 2 lakhs against agricultural produce. The advances were made against groundnut, linseed, and gram and were to 11 accounts, all of commission agents. The advances were used for general trading purposes. It is, therefore, clear that the commercial banks do not by themselves finance the agriculturists directly. Their meagre finance in this direction goes mainly to the traders who in their turn, of course, supply considerable finance to the agriculturists. We shall examine their part in this respect in the next chapter.

8.4 The other private agency for agricultural finance is the private moneylender. The profession of moneylending is governed in this State by the Moneylenders Act of 1349 *Fashi*. The Act is designed to regulate and control the business of the moneylenders. It requires all moneylenders to be registered and licensed to carry on the business of moneylending in a specified area. The licence is valid only for one year and must be renewed. In order to regularise the moneylender's accounts, the Act requires him to keep them in a prescribed form and to give each

client a statement giving details of loans and showing capital and interest separately. The rates of interest are to be fixed by Government from time to time ; at the time of our investigation, they were 6 per cent for secured and 9 per cent for unsecured loans.

8.5 However, as we have earlier noted, a majority of loans made by private moneylenders earned interest between 25 and 35 per cent. This was because most of the loans, were not probably made by licensed moneylenders. In fact, there was very little registration and even when a moneylender was registered and licensed, a large part of his business was usually outside the prescribed accounts. There is little doubt that a substantial part of the private moneylending in the district was outside the scope of the Act. The principal difficulties in an effective enforcement of the Act seem to be firstly the large amount of moneylending that takes place within a village which it is obviously difficult to control by an act of legislation. Secondly, not all the moneylending is done by what might be called professional moneylenders who would take the trouble of getting registered and maintaining accounts in prescribed forms ; a substantial part of the moneylending is in the nature of private and personal accommodation. Thirdly, the business of moneylending is often combined with other businesses such as trading and an accounting separation of the two is not always possible. Finally, of course, is the general distrust with which the moneylenders look upon Government regulation and the ingenuity and influence which they command to escape the same.

8.6 To the extent that the Moneylenders' Act was effective, it was generally believed that it might have caused, at least temporarily, certain hardship to the cultivators in obtaining credit. To ascertain the opinion of the cultivators in this respect, a special questionnaire was issued to the selected cultivators enquiring whether they experienced any difficulties in obtaining adequate and prompt credit, and whether they attributed these difficulties to any legislation or Government action. Only 51 of the 80 bigger cultivators and 15 of the 40 smaller cultivators gave satisfactory answers to this questionnaire. 59 of them said that they experienced difficulties in getting adequate finance ; 23 of them said that this was because they had no adequate security to offer. 32 of the cultivators attributed their difficulties to Government legislation and action. A general argument was that because of the Act, the normal business of the moneylenders had become illegal and hence the moneylenders were now asking for higher rates of interest, that the relations of the cultivators with the moneylenders were no longer cordial and hence personal accommodation was becoming difficult. Some of the cultivators pointed out that Government or the co-operative societies could not supply the kind of speedy and emergency credit which the private moneylenders supplied and that, therefore, measures such as scaling down of past debts of the private moneylenders did not do much ultimate good to the habitual borrowers. They pointed out that the private moneylender had a definite place in the village economy and that it did not do them much good to displease him.

8.7 To study the operation of private moneylenders a sample of about twenty moneylenders was to be selected at each of the five selected marketing centres. This could be done only on the basis of the list of licensed moneylenders available at each centre. It is possible that there were moneylenders who were not licensed and hence did unauthorised business. But there were no means of knowing their names and in any case it was little use interviewing them. The following information is, therefore, based on the interviews with licensed moneylenders only and naturally would relate only to their authorised business.

8.8 It was noticed that at each of the five selected marketing centres, the number of licensed moneylenders was less than 20. Thus at Latur there were only 16 licensed moneylenders, at Murum 10, at Umerga 7 and at Kalam and Osmanabad only 4 such moneylenders at each place. Thus there were altogether 41 licensed moneylenders operating at the selected marketing centres. Besides these, three moneylenders resided in the selected villages; two were at Mangrul and one was at Matola. All of them were, therefore, interviewed.

8.9 Of the 44 moneylenders, 31 were cultivators, 4 were non-cultivating land-owners, sixteen were shopkeepers, eleven were traders in agricultural commodities, eight were brokers and commission agents, two were general merchants, one was a goldsmith; five were pure moneylenders. Fifteen of the 43 moneylenders who gave proper reply, were in business for more than 25 years, another fifteen for more than ten years and the remaining were in the business for not more than ten years. In the case of eighteen of the moneylenders, more than 75 per cent of their business was with agriculturists; in the case of thirteen others, this proportion was more than 50 per cent. 27 of the moneylenders said that they would not normally advance more than Rs 500 to any single cultivator even against a sound security. The rate of interest which the moneylenders said that they would charge on secured loans was generally between 6 and 9 per cent and on cash credit and unsecured loans it was between 9 and 12 per cent. Nine of the moneylenders said that forfeiture of security was quite frequent. 35 said that litigation was frequent. 23 moneylenders said that upto 25 per cent of their advances were doubtful and thirteen others reported even higher proportion of doubtful loans. Practically all the moneylenders said that they stipulated a definite period for repayment; but 24 reported that this period was exceeded in upto 25 per cent of their loans and fourteen others reported even higher proportion of their loans as not being repaid within the stipulated period. Forty-three moneylenders answering the relevant question said that they enquired about the purpose of the loans but only eight of them said that they actually watched the utilisation of the loans made. Most of the moneylenders reported advances against standing crops; about one-fourth of them stipulated for possession of the crops; and nearly half of them actually handled the crops for marketing. Only five moneylenders reported grain loans for seed or for both seed and consumption.

8.10 Only five of the moneylenders accepted deposits but three of them reported that such deposits formed less than 10 per cent of their resources. Only

six of the moneylenders, presumably all traders, said that they borrowed funds ; two said that they borrowed from commercial banks while four others borrowed from other private moneylenders. It is obvious, therefore, that a large part of finance supplied by the private moneylenders was independent of and in addition to what was supplied by the commercial banks. As was mentioned, nearly half of the moneylenders were also traders or brokers and commission agents and it might be expected that the credit supplied by them was firmly linked to their trading business. We shall examine the situation in the next chapter.

## CHAPTER 9

### MARKETING OF AGRICULTURAL PRODUCE

9.1 In earlier chapters attention was drawn to the fact that traders in agricultural commodities constituted an important source of credit to cultivators in this district. As a preliminary to an assessment of the role of traders as an agency supplying credit to cultivators, we shall describe in the present chapter the general conditions relating to marketing of agricultural produce in the district.

9.2 Proximity of important marketing centres like Barsi, Sholapur, Gulbarga and Akkalkot situated outside the district has had a marked influence on the development of marketing in this district. Until Latur market was developed, the agricultural produce of this district found its way to one or the other of these markets. Even now, a considerable portion of the agricultural produce of the district is marketed at these centres outside the district. Consequently, it has not been possible to develop any large local markets. In fact, except for Latur there is no market worth the name in the district. The market at Latur is regulated. But no other market in the district is regulated.

9.3 Under the Hyderabad Agricultural Markets Act, 1929, amended by the Hyderabad Agricultural Markets (Amendment) Act, 1950, the State Government, by notification, declares its intention to regulate the sale and purchase of agricultural produce, in a specified area declared to be a market area. All the functionaries in the market area, such as traders, commission agents, brokers, weighmen and others can operate in the market, only after obtaining a licence. Such licences are required to be renewed every year. For each area, declared as a market area, is constituted a market committee to enforce the provisions of this Act. The Committee consists of not more than sixteen and not less than eight members. Of these half are representatives of cultivators, one-fourth are representatives of traders and the remaining are nominees of the State Government and the local authorities. The highest local officer of the Revenue Department in whose jurisdiction the market lies, is the Government nominee on the committee and acts as its chairman. It should be noted that the representatives of cultivators are not elected by cultivators but are appointed by the State Government. The term of the market committee is usually two years. The market committee may levy fees on agricultural produce bought and sold in the market area according to prescribed rules. The State Government makes rules generally for each market detailing the provisions of the Act. They relate to the election of the office bearers and to the annual budgets of the market committees, maximum fees to be levied in respect of produce purchased and sold in the market area, issue of licences to various functionaries such as traders and commission agents, weights and measures to be used, trade allowances, storing

of produce, settling of disputes between buyers and sellers, regulation of advances made by brokers, traders or commission agents to cultivators, prevention of adulteration, grading and standardisation of produce, manner in which auctions shall be conducted and the bids made in the market, prohibition of brokers from acting on behalf of both buyers and sellers, etc.

9.4 As already indicated, only the market at Latur is regulated and the regulation covers all agricultural commodities which arrive there.

9.5 All traders engaged in the marketing of agricultural produce at Latur market have to take a licence. The licence fee is Rs 20 per licence per year.

9.6 At Latur which is the biggest and the most important marketing centre in the district, there are more than 300 traders engaged in the marketing of agricultural produce. These include wholesalers, commission agents, brokers, traders and those who combine two or more of these functions. At the next biggest marketing centre in the district, Kalam, there were only thirteen traders. The next biggest marketing centre was Murum where there were 25 traders. The remaining markets were very small as is indicated by the small number of traders operating there. Thus at Osmanabad there were only four traders and at Umerga, one of the selected marketing centres, there was only one trader.

9.7 There are two classes of '*adatyas*' or commission agents, namely, *kutch*a *adatyas* and *pucca adatyas*. The *kutch*a *adatyas* charge commission to the sellers only and the *pucca adatyas* charge commission to the buyers only. The commission rates to be charged by the *kutch*a *adatyas* to the sellers are laid down by the market committee. Thus, the prescribed rates of commission are, Rs 1-12-0 per Rs 100 of sale proceeds in the case of cotton and Rs 2 per Rs 100 of sale proceeds in the case of any other agricultural commodity. These rates prevail in the Latur market. At other markets which are unregulated, commission is charged at Rs 2 per Rs 100 of sale proceeds of all agricultural produce including cotton.

9.8 At Latur weighing is done by the *adatyas* for their customers free of charge. It is reported that at the unregulated markets, Re 0-8-0 is charged for weighing produce worth Rs 100. Further at Latur the rates of *hamali* were fixed at Re 0-2-0 per *palla* of cotton and Re 0-4-0 per *palla* of any other produce, a *palla* being equivalent to 120 standard weighed seers. At the unregulated markets *hamali* is charged at rates mutually agreed upon.

9.9 The working of the Latur market is supervised by a Market Committee consisting of six representatives of cultivators, four representatives of traders, one nominee of the local authorities and one nominee of the Government. The Deputy Collector, who is the Government's nominee presides over the Committee and the Marketing Superintendent acts as the Secretary of the Committee. Besides, there is a panel of arbitrators to settle disputes. Other markets being unregulated are outside the jurisdiction of the Market Committee. Besides no arrangements exist at other markets for settling disputes between traders.

9.10 At Latur market cess is levied from the seller through the *adatyas* at the rate of Re 0-4-0 per Rs 100 of sale proceeds.

9.11 Cart loads of commodities arrive and assemble in the market in the morning. The transport charges differ from place to place. But normally the rates vary from Re 0-8-0 to Rs 1-8-0 per mile for transport by motor according as it is a slack or a busy season. The same rates prevail for transport by cart, and they also vary according to the season. A special feature of the market at Latur is that public auctions are held in front of the Market Committee's office, in the presence of the Marketing Officer in respect of only three commodities, namely, cotton, groundnut and linseed. In the case of other commodities, the traders move from shop to shop in a group and at each shop the produce is sold by auction. A clerk of the Market Committee is present at each of these auctions and notes down the prices fixed at these auctions. At Latur, to provide equal opportunity to all traders to buy or sell, they are divided into six groups and each group is allotted a day. On any particular day, only those traders who belong to the group to whom that particular day has been allotted, can buy and sell in the market. Consequently, when a public auction is held in front of the Market Committee's office in the presence of the Marketing Officer, in respect of cotton, groundnut or linseed any trader, who happens to be the highest bidder in the auction of any particular commodity, is bound to purchase all arrivals of that commodity on that day. However, in the case of other commodities, as auctions are held in each shop separately, the highest bidder in an auction at any shop in any particular commodity is bound to purchase the whole stock of that commodity in that shop. It should, all the while, be remembered that the seller has the right to sell and that he may refuse to sell even to the highest bidder. After the bidding is over, the produce is weighed in the presence of the representative of the buyer and is then delivered to him. Even at the important unregulated markets like Murum and Kalam, the same procedure, namely that of traders moving from shop to shop in a group and holding auctions at each shop, is followed, but in respect of all commodities including cotton, groundnut and linseed. However, no clerk of the Market Committee is present at these auctions as they are unregulated markets.

9.12 Some idea of the volume of business at different marketing centres might be obtained from the following. In Table 9.1, we give approximate value of agricultural produce sold at Latur during 1950-1. The other markets were unregulated. Hence it was not possible to obtain the figures of the volume of trade carried on at those centres. However, it is reported that the average daily arrivals of agricultural produce, during the marketing season for four or five months at Kalam is about 150 cart loads; the same at Murum is reported to be about 100 cart loads. No information was available regarding the volume of trade carried at other marketing centres.

9.13 Five of the marketing centres in the district were selected for a study of the marketing practices as also of the warehousing facilities available there. These

were Latur, Kalam, Murum, Osmanabad and Umerga. In the following paragraphs we shall briefly describe the conditions at each of these marketing centres.

9.14 Latur, headquarters of Latur taluka, is not only the biggest marketing centre in this district but is also one of the biggest marketing centres in Hyderabad State. It is the terminal station on the Barsi Light Railway which starts from Miraj and reaches Latur *via* Kurduwadi and Barsi. Latur is connected by road and also, to some extent, by rail to other parts of Osmanabad and the neighbouring districts of Hyderabad State such as Bir, Bidar and Gulbarga. Latur is a regulated market and all the commodities, namely, cotton, oilseeds, pulses, *gur* and condiments and spices are covered by regulation. It is the biggest market in the district for cotton and oilseeds. There are at Latur seven ginning and pressing factories and three oil mills. Besides there are a large number of flour mills, some of which are also engaged in dehusking paddy. The agricultural produce is stored in godowns owned by Government and the banks and in godowns owned or rented by traders, commission agents, etc. The total storage capacity of these godowns is estimated at ten lakh bags. The existing arrangements for storage are reported to be adequate and satisfactory. Many of the traders do not have their own godowns. They take them on hire from others at the beginning of the season for a period of one year. The traders have to store goods because due to the shortage of wagons it is not possible to forward the goods immediately, by rail. No arrangements exist for grading and classification of important commodities of commerce like cotton, groundnut and linseed. However, a few commodities like rice are graded and classified at this centre.

**TABLE 9.1—APPROXIMATE VALUE OF AGRICULTURAL PRODUCE SOLD AT LATUR DURING 1950-1**

| Commodity                 | Value<br>(in lakhs<br>of Rs) |
|---------------------------|------------------------------|
| Groundnut pods (new)..... | 77.0                         |
| Groundnut pods (old)..... | 16.7                         |
| Groundnut seed.....       | 2.1                          |
| Linseed.....              | 16.4                         |
| Cotton (unginned).....    | 44.1                         |
| Safflower.....            | 25.7                         |
| Gram.....                 | 10.4                         |
| Coriander.....            | 11.2                         |
| <i>Gur</i> .....          | 5.6                          |
| Others.....               | 2.2                          |
| <b>Total</b> .....        | <b>211.4</b>                 |

9.15 Kalam, headquarters of Kalam taluka, is the second most important marketing centre in the district. It has no railway station. But it is connected by road to all parts of the district. It is connected to Latur directly by road. In fact, this is a feeder market for Latur. The market at Kalam is



unregulated. The main commodities marketed at this centre are groundnut, *arhar*, gram, safflower and cotton. The local traders and commission agents do not store the produce. They forward agricultural produce to Latur or Barsi as soon as they have a sizeable lot and can avail of transport facilities. Hence, the need for storage facilities, is not felt here. The traders have their own private godowns. No grading or classification of agricultural commodities is done at this market.

9.16 Murum, the third important market in the district is situated in Umerga taluka ten miles south-west of the taluka headquarters. This centre has no adequate communication facilities. It has no railway station and it is not situated even on an all-weather road. In rainy season, sometimes, it is cut off from the other parts of the district. It is an unregulated market and the main commodities marketed here are cotton, groundnut, safflower, gram and *arhar*. There are no processing concerns at this centre. It is merely an assembling market. The traders purchase outright agricultural produce from cultivators and as soon as they have a sizeable lot, say a truck load, they forward it to Latur, Sholapur, Akkalkot or Gulbarga for sale. The traders and commission agents may store the goods at the most for one month in anticipation of better prices. Hence, the need for storage has never been felt. No grading or classification of agricultural produce is done at this market.

9.17 Osmanabad, headquarters of the district, cannot really be called a marketing centre. There are only four traders at this place. They purchase agricultural produce brought by the cultivators in surrounding villages to the weekly market held at Osmanabad. As soon as they collect a truck-load of agricultural produce, the traders forward it to Latur or some other market to be marketed there. Therefore, here too, the need for storage facilities is not felt. However, the traders and commission agents have their own godowns. Some of them hold goods for six to eight months, in anticipation of better prices. Here too, there are no arrangements for grading and classification of agricultural commodities.

9.18 Umerga, headquarters of Umerga taluka, is one of the selected marketing centres. This centre has no adequate communication facilities. It has no railway station. It is situated at one end of the Tuljapur-Umerga road, 52 miles from Osmanabad. There are no other communication facilities available to this centre. However, it is connected to Latur and Murum by *kutch*a roads. Umerga can, in no sense, be called a marketing centre, for the volume of business is very small and there is only one trader. He purchases agricultural produce outright from cultivators. He is himself a lorry owner and twice a week he sends a lorry-load of agricultural produce to Sholapur, Gulbarga or Latur for selling there.

## CHAPTER 10

### CONCLUDING REMARKS

It is obvious from the foregoing account that the supply of rural credit in this district is still largely in the hands of private moneylenders, either agriculturist or professional. Government finance is negligible and co-operative credit movement has yet to find sound footings. The district is not agriculturally backward; in fact its agricultural resources are rich and are certainly richer than those of an average Deccan district. The above mentioned conditions regarding rural credit in the district can, therefore, be attributed only to its political backwardness until recent times. The district is rich in commercial crops and surplus in foodgrains. There is no reason, therefore, why, with more persevering official and non-official efforts, a co-operative credit organisation firmly linked to the marketing of the agricultural produce should not establish itself in this district in the near future.